



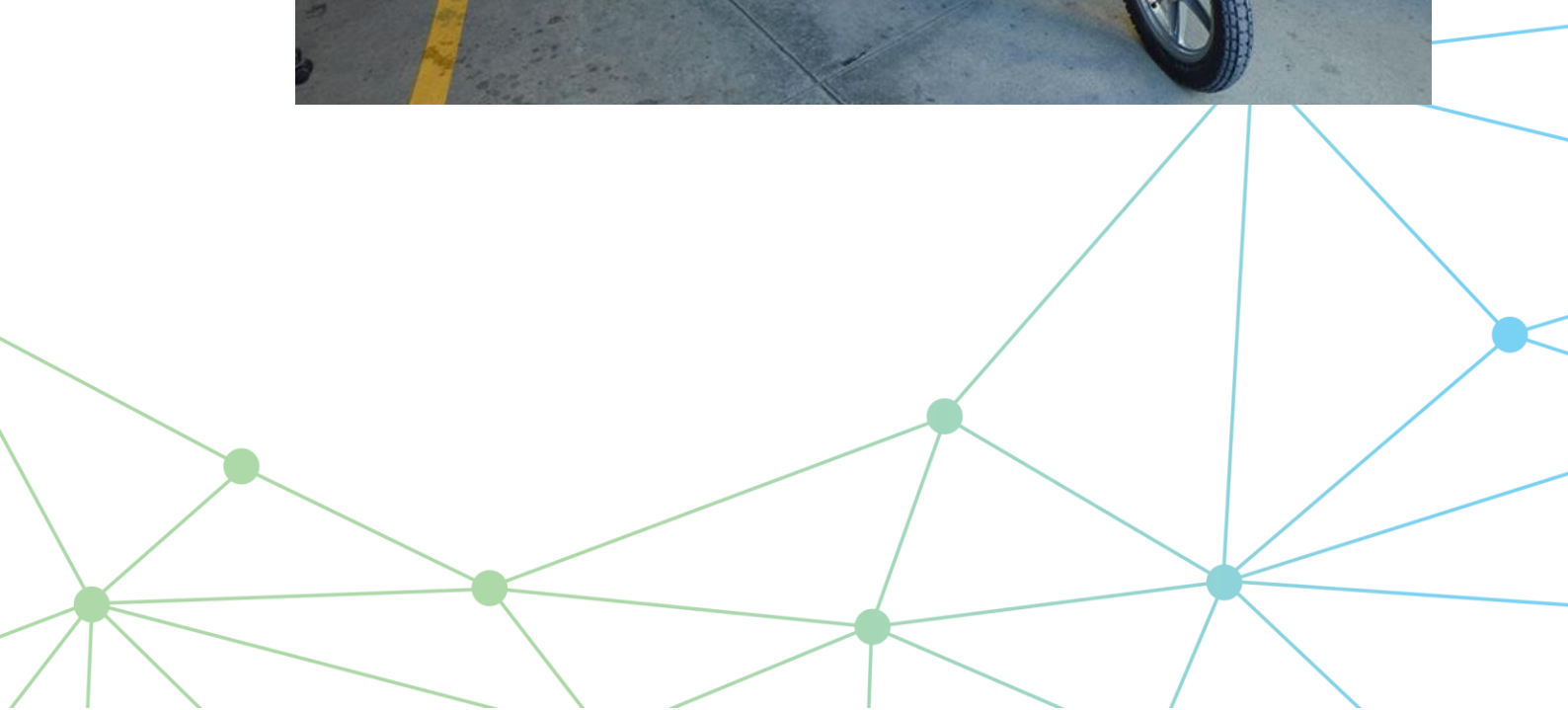
Australian Government

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

# Australia Post Modernisation and Long-Term Financial Sustainability

## Final Impact Analysis

October 2023



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# Executive Summary

Australia Post is governed by a complicated legislative framework largely established in the 1980s and 1990s. It requires Australia Post to provide a national letter service and maintain a Post Office network to standards that arguably exceed the requirements of contemporary Australia.

The cost of meeting these standards is growing, despite a decline in letter volumes and Post Office transactions. Australia Post reported a full financial year loss of \$200.3 million in 2022-23, the first annual loss since 2015.

Consistent with its status as a Government Business Enterprise (GBE), Australia Post does not receive financial support from the Government and is required to meet a range of Community Service Obligations (CSOs) that are outlined in further detail in this paper. The existing CSOs are no longer financially sustainable and are not well targeted at the needs of Australians in the context of an increasingly digitised economy.

Changes to regulatory requirements will provide Australia Post flexibility to adjust its operations to meet demand and reduce costs.

This Impact Analysis (IA) sets out a number of options for reforms in the following key areas:

- Letter pricing arrangements, to allow Australia Post to provide for a longer-term price pathway and more streamlined pricing oversight arrangements.
- Letter delivery standards, to allow Australia Post to adjust its operations to reflect reduced demand, reduce costs of the letter delivery service and support higher volumes of parcel delivery.
- Retail outlet standards, to maintain appropriate coverage of the Post Office network and access to face-to-face services provided by Post Offices, particularly in regional and rural areas.

## The problem with the regulated performance standards

The principal function of Australia Post is to supply postal services within Australia and between Australia and other places.<sup>1</sup> It has a legislated monopoly over the delivery over most letters in Australia ('reserved letters'),<sup>2</sup> but it has no legislated monopoly over and no regulated performance standards apply to parcels or other services.

The *Australian Postal Corporation Act 1989* (APC Act) imposes CSOs on Australia Post, including to supply a letter service that is 'reasonably accessible to all people in Australia on an equitable basis, wherever they reside or carry on business'.<sup>3</sup> In particular, the letter service must be supplied at a single uniform rate for standard letters carried by ordinary post.<sup>4</sup> The Australian Postal Corporation (Performance Standards) Regulations 2019 (Performance Standards Regulations) apply performance standards regulations to Australian Post that are related to the CSO.

The APC Act and PGPA Act also require Australia Post to act consistently with sound commercial practice, so far as practicable. As a GBE it is required to earn at least a commercial rate of return after adjustments for meeting CSOs and while operating and pricing efficiently.<sup>5</sup> There is also a framework to support price surveillance of the basic postage rate (BPR) for reserved letters.

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<sup>1</sup> Section 14, APC Act 1989

<sup>2</sup> Section 29, APC Act 1989

<sup>3</sup> Paragraph 27(4)(a), APC Act 1989

<sup>4</sup> Subsection 27(3), APC Act 1989

<sup>5</sup> 1.8c, Government Business Enterprises (GBEs)(RMG126)

The digitisation of the economy is changing how many people and businesses use postal services. People are sending and receiving less letters and visiting Post Offices less, opting to use increasingly accessible, affordable and sophisticated digital alternatives. Australia Post is now delivering one-third of the number of addressed letters (1.5 billion in 2022-23), compared to the peak of 4.6 billion in 2007-08. Letter volumes are forecast by Australia Post to decline further. Australia Post's ability to adjust its business model to meet the needs of contemporary Australia and rapidly declining letter volumes is constrained by the existing Performance Standards Regulations. Postal services nevertheless continue to play an important role, including for people with limited digital literacy.

## Government intervention is needed

Australia Post has limited levers to address the problem of declining demand for letters. In recent years, it has focused on building its parcels business as a way to support the loss-making letters business, introduced a broad range of auxiliary services via its Post Office network, and continued business efficiency programs to extract further cost out of the business.

While increasing letter prices is one option, this does not address the underlying inefficiency of Australia Post incurring operating costs to deliver a level of service which no longer reflects the demands of the Australian community. In addition, the process to increase the BPR requires formal notification to and assessment by the regulator and a ministerial decision not to disapprove the price increase. This limits Australia Post's ability to increase letter prices in a regular or timely manner, offsetting some of the benefits of an uplift in revenue as well as causing letter price shocks to some business customers. Additionally, price increases impact letter volumes, driving further increases to delivery costs and making it more difficult for Australia Post to ever fully recover costs.

In August 2022, Australia Post launched its current Post26 Strategy, focussed on initiatives that Australia Post can pursue within current regulatory settings to create a modernised and financially sustainable business. However, the success of the Strategy is dependent on Government support to remove existing regulatory constraints that will help to free up capital to invest in its improvements to service delivery and its growing parcel business.

## Policy options considered

The Government's long-term objectives of a modernised domestic postal service are to:

- Provide a universal and equitable service that meets the contemporary needs of the Australian people and Australian businesses.
- Maintain appropriate coverage of Post Office outlets throughout Australia, in particular in rural and regional Australia.
- Support a financially sustainable Australia Post and investment in its networks and services to support improved national productivity and supply chain resilience, and meet changing business and consumer expectations.
- Retain Australia Post in full public ownership.

Achieving these objectives relies on maintaining a fit-for-purpose regulatory framework and performance standards commensurate with today's usage of the letter service and the retail network. The objectives have been considered in developing options to address the problem.

Three groups of policy options to address the problem have been identified for consideration:

1. The maintenance of the status quo, with no change to the existing regulatory settings for letter pricing, letter delivery arrangements and the retail network.
2. Five proposed reforms to the existing Performance Standards Regulations in respect of letter delivery arrangements and the retail network:
  - a. A reduction of the number of days Australia Post is required to deliver letters



- b. A changed delivery timetable to extend the time Australia Post has to deliver a regular letter
  - c. Adoption of modern area classification definitions in the Performance Standards Regulations
  - d. Broadening the definition of a retail outlet to include alternative points of presence
  - e. Changes to the proximity requirements that prescribe the percentage of residences that must be located within a certain distance of a retail outlet
3. Three deregulatory reforms, the first two which remove provisions from the existing Performance Standards Regulations, the third which may remove elements of the regulatory framework governing pricing:
- a. Removal of the regulated requirement for a priority letter service.
  - b. Removal the threshold for minimum numbers of 'retail outlets'
  - c. Implementation of a four-year, transparent pricing pathway

## Stakeholder consultation indicated support for change

To inform its development of policy reforms to support the modernisation of postal services, the Government undertook a broad public consultation process followed by targeted consultation with stakeholders who provided submissions to the public consultation process.

The consultation provided a [discussion paper](#) which outlined the postal services currently available in Australia and identified how the use of letter, parcel and Post Office services have changed over time. It asked those making a submission to consider what postal services were most important to them and their community now and into the future.

The consultation was open from 2 March 2023 to 27 April 2023. Over 1,000 contributions to this consultation were received in the form of formal submissions and short comments. 105 formal submissions were published on the [Postal Services Modernisation web page](#). Contributions were received from a wide range of stakeholders including from individuals, community organisations, charities, businesses, and all levels of government.

A variety of views were put forward in submissions and comments to the Government's public consultation which demonstrated overwhelming support for a well-designed package of reforms that would:

- continue to support the delivery of traditional postal services
- support growth in services, and
- underpin the long-term financial sustainability of Australia Post.

## The recommended options

The impacts of the proposed policy reforms identified were assessed through a semi-qualitative breakdown of the impacts of each option on stakeholders.

A semi-qualitative assessment approach has been undertaken to describe and evaluate impacts affecting stakeholders and the broader community. Challenges in quantifying direct costs and benefits arise from the difficulty in isolating and attributing the impacts of specific policy options relative to other regulatory levers, and limited information currently available.

A combination of reforms to the existing regulatory framework and one deregulatory proposal is recommended. The recommended package of reforms has been the subject of thorough stakeholder consultation and have been assessed as having an overall net impact of 'modestly positive' or 'positive'. The recommended package of reform options would positively contribute to the Government's objectives for postal services modernisation.



The following reforms will deliver a significant improvement to the financial position of Australia Post in the medium term. The reforms can be implemented through amendments to the Performance Standard Regulations effective from 1 July 2024, and would include further consultation on the development of revised regulations.

**Table 1: Summary of recommended reforms vs objectives**

Proposed reform option	Net impact	Objectives met
2a and 2b - reduction of delivery frequency and relaxation of the timetable for letter delivery	Positive	<ul style="list-style-type: none"> <li>• Australia Post will continue to meet its CSOs</li> <li>• Meets the needs of contemporary Australia</li> <li>• Contributes to the financial sustainability of Australia Post</li> </ul>
2c - Adoption of modern area classification definitions in the Performance Standards Regulations	Modest Positive	<ul style="list-style-type: none"> <li>• Meets the needs of contemporary Australia</li> <li>• Australia Post will continue to meet its CSOs</li> </ul>
3a - Removal of the regulated requirement for a priority letter service	Positive	<ul style="list-style-type: none"> <li>• Contributes to the financial sustainability of Australia Post</li> <li>• Meets the needs of contemporary Australia</li> <li>• Australia Post will continue to meet its CSOs</li> </ul>
3c – Reform of letter pricing oversight	Positive	<ul style="list-style-type: none"> <li>• Contributes to the financial sustainability of Australia Post</li> </ul>

The direct regulatory costs to business, community and individuals, are measured through a Regulatory Burden Estimate (RBE).

Total changes to the regulatory cost as a result of the amendments to the Performance Standards Regulations is estimated to be negligible or nil. Amending the Performance Standards Regulations would allow Australia Post to make changes within its operations but its performance would continue to be subject to a legislative framework with oversight from Shareholder Ministers. It is not proposed that annual performance audit requirements would change.

# 1. Introduction

## 1.1 The Impact Analysis Process

This Final Impact Analysis (IA) has been written in accordance with the Australian Government IA requirements. In the subsequent eight chapters, the seven assessment questions set out in the *Australian Government Guide to Policy Impact Analysis* have been addressed.

In addition, measurement of regulatory burden is considered. The seven IA questions addressed are:

1. What is the problem you are trying to solve?
2. Why is government action needed?
3. What policy options are you considering?
4. What is the likely net benefit of each option?
5. Who did you consult and how did you incorporate their feedback?
6. What is the best option from those you have considered?
7. How will you implement and evaluate your chosen option?

In line with the principles for Australian Government policy makers, the regulatory costs imposed on business, the community and individuals associated with each viable option have been considered and determined to be negligible. Additionally, the impacts on Australia Post and key stakeholder groups are considered, noting the uncertainty in estimating relevant costs and benefits of the identified options.

## 1.2 Background

Postal services have played an important role in the lives of Australian communities, individuals and businesses over more than 200 years, and Australia Post's extended workforce of more than 60,000 people and 4,271 Post Offices continue to deliver letters, parcels and essential services to communities and businesses throughout Australia. More than 3,500 Post Offices are operated by individuals and small businesses acting as licensees and agents.

The postal services industry was once the main mode of communication in Australia, but technological changes disrupted the industry long ago, with addressed letter volumes declining by two thirds since they peaked in 2007-08.<sup>6</sup> The use of letters services will continue to decline, driven by customer migration to increasingly accessible, affordable and sophisticated digital alternatives — the average Australian household receives only 2.2 addressed letters each week, down from 8.5 each week in 2008, and this is expected to almost halve in the next five years.<sup>7</sup>

The adoption of digital technologies has also resulted in declining visits to Post Offices. For example, since 2018-19, over-the counter transaction volumes have declined 20.9 per cent<sup>8</sup> and transaction volumes are expected to continue to decline. This impacts the revenue and profitability of Corporate Post Offices (CPOs), as well as 2,804 Licensed Post Offices (LPOs) and 767 Community Postal Agents (CPAs) that play an important role in many Australian communities.

While traditional postal services usage declines, Australians are increasingly utilising Australia Post's nation-wide parcel delivery services, which operate in a highly competitive market. Domestic parcel volumes have increased significantly over recent years, and 1 in 5 retail sales are now online.<sup>9</sup> Australia Post delivered

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<sup>6</sup> [Australia Post Annual Report, 2023](#), p14

<sup>7</sup> Australia Post internal data, 2023

<sup>8</sup> [Australia Post Annual Report, 2023](#)

<sup>9</sup> Inside Australian Online Shopping eCommerce update, October 2022, Australia Post

over half a billion parcels in 2021-22 to all corners of Australia, underpinning Australia's thriving online retail sector.<sup>10</sup>

### 1.2.1 Australia Post's purpose

Australia Post is Australia's national postal service, providing a range of products and services within Australia and between Australia and the rest of the world.

The Commonwealth is responsible for the provision of postal services<sup>11</sup>. In order to deliver this, the Australian Government established Australia Post, a Corporate Commonwealth Entity (CCE) and GBE subject to both its enabling legislation, the *Australian Postal Corporation Act 1989* (APC Act), and the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).<sup>12</sup>

The principal legislated function of Australia Post is to supply postal services within Australia and between Australia and other places.<sup>13</sup> Australia Post has the exclusive right, and corresponding obligations, to carry letters within Australia, subject to a range of exceptions.<sup>14</sup> In performing its legislated functions, Australia Post has a number of obligations and must comply with a number of regulatory instruments. A summary of Australia Post's obligations and regulatory framework are outlined in [subsection 1.3](#).

Australia Post has evolved beyond its traditional role as the main mode of communication in Australia (i.e. telegrams and letters), and has a broader role in contemporary Australian society — facilitating the rapidly growing eCommerce market as the largest parcel delivery operator in the country, and providing a range of products and services (including financial, identity and government services) to Australians through its uniquely broad, nationwide network of Post Offices.

This evolution reflects changing consumer behaviours and the digitisation of the economy. Almost 80 per cent of Australia Post's revenue is now derived from openly competitive domestic markets, including the competitive parcels market where it competes with large multinational logistics companies and smaller courier businesses. In 2022-23, Australia Post's over-the-counter transactions saw a decline of 20.9 per cent since 2018-19<sup>15</sup> while it reported 813 million customer digital visits<sup>16</sup>.

### 1.2.2 The Post Office network

As of 30 June 2023, Australia Post currently maintains a network of 4,271 Post Offices across Australia. At that time, 2,507 Post Offices were in rural and remote areas.<sup>17</sup> These totals exceed the regulated minimum of 4,000 with at least 2,500 in rural and remote areas. Regulatory requirements provide that at least 90 per cent of residences in a metropolitan area are to be located within 2.5 kilometres of a retail outlet; and, at least 85 per cent of residences in non-metropolitan areas are to be located within 7.5 kilometres of a retail outlet.<sup>18</sup>

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<sup>10</sup> [Australia Post Annual Report, 2022](#)

<sup>11</sup> Section 51(v), the Australian Constitution

<sup>12</sup> [www.finance.gov.au/government/government-business-enterprises/australia-post](http://www.finance.gov.au/government/government-business-enterprises/australia-post)

<sup>13</sup> Section 14, APC Act. "Postal services" is not a term defined in the APC Act. Section 18 of the APC Act sets out postal and postal related powers, which includes the carriage of parcels.

<sup>14</sup> Sections 29 and 30, APC Act

<sup>15</sup> [Australia Post Annual Report 2023](#), p16






<sup>16</sup> [Australia Post Annual Report 2023](#), p3

<sup>17</sup> Based on areas classifications in the "Rural, Remote and Metropolitan Areas Classification 1991 Census Edition". Australia Post Annual Report 2023, p158

<sup>18</sup> Accessibility and proximity requirements for Post Offices are based on areas classifications in the "Rural, Remote and Metropolitan Areas Classification 1991 Census Edition".

The retail outlets in the network comprise several different operating models and are described in Figure 1.

**Figure 1: Retail outlet models**

FORMAT	 Parcel lockers, vending, PostPoints and CMA	 CPA	 Co-located LPO or Kiosk	 Standalone LPO	 Standalone CPO
Points of presence		772 CPA	2,804 LPOs		642 (and 58 business centres)
Products & services	Core services. Core only		Core and limited non-core. Core + limited merchandise + financial services + sometimes identity / govt services		Full service Core + merchandise + financial services + identity / govt. services
Servicing	Primarily self-service. Assisted may be available		Both assisted and self-service		Both dedicated service & self-service

**Corporate Post Offices (CPOs) (760 outlets)<sup>19</sup>:** owned and operated by Australia Post and offer a fuller range of products and services. CPOs are primarily located in major cities.

**Licensed Post Offices (LPOs) (2,800 outlets)<sup>20</sup>:** businesses that enter into a licensing arrangement with Australia Post to provide services such as postage, mail acceptance and delivery, agency banking and bill payments. Licensees can also choose to offer additional products such as merchandise. LPOs are most often located in major cities and regional areas.

**Community Postal Agents (CPAs) (750 outlets)<sup>21</sup>:** small businesses that offer basic postal services such as postage assessment, mail acceptance and delivery. CPAs are predominantly located in rural and remote areas and typically operate in conjunction with other businesses.

Almost 60 per cent of Australia Post’s retail presence is in regional and remote Australia, triple that of other Australian industries, like transport, finance and health.<sup>22</sup> As banks and other service providers go online and close their shop fronts, Post Offices are increasingly becoming the only face-to-face services for Australians who are not digital citizens, or for those that live in remote, rural, and regional areas.

The Post Office network provides a range of benefits to the Australian community in a way that no other single provider can, with Deloitte finding that the broader social benefits of Australia Post were estimated to be \$226 million in 2021 (up 8 per cent in real terms since 2018), with Post Offices ranking third as the most trusted institution (after doctors and the police).

Through its Post Office network, Australia Post offers postage, financial, trusted and retail services.

A summary of non-postal related services and products offered at Post Offices is as follows:

<sup>19</sup> Postal Services Modernisation Discussion Paper, March 2023

<sup>20</sup> Postal Services Modernisation Discussion Paper, March 2023

<sup>21</sup> Postal Services Modernisation Discussion Paper, March 2023

<sup>22</sup> Economic and social value of Australia Post in regional, rural and remote communities, Deloitte Access Economics, 2020

**Financial services:** Often provided in partnership with authorised deposit-taking institutions or other businesses, Australia Post’s financial services include: Bank@Post<sup>23</sup>, Billpay services, and foreign currency and domestic money orders.

**Identity and document services (trusted services):** For many Australians, Post Offices are the most popular and convenient option for conducting identity related services, particularly for those living in rural, regional and remote areas. Australia Post provides services either on behalf of Commonwealth, State and Territory government agencies, or offers its own products and services. Some of the many options provided at Post Offices include:

- applying for and renewing Australian Passports or Australian Tax File Number; and
- renewing a driver’s licence in South Australia, Western Australia and the Northern Territory.

**Consumer products:** Australia Post also offers a range of consumer products in its Post Offices and online. Products include collectible such as stamps, coins and impressions, as well as home appliances, office equipment and supplies, gifts, electronics, and mobile phones and SIM cards. These products provide convenience to consumers, particularly in rural and remote communities, and are an additional revenue source for Australia Post and its Post Office partners.

### 1.3 The Regulatory Framework

Australia Post is governed by a complex legislative framework largely established in the 1980s and 1990s, when Australia Post was corporatised. Its enabling legislation is the *Australian Postal Corporation Act 1989* (APC Act).

Australia Post is a Corporate Commonwealth Entity (CCE) for the purposes of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and it is prescribed as a GBE for the purposes of the PGPA Act.

Although Australia Post is wholly-owned by the Commonwealth of Australia, it is legally and financially separate from the Australian Government. Its day-to-day operations are the responsibility of its Board and management. The Board of Australia Post is accountable to Government, represented by two Shareholder Ministers — the Minister for Communications and the Minister for Finance. The APC Act is administered by the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (DITRDCA). The Department of Finance administers the PGPA Act.

**Table 2: Major postal regulatory events in Australia**

Year	Event
1901	At Federation, the then State postal and telegraphic services merged into the Postmaster-General’s Department (PMG)
1975	PMG separated into government-owned Australian Postal Commission and Telecom
1989	The Australian Postal Commission was corporatised under the APC Act as the Australian Postal Corporation — trading as Australia Post

<sup>23</sup> Bank@Post is available at more than 3,400 Post Offices across Australia. In 2022-23, there were more than 16 million Bank@Post transactions, including cash withdrawals, deposits, balance enquiries and passbook services (Australia Post Annual Report, 2023, p43). Bank Post is not available at CPAs.

Year	Event
1998	The Australian Postal (Performance Standards) Regulations 1998 (Performance Standards Regulations) introduced, requiring Australia Post to meet specified standards for its letters service and retail network
2011	Australian Competition and Consumer Corporation (ACCC) pricing oversight arrangements amended to limit oversight to the Basic Postal Rate (BPR) applying to the standard letter service, and some related services. Previously it had applied to a broader range of Australia Post letter products
2015	Australian Postal (Performance Standards) Regulations 1998 amended to enable Australia Post to introduce a two-speed letter service comprising Regular and Priority letters
2019	Australian Postal Corporation (Performance Standards) Regulations 2019 were made to replace the Australian Postal (Performance Standards Regulations) Regulations 1998 (which were sunset on 1 April 2019), with no major changes.
16 May 2020 - 30 June 2021	Amendments to the Australian Postal Corporation (Performance Standards) Regulations 2019 temporarily relaxed letter delivery standards and priority letter service suspended in response to the COVID-19 pandemic.

### 1.3.1 Australian Postal Corporation Act 1989 (APC Act)

The APC Act established the Australian Postal Corporation (Australia Post) and it is specified to be a Commonwealth entity. The APC Act, among other things, sets out the main function of Australia Post in providing postal services, establishes subsidiary functions to carry on businesses or activity relating to postal services, Australia Post’s commercial obligations, CSOs and obligations to government and also establishes the role of the board in deciding the objectives, strategies and policies to be followed by Australia Post.

The principal function of Australia Post is to supply postal services within Australia and between Australia and other places.<sup>24</sup> It can also carry on functions subsidiary or incidental to its principal function (like providing some financial and identity services).<sup>25</sup> Australia Post has a legislated monopoly on the delivery of most letters in Australia (‘reserved letters’),<sup>26</sup> but no legislated monopoly over or regulatory obligations covering the carriage of parcels or other services.

Australia Post provides letters services “reserved” to it under the APC Act, and “non-reserved” letter services that are open to competition. Australia Post’s reserved letters service contributes almost 85 per cent of Australia Post’s letters business revenue, yet approximately 16 per cent of overall revenue for Australia Post.<sup>27</sup>

**Reserved service:** Ordinary stamped letters up to 250 grams; Priority stamped letters; Concession stamped letters; Seasonal greeting cards; PreSort – e.g. Charity Mail, Promo Post, Acquisition Mail; Clean Mail; Local Country; and Reply Paid

<sup>24</sup> Section 14, APC Act 1989

<sup>25</sup> Section 16, APC Act 1989

<sup>26</sup> Section 29, APC Act 1989

<sup>27</sup> [Australia Post, Annual Report 2023](#), p 167

**Non-reserved services:** Letters over 250 grams; letters charged at more than 4 times the Basic Postage Rate – e.g. Express Post, Registered Post; Unaddressed Mail; and international letters

The APC Act imposes CSOs on Australia Post, including to supply a letter service that is ‘reasonably accessible to all people in Australia on an equitable basis, wherever they reside or carry on business’.<sup>28</sup> In particular, the letter service supplied must be available at a single uniform rate for standard letters carried by ordinary post.<sup>29</sup> The Australian Postal Corporation (Performance Standards) Regulations 2019 (Performance Standards Regulations) apply performance standards regulations to Australian Post that are related to the CSO.

The APC Act requires Australia Post to act consistently with sound commercial practice, so far as practicable.

Australia Post is also required to fulfil the Australian Government’s obligations under the Universal Postal Union (UPU) Acts and associated regulations. This includes an obligation to carry international inbound mail<sup>30</sup>, offer some postal services that may be little-used by Australians, and deliver items in Australia for fees agreed under UPU treaties. The fee paid to Australia Post can be less than the amount it costs to process and deliver the item in Australia, particularly for items originating in developing countries.

### 1.3.2 Australian Postal Corporation (Performance Standards) Regulations 2019

The Performance Standards Regulations currently in force set out how often mail is delivered, how accessible postal services are, and how close Post Offices are to residences. The Performance Standards Regulations are summarised at Tables 3 and 4 below.

**Table 3: Australia Post's Performance Standards Regulations – delivery frequency, accessibility of services and proximity of Post Offices<sup>31</sup>**

Letter delivery frequency	Accessibility	Proximity
<b>98% of delivery points<sup>32</sup> 5 days per week</b>	at least 10,000 street post boxes	Metro areas*: 90% of residences within 2.5km of outlet
<b>99.7% of delivery points at least twice a week</b>	at least 4,000 retail outlets in total	Non-metro areas*: 85% of residences within 7.5km of outlet
<b>94% of letters delivered on time in accordance with the regular and priority timetables</b>	at least 2,500 retail outlets in rural and remote areas	

\*Requirements are based on areas classifications in the “Rural, Remote and Metropolitan Areas Classification 1991 Census Edition”.

<sup>28</sup> Paragraph 27(4)(a), APC Act 1989

<sup>29</sup> Subsection 27(3), APC Act 1989

<sup>30</sup> Article 17, Universal Postal Convention

<sup>31</sup> See Regulation 7 of the Australian Postal Corporation (Performance Standards) Regulations 2019

<sup>32</sup>A ‘delivery point’ is defined in the Performance Standards Regulations as “a mail address that, taking account of accessibility, delivery cost and general volume of mail for the address, it is practicable and reasonable to service frequently”. A note to subsection 7(2) Performance Standards Regulations provides the following examples of delivery points: include street and roadside letter delivery boxes, Post Office private boxes and locked bags, and private and community bags.



**Table 4: Australia Post's Performance Standards Regulations – delivery time for reserved services letters<sup>33</sup>**

**Part 1—Delivery within a State**

<b>Item</b>	<b>Column 1 If the mail lodgement point is ...</b>	<b>Column 2 and the delivery address is ...</b>	<b>Column 3 then the delivery time for a priority letter is ...</b>	<b>Column 4 and the delivery time for a regular letter is ...</b>
1	in the capital city of a State	within that capital city	1 business day after day of posting	3 business days after day of posting
2	in another city, or a town, in a State	within: (a) that city or town; or (b) an adjacent city or town in that State	1 business day after day of posting	3 business days after day of posting
3	in the capital city of a State	in a place within that State other than that capital city	2 business days after day of posting	4 business days after day of posting
4	in another city, or a town, in a State	in a place within that State other than: (a) that city or town; or (b) an adjacent city or town in that State	2 business days after day of posting	4 business days after day of posting
5	in a place in a State other than a place mentioned in column 1 of item 1 or 2 of this table	within that State	2 business days after day of posting	4 business days after day of posting

**Part 2—Delivery between States**

<b>Item</b>	<b>Column 1 If the mail lodgement point is ...</b>	<b>Column 2 and the delivery address is ...</b>	<b>Column 3 then the delivery time for a priority letter is ...</b>	<b>Column 4 and the delivery time for a regular letter is ...</b>
6	in the capital city of a State	within the capital city of another State	2 business days after day of posting	5 business days after day of posting
7	outside the capital city of a State	within the capital city of another State	3 business days after day of posting	6 business days after day of posting
8	in the capital city of a State	outside the capital city of another State	3 business days after day of posting	6 business days after day of posting
9	outside the capital city of a State	outside the capital city of another State	4 business days after day of posting	7 business days after day of posting

<sup>33</sup> See Regulation 8 of the Australian Postal Corporation (Performance Standards) Regulations 2019

### 1.3.3 Australian Postal Corporation Regulations 2021

The Australian Postal Corporation Regulations 2021 detail the procedures for opening and examining mail articles, forfeiting and disposing of prohibited articles, and how the ACCC can look into disputes over rates negotiated for bulk letter services.

### 1.3.4 Public Governance, Performance & Accountability Act 2013 (PGPA Act), Rules & Guidelines

Australia Post is prescribed as a Corporate Commonwealth Entity, by the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule). The PGPA Act covers three key areas that provide a strong foundation for a modern, streamlined and adaptable Commonwealth public sector: accountability; governance and practice; and, transparency. The planning and reporting requirements for CCEs are contained in the PGPA Act and PGPA Rule, with best practice guidance outlined in Part 3 of the Resource Management Guide 126, 'Commonwealth Government Business Enterprises – Governance and Oversight Guidelines'.

### 1.3.5 Letter pricing oversight

Australia Post is required to notify the ACCC if it intends to increase the postage rate of the regular letter service or increase the postage rate of priority services to more than 150 per cent of the regular service.<sup>34</sup>

The ACCC assesses the efficiency of Australia Post's cost base and the rate of return that it is seeking. Prices are then assessed having regard to the company's ability to recover revenue sufficient to cover the efficient cost of providing a service, including a rate of return commensurate with the risks faced by the company, without achieving excessive or monopoly profits.

The ACCC will decide to either: not object to the price increase; not object to a price that is less than that proposed; or, object to the price increase.

In addition to the ACCC's assessment, Australia Post must also give written notice of the proposed price increase to the Minister for Communications. Australia Post is only able to lawfully increase the BPR if the Minister does not disapprove the proposal within 30 days of receiving the notice, in accordance with the APC Act.<sup>35</sup> The power of disapproval is exercised by the Minister giving a written notice to the Australia Post Board. In exercising the power to disapprove the BPR increase, the Minister is to have regard to Australia Post's obligations under the APC Act, changes in the Consumer Price Index as published by the Australian Statistician from time to time and any other matters the Minister considers appropriate.

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<sup>34</sup> Letter pricing surveillance arrangements are given legislative effect through Part VIIA of the *Competition and Consumer Act 2010*.

<sup>35</sup> Subsection 33(3), APC Act 1989

## 2. What is the problem?

### 2.1 Australia Post is constrained by an outdated regulatory model

The Performance Standards Regulations constrain Australia Post's ability to adjust its business model to meet the needs of contemporary Australia.

The digitisation of the economy is changing how many people and businesses use postal services. People are sending and receiving less letters and visiting Post Offices less, opting to use increasingly accessible, affordable and sophisticated digital alternatives.

While traditional postal services usage declines, Australians are increasingly relying on Australia Post's nation-wide parcel delivery services, which operate in a highly competitive market. Domestic parcel volumes have increased significantly over recent years, and 1 in 5 retail sales are now done online.<sup>36</sup> Australia Post delivered over half a billion parcels in 2021-22 to all parts of Australia, underpinning Australia's thriving online retail sector.<sup>37</sup> Unlike the letters business, the parcels business is not subject to the Performance Standards Regulations.

The current regulatory settings constrain Australia Post's ability to make changes to its letters business and its Post Office network. The current postal regulatory framework was developed in the 1980s and 1990s and was based on the need to provide a national, uniform-price letters service to meet the social, industrial and commercial needs of the Australian community at that time.

Performance standards for the letters service were introduced in 1998 to provide a legislative mechanism for monitoring and improving the performance of Australia Post. The regulatory settings were based on mail volumes at the time and did not anticipate that mail volumes would decline significantly in the future. While, the regulations sunset in 2019, they were remade in substantially the same form to retain the minimum performance benchmarks as they were set in 1998.

Australia Post is now delivering one-third of the number of addressed letters (1.5 billion in 2022-23), compared to the peak of 4.6 billion in 2007-08. Letter volumes are forecast by Australia Post to decline further.

Australia Post has limited levers to address the problem of declining demand for letters. In recent years, it has focused on building its parcels business as a way to offset the declining letters business, introduced a broad range of auxiliary services via its Post Office network, and continued business efficiency programs to extract further cost out of the business.

In August 2022, Australia Post launched its current Post26 Strategy, focussed on initiatives that Australia Post can pursue within current regulatory settings to create a modernised and financially sustainable business. However, the success of the Strategy is dependent on Government support to remove existing regulatory constraints that will help to free up capital to invest in its improvements to service delivery.

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<sup>36</sup> Inside Australian Online Shopping eCommerce update, October 2022, Australia Post

<sup>37</sup> [Australia Post Annual Report 2022](#)

## 2.1.1 Australia Post is projecting growing losses in the future

Australia Post reported a before tax loss of \$200.3 million in 2022-23, its first annual loss since 2015.<sup>38</sup>

It forecasts cumulative losses from 2023-24 to 2026-27 and that these losses will result in it having insufficient cash reserves without significant reforms.

Australia Post does not receive financial support from the Government, but is required to meet a range of CSOs which include the provision of a letters service that is reasonably accessible is outlined in further detail in this paper. The cost of meeting these CSOs was \$442.2 million in 2022-23, including \$237.3 million in rural and remote locations<sup>39</sup>. Australia Post is unable to recover the costs of these obligations.

The challenges faced by the letters business, the letter pricing regulatory framework and the Post Office network are described in more detail below.

## 2.1.2 Letter volumes are declining and costs are rising

Addressed letter volumes in Australia have declined 66 per cent since peaking in 2007-08 (1.5 billion in 2022-23, down from 4.6 billion in 2007-08).<sup>40</sup> Less than 3 per cent of letters are now sent by consumers, with the rest sent by businesses and Government.<sup>41</sup> A consumer sends on average 15 letters each year for personal reasons and a small business is estimated to send 68 letters each year on average.<sup>42</sup>

Businesses and Government are expected to increase their use of digital communication channels to engage with their customers and stakeholders, accelerating the decline in letter volumes.

Australia Post is required by its Performance Standards Regulations to deliver ordinary (i.e. stamped) reserved letters in accordance with the regular or priority timetable,<sup>43</sup> with a priority letter costing an additional 55 cents. In 2022-23, priority letters represented 7.6 per cent of addressed letter volumes, down from 13.2 per cent in 2017-18.<sup>44</sup>

To meet the CSOs and the requirements set out in the Performance Standards Regulations, Australia Post is obligated to maintain a high fixed cost network which includes infrastructure, staff and necessary equipment, to service 98 per cent of all delivery points each day (except on Saturdays, Sundays and public holidays) and at least 2 days each week for 99.7 per cent of all delivery points.

The number of delivery points has increased over time consistent with population growth. Delivery points have grown from 10.5 million points in 2007-08 to 12.7 million points in 2022-23. At the same time, letter volumes have been in decline. Postal Delivery Officers (PDOs) have found themselves delivering less than one third of the number of addressed letters to each delivery point per week compared to the 2007-08 peak (down from 8.5 letters per week in 2007-08 to 2.2 letters per week in 2022-23).

With increased delivery points, labour costs of PDOs have also increased. These trends are illustrated in the chart below and are expected to continue and without reform will lead to further financial losses in Australia Post's letters business.<sup>45</sup>

### Figure 2: Addressed letter volumes and delivery points

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<sup>38</sup> [Australia Post Annual Report 2023](#), p16

<sup>39</sup> [Australia Post Annual Report, 2023](#), p. 14. There is an agreed methodology for calculating the costs of the CSOs.

<sup>40</sup> [Australia Post Annual Report, 2023](#), p15

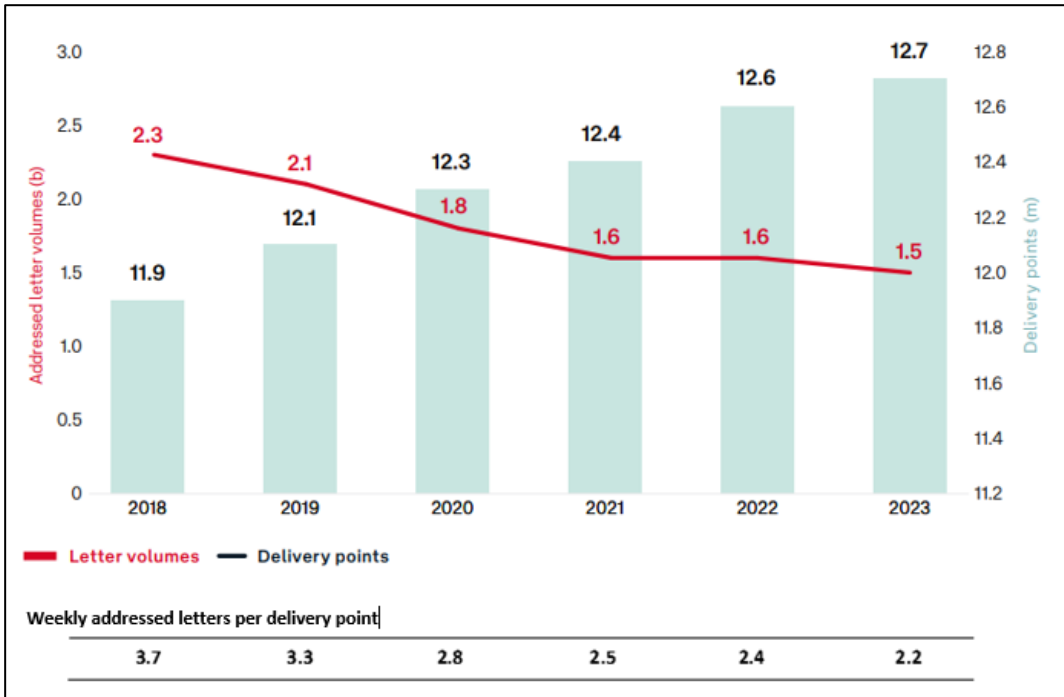
<sup>41</sup> Australia Post internal data 2023

<sup>42</sup> [Postal Services Modernisation Discussion Paper, March 2023](#)

<sup>43</sup> Section 8 of the Performance Standards Regulations sets maximum delivery times for priority and regular mail, based on the locations that a letter is sent from and to.

<sup>44</sup> Australia Post internal data 2023

<sup>45</sup> [Australia Post Annual Report 2023](#), p17



The letter delivery standards set out in the Performance Standards Regulations, constrain Australia Post’s ability to adjust its operations to reflect these changes and remain financially viable, contributing to a \$384.1 million loss for the letters business in 2022-23.<sup>46</sup>

In particular, the Performance Standards Regulations relevant to letter delivery constrain Australia Post’s ability to utilise its letter delivery network to deliver more parcels in line with community and business preferences and expectations.

### 2.1.3 Post Office transactions are declining, threatening their long-term viability

The Performance Standards Regulations set out the minimum number of ‘retail outlets’ at which people can buy Australia Post products and services. The standards also prescribe a threshold for outlets in locations that are in a rural or remote zones and how close retail outlets should be to a certain percentage of residences. In summary:

**Table 5: Australia Post's Performance Standards Regulations – Outlet Accessibility and Proximity**

Accessibility	Proximity
at least 10,000 street post boxes	Metro areas*: 90% of residences within 2.5km of outlet
at least 4,000 retail outlets in total	Non-metro areas*: 85% of residences within 7.5km of outlet
at least 2,500 retail outlets in rural and remote areas*	

\*The Standards marked with an asterisk are based on areas classifications in the “Rural, Remote and Metropolitan Areas Classification 1991 Census Edition”.

<sup>46</sup> [Australia Post Annual Report 2023](#), p14

There have been significant population and geographic changes over the last 30 years, due to urban sprawl and changes to metropolitan boundaries. In addition, modern methods to classify areas are more precise, moving away from consistent treatment of a local government area towards more accurately reflecting the nature of individual communities.

The growing costs of maintaining Post Offices and the decline in over-the-counter transaction volumes<sup>47</sup> is increasingly challenging Australia Post's ability to maintain a financially sustainable Post Office network.

Post Office revenue is projected by Australia Post to decline over the next decade, with costs projected to grow (for example, Licensed Post Office (LPO) commissions are linked to the General Retail Index Award, the rates of which are expected to grow).

The decline in retail transactions has led to some Corporate Post Offices (CPOs) making an annual loss<sup>48</sup> and closures of some metropolitan CPOs. Further closures would, however, be constrained by the minimum threshold prescribed in the Performance Standards Regulations.

The decline in retail services and the current economic climate has accelerated the rate at which LPOs are handing back licenses and closing their doors, particularly in regional Australia. These are closures that Australia Post has little or no control over and could result in the number of retail outlets in rural and remote areas falling below the current regulated minimum of 2,500 before the end of 2023-24.

At the same time, community expectations are for a denser network of parcel posting and collection places and services available outside normal business hours, such as via parcel lockers. Businesses also rely heavily on the Post Office and other points of presence, with their needs changing as they look to meet shifting consumer behaviours and expectations.

However, the current definition of a retail outlet as defined in the Performance Standards Regulations includes stand alone, in conjunction, and mobile van Post Offices. Alternative points of presence do not contribute to Australia Post meeting its Performance Standards in relation to outlet numbers and outlet proximity under current regulations.

## 2.2 Postage rates do not recover the costs of the letters service

When compared with overseas postal services, Australia Post's Basic Postage Rate<sup>49</sup> (BPR – i.e. the cost to send an ordinary stamped letter) remains relatively low (Figure 3). Despite an increase to the BPR in January 2023 of 10 cents (to \$1.20), the current price is below many other countries, and is 86 cents below the average for Organisation for Economic Co-operation and Development (OECD) countries with two-speed letter delivery services.

It is open to Australia Post to apply for larger increases to the BPR. Larger increases are unlikely to be supported by consumers and would have a significant impact on senders of bulk mail. This could potentially further erode the use of mail as a communications channel, recognising that the retention of letters continues to serve useful social and business objectives.

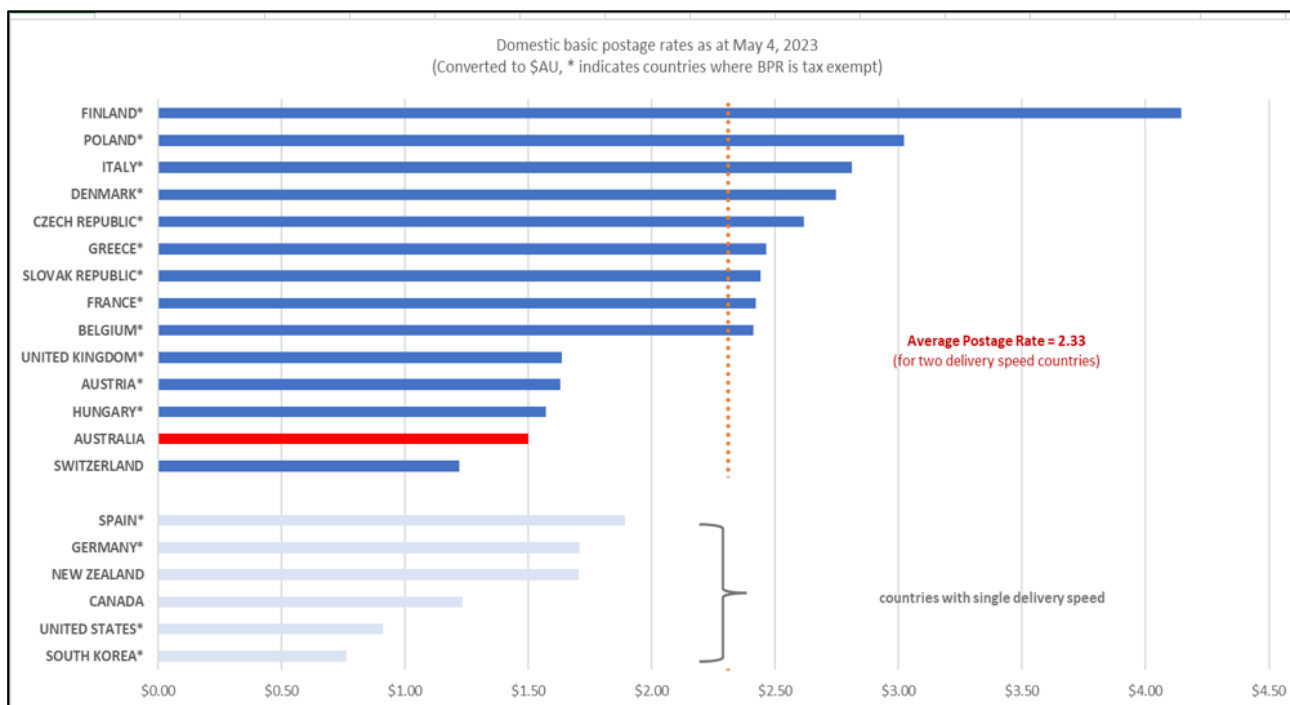
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<sup>47</sup> Attributed to the adoption of digital technologies, with over-the-counter transactions in 2023 showing a decline of 20.9 per cent since 2018-19. [Australia Post Annual Report, 2023](#), p. 16.

<sup>48</sup> Australia Post, internal data, 2023

<sup>49</sup> The ACCC recently did not object to a 10-cent increase to the BPR, with the new price taking effect on 3 January 2023. Australia Post has also applied for a further 30 cent increase to increase the price to send an ordinary letter to \$1.50 from January 2024.

**Figure 3: Basic postage rate (BPR) by country** <sup>50</sup>



### 2.2.1 The current process for increasing the BPR is lengthy and complex

The current processes for increasing the BPR is problematic for heavy users of letter postage. BPR increases create unpredictable price shocks in terms of the timing and the size of future increases.

Letters are a notified service under the *Competition and Consumer Act 2010*, and subject to ACCC oversight through the Price Notification Declaration (Australia Post Letter Services) (No.2) 2015.

A price notification is required to be lodged with the ACCC by Australia Post each time a pricing increase is proposed – this involves significant Australia Post and ACCC resourcing and support in circumstances where price notifications are lodged on an ad hoc basis. Australia Post has advised that its total regulatory costs in complying with its two most recent (ad hoc) pricing notifications ranged from \$0.7 to 0.9 million.

There is no capacity under the current BPR increase arrangements for decisions to be made in relation to sequential price rises (that is, the ACCC cannot formally agree a price path) in a single notification. Although Australia Post advises the Government of its planned timing of letter price increases in its Corporate Plan for the next four years, it is required to lodge a price notification with the ACCC each time it intends to increase prices.

The complex price notification process with the ACCC takes on average six to nine months meaning Australia Post must have lodged a notification well before it can have determined the need to increase prices. It also prevents it from being able to increase letter prices in a regular or timely manner, resulting in price shocks to business customers, as they are unable to integrate these changes into their own corporate plans and budgeting processes.

<sup>50</sup> Australia Post, internal data 2023.



## 2.3 Who is affected by the problem?

There are a number of aspects of the problem which affect all sectors of the Australian population and the economy.

Aspects of the problem that effect particular business and community sectors within Australia are detailed In Table 6 below. Analysis of the impact of the problem on stakeholders is provided in [Section 5](#).

**Table 6: Summary of stakeholder groups/organisations affected by specific aspects of the problem**

Stakeholder Group	Issue
<b>Australia Post</b>	Reducing cash flow impacting ability for further investment and putting ongoing financial viability at risk.
<b>Consumers</b>	Australia Post is not able to invest in the products and services customers want/expect.
<b>Consumers with reduced capacity to engage in or access digital services</b>	Particularly vulnerable to Post Office closures.
<b>Rural and remote communities</b>	As more retail outlets become unviable in rural and remote areas, places access to postal services at risk. In rural and remote communities, Post Offices can play an important social role. Australia Post often has limited competition for parcel delivery services in many regional and remote communities.
<b>Small business</b>	Can be very reliant on local postal services as well as ancillary services such as banking.
<b>High volume mail senders (mail houses)</b>	Continue to rely on postal services and are impacted by lack of investment in postal services or increased efficiencies.
<b>LPOs and CPAs</b>	LPOs in particular have a significant investment in the Australia Post business. Income is affected by a decline in foot traffic, a move to digitisation and the decline in the letters business.
<b>Charities</b>	Letters are still a very important factor in fundraising activities.
<b>Employees of Australia Post</b>	The continued decline in letter volumes and retail transactions may negatively impact job security for its direct workforce of over 34,500.

## 2.4 Measures taken to address the problem

To address the decline in letter volumes and to assist Australia Post in managing its costs, amendments were made to the Performance Standards Regulations in 2015. These amendments relaxed the delivery timetable to assist Australia Post to manage its costs but delivery frequency standards remained unchanged, retaining the fundamental constraint that Australia Post operates under to deliver letters on a daily basis.

In 2022-23, Australia Post achieved savings of \$236.7 million through business efficiencies across the group, efficiencies included improved productivity of parcel streaming, optimising labour performance, and customer self-service tools.

It has also recently included streamlining its corporate support functions, rationalising non-core products and services delivered across the Post Office network, and increasing the length of letter delivery routes.

Australia Post has also submitted a proposal to increase its letter prices, including the BPR from \$1.20 to \$1.50 from January 2024. Even with this increase, Australia Post would still be under-recovering the costs of its letters service and Australia's BPR would remain one of the lowest in the OECD.

In addition, Australia Post has commenced a program to rationalise the Post Office network in metropolitan areas, where numbers of retail outlets currently sit above the regulated minimum number of outlets of 4,000. Its program includes a voluntary Licence Handback Program for eligible LPOs, that commenced on 17 October 2023, to ensure closures in 2023-24 are balanced between Corporate Post Offices (CPOs) and LPOs.

Australia Post's planned investment expenditure is [REDACTED] over the current Corporate Plan period [REDACTED]. While it is prioritising investments in new formats for retail outlets and capacity, environmental sustainability, capability, technology and automation at existing and new facilities to defend its market share in parcels<sup>51</sup>, without reform, it will not have the financial means to significantly invest in needed structural reforms to its expansive retail network.

### **Australia Post's Community Hub pilots**

Australia Post is piloting community hubs to support its expansive network. Pilot locations will offer a new and leading retail experience, in partnership with retail merchants and leading brands. Some community hubs will feature a physical marketplace where local, particularly online-based businesses can exhibit their wares, as well as offers tailored to the local area. Australia Post will pilot a new design for its first community hub and intends to kick off a broader pilot with a small number of strategically located community hub sites to inform what is standard across the retail network of the future. Orange Post Office was selected for the first pilot. The Hub became fully operational on 30 October 2023.

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<sup>51</sup> With a focus on improving parcel delivery options and parcel tracing technology, continuing to rollout electric drive vehicles and introducing digital tools to support small business.

## 3. Why is government action needed?

### 3.1 Government intervention is required

The principal function of Australia Post is to supply postal services within Australia and between Australia and places outside Australia. In doing so, Australia Post is expected to offer high-quality, efficient services to the community, and operate commercially to achieve a reasonable return on assets.

Australia Post's regulatory framework, developed in the 1980s and 1990s, is now constraining its ability to modernise services and remain financially viable. The current Performance Standards Regulations severely restrict Australia Post's flexibility to adapt its services to meet changing customer needs, and ensure that services are delivered in a financially sustainable way. Without change, the financial trajectory of Australia Post will continue to deteriorate, putting at risk the ongoing sustainability of the organisation and its services.

These challenges are not unique to Australia Post – every major postal operator in the world faces them. Postal operators whose regulatory framework has had reform are benefitting from those actions, while those who have not such as Canada Post, the United Kingdom's Royal Mail and the United States Postal Service are facing significant losses and have also conceded significant market share in the growing parcels sector.

Australia Post is continuing to act responsibly and commercially within current regulatory settings. Its Post26 Strategic Plan outlines the key initiatives to drive improvements across its business, aimed at creating efficiencies and a simpler business model and support structure. It also includes a focus on implementing service offerings and practices that meet contemporary economic and community needs, including:

- Improving parcel delivery options and parcel tracing technology.
- Introducing new formats for retail outlets (its first community hub launched in Orange, NSW)
- Introducing digital tools to support small business (including tools for improved self-service capabilities), as part of its strategic priority to create market leading digital and data experiences.

To mitigate letter losses, Australia Post has consulted and agreed with unions an arrangement to increase the length of letter delivery routes. In 2022-23, the business also achieved savings of \$236.7 million through business efficiencies across the enterprise such as improved productivity of parcel streaming, optimising labour performance and customer self-service tools.

It has also simplified its corporate structure, streamlined its product offering and set out a clear plan through the launch of the Post 26 strategy.

Australia Post is in the process of seeking to increase its letter prices, including the Basic Postage Rate (BPR), from \$1.20 to \$1.50 to commence in January 2024. The proposed BPR increase is currently subject to ACCC assessment.

Australia Post is also optimising the Post Office network within the existing performance standards, targeting metropolitan areas where it is currently above the regulated minimum number of outlets. As noted, Australia Post has commenced a program to rationalise the Post Office network in metropolitan areas, where numbers of retail outlets currently sit above the regulated minimum number of outlets of 4,000.

Additionally, since 2017, Australia Post has considered further additional revenue generating opportunities that would allow further cross-subsidisation to support the letter service. However, many of these opportunities posed significant financial risk by not providing insufficient or positive return, or experienced low uptake or interest. Some examples include:

- providing government services such as visa processing and Medicare and Centrelink services; and
- partnering with other businesses to provide additional consumer services such as telecommunications products and banking and financial services.

In conclusion, self-help initiatives and business efficiencies identified and pursued by Australia Post have helped to generate some financial benefits, but the financial losses forecast over the next four years highlight

these efforts will not be enough to sustain the delivery of Australia Post's services in the long term. Therefore, Government intervention is required to change the minimum performance standards for the letter service.

## 3.2 Objectives for the letters service

The Government's long-term objectives of a modernised domestic postal service are to:

- Provide a universal and equitable service that meets the contemporary needs of the Australian people and Australian businesses.
- Maintain appropriate coverage of Post Office outlets throughout Australia, in particular in rural and regional Australia.
- Support a financially sustainable Australia Post and investment in its networks and services to support improved national productivity and supply chain resilience, and meet changing business and consumer expectations.
- Retain Australia Post in full public ownership.

Achieving these objectives relies on maintaining a fit-for-purpose regulatory framework and performance standards commensurate with today's usage of the letter service and retail outlets.

Regulatory change in the short-term is expected to improve Australia Post's financial position, and mitigate of losses attributable to the letters business. It will also lead to increased levels of customer satisfaction driven through increased investment in technology and services that customers want, and in a more efficient retail network.

## 3.3 Constraints to achieving the objectives

Achieving the objectives for a modernised postal service relies on Australia Post to successfully implement a number of operational changes across its delivery and Post Office networks.

Service changes would be implemented primarily through operational changes in the delivery network to increase parcel delivery capacity, and more efficiently deploy PDOs through the delivery network. However, changes will be subject to the following operational constraints.

**Australia Post Enterprise Agreement (EA):** The EA covers around 30,000 employees or 87 per cent of the direct workforce, and ends on 30 September 2024 and is founded on current regulatory settings and the existing delivery model established by Australia Post to support conformance.

**Design of delivery routes:** Redesign of the letter delivery routes will impact on PDOs and may impact existing mail delivery contracts Australia Post has in place with third parties and mail processing arrangements with the Post Office network. This may require a more phased transition, particularly in regional and rural Australia, as Australia Post redesigns delivery routes, which requires renegotiating existing contracts or waiting for the terms of existing contracts to expire before changing delivery timing

**Implementation timeframe:** Changes to the performance standards can be made in 2023-24. However, it would take Australia Post up to 18 months to progressively roll-out of operational changes nationwide across its Post Office and delivery network. The timeframes could be longer if disruptions or delays are encountered, for example, the need for unforeseen adjustments to certain mail routes is identified during the roll-out.

## 4. What policy options are being considered?

A governance framework incorporating a Steering Committee and dedicated work groups was established to support the development of policy options to modernise postal services. The Steering Committee and work groups comprised of representatives from the DITRDCA, Department of Finance and Australia Post. This process was informed by views and feedback on potential options received through extensive consultations with stakeholders, including a public consultation paper process.

Three groups of policy options to address the problem have been identified for consideration:

1. The maintenance of the status quo, with no change to the existing regulatory settings for letter pricing, letter delivery arrangements and the retail network.
2. Five proposed reforms to the existing Performance Standards Regulations in respect of letter delivery arrangements and the retail network:
  - a. A reduction of the number of days Australia Post is required to deliver letters
  - b. A changed delivery timetable to extend the time Australia Post has to deliver a regular letter
  - c. Adoption of modern area classification definitions in the Performance Standards Regulations
  - d. Broadening the definition of a retail outlet to include alternative points of presence
  - e. Changes to the proximity requirements that prescribe the percentage of residences that must be located within a certain distance of a retail outlet
3. Three deregulatory reforms, the first two which remove provisions from the existing Performance Standards Regulations, the third which may remove elements of the regulatory framework governing pricing:
  - a. Removal of the regulated requirement for a priority letter service.
  - b. Removal the threshold for minimum numbers of 'retail outlets'
  - c. Implementation of a four-year, transparent pricing pathway

### 4.1 Option 1 – The Status Quo

Under this option, Australia Post would continue to supply a postal service without any reform to the regulatory framework governing its operations.

Specifically, the status quo would include:

- Maintaining existing letter price oversight arrangements.
- Letters delivered in accordance with existing standards for delivery times and speed.
- A progressive reduction in density in metropolitan areas of the retail network to (but not below), the minimum regulated threshold of 4,000 Post Offices.

It would be open to Australia Post to continue to find operational efficiencies and/or diversify its retail operations. However, as noted, a number of efficiencies have been implemented in the past and have not succeeded in improving Australia Post's financial situation to the extent required for it to remain sustainable. There are also limited revenue-generating options for retail. A lack of cash flow will also constrain Australia Post's ability to invest in innovative options to increase the viability of Post Office outlets.

This option would not meet the government's objective of supporting a financially sustainable Australia Post. Considerable financial resources will continue to be directed to the delivery of letters that have declined in importance for most of the Australian population. Australia Post's financial situation would continue to deteriorate and it would be unable to invest in its growing parcels business.

Without any changes to the current arrangements, the objective of meeting the needs of contemporary Australian people and businesses which send less letters and have a greater reliance on parcels— would also not be met.

This option would however ensure that Australia Post continues to meet its CSOs as set out in the current legislative framework.

## 4.2 Option 2 – Reform of Existing Regulatory Framework

This option proposes amendments to the Performance Standards Regulations to reduce the constraints they impose on Australia Post’s business model. Retaining regulation with some reforms to address the identified issues will retain business and community certainty about Australia Post’s obligations and will also retain Government oversight of the modernisation process.

The proposed reforms of the Performance Standards Regulations would come into effect on 1 July 2024 and would be preceded by further public consultations on the amendments. The proposed reforms cover both the letter delivery and retail outlet network.

### 4.2.1 Option 2a - Reduce the number of days Australia Post is required to deliver letters

The current Performance Standards Regulations require Australia Post to deliver letters to 98 per cent of all delivery points daily, except on Saturdays, Sundays and public holidays, and 99.7 per cent of all delivery points at least two days per week. As noted:

- Daily letter delivery service far exceeds the average number of letters received each week by a household.
- The cost of delivering fewer letters over an increasingly larger geographic area has increased the costs of letter delivery and substantially decreased revenue — the letter service is significantly loss making.
- Requiring Australia Post to deliver letters on a daily basis constrains its ability to deliver more parcels with its letter delivery workforce and to increase the productivity of these workers.

This reform under consideration following the public consultation process<sup>52</sup>, recommends that the frequency with which Australia Post delivers ordinary letters be changed so that letters are delivered to 98 per cent of all delivery points daily, except on Saturdays, Sundays and public holidays, every second day in commencing from 1 July 2024.

Australia Post has undertaken detailed planning as to how it would reconfigure its operations should delivery frequency be reduced. The proposed approach to every second day delivery has been trialed and is continuing to be trialed by Australia Post in a number of locations around Australia until the end of 2023-24. The delivery model involves a PDO delivering an entire expanded round each day:

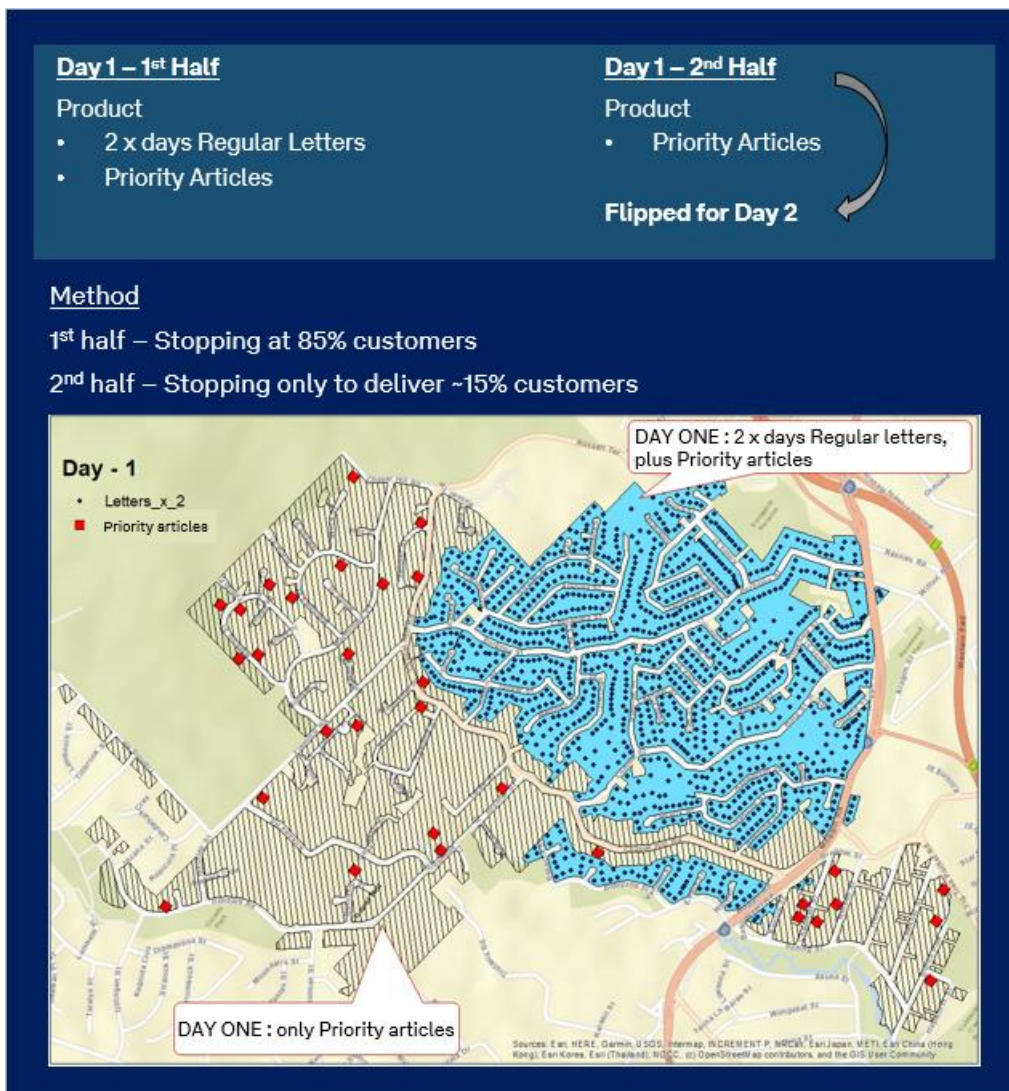
- On a given day, one half would be ‘light’ and only delivers priority mail and parcels.
- The other half will be ‘heavy’, and would include two days’ worth of regular mail, unaddressed mail, priority mail and parcels for delivery.
- The halves that are heavy and light alternate each day.

Each PDO would service the same round each day, taking approximately the same time. The same vehicle would be used for both light and heavy halves. This is illustrated in Figure 4 below.

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<sup>52</sup> [Postal Services Modernisation public consultation](#) (DITRDCA)



**Figure 4: The new delivery model**



This reform will meet four of the five Government’s stated objectives for postal services modernisation.

By structuring the delivery model to allow more items to be delivered by PDOs in less rounds, letter delivery costs would be reduced contributing to the Government’s objective of supporting a financially sustainable Australia Post.

The majority of Australians now regard parcel delivery as more important than letter delivery. The inclusion of parcel delivery in delivery rounds possible under this option is consistent with the objective of Australia Post meeting the needs of contemporary Australians.

Changes to the frequency of delivery would require amendments to section 7 of the Performance Standards Regulations.

Trials of the new delivery model described above will allow Australia Post to further test, and if necessary refine, new processes to be phased in for commencement of the amended Regulations on 1 July 2024.

Changes to the letter delivery services will result in further integration between the parcel and letter businesses. This might result in competitive neutrality complaints that Australia Post is cross-subsidising its parcel delivery business. These complaints may be subject to investigation by the Australian Government Competitive Neutrality Complaints Office.



Some stakeholders raised concerns about Australia Post's ability to continue providing high priority support for events such as the Census and elections under this reform. Australia Post has provided assurances to Government that it will be able to support the facilitation of federal, state and local electoral activities, including the Census.

An option to further relax the requirements for delivery frequency as letter volumes continue to decline has been considered. It was determined that given the changes needed to support an initial relaxation to the standard are significant, affecting Australia Post's direct and its extended workforce, it would be premature to plan future changes to this requirement. Further relaxation should be considered at a later date following an evaluation of the success of implementing every second business day and impacts on letter senders and receivers, and informed by the future trajectory of letter volumes. A proposed evaluation approach is outlined at [section 8](#).

#### **4.2.2 Option 2b - Change the delivery timetable to extend the time Australia Post has to deliver a regular letter**

The Performance Standards Regulations specify the delivery times for regular and priority mail. The timetable for delivery is set out in [Table 4](#).

The amended frequency of delivery proposed above would impact the ability for Australia Post to deliver letters according to the current prescribed timetable. Therefore, Australia Post also proposed subsequent to the public consultation process that the time Australia Post has to deliver letters should be extended by one day.

A changed delivery timetable would require amendments to section 8 of the Performance Standards.

This proposed reform meets the Government's objectives for postal services modernisation in the same manner as for the proposed reform to letter delivery standards.

While the delivery timetable could be extended further than one day, this option has only been considered in so far as being necessary to enable the reform outlined at [subsection 4.2.1](#).

#### **4.2.3 Option 2c - Adopt modern area classification definitions in the Performance Standards Regulations**

The Performance Standards Regulations define rural and remote zones, metropolitan and non-metropolitan areas in accordance with the 1991 Census edition of Rural, Remote and Metropolitan Areas Classification. There have been significant population and geographic changes over the last 30 years, particularly due to urban sprawl and changes to metropolitan boundaries.

In submissions to consultation process, Australia Post, businesses and Government agencies proposed that a more modern geographical classification tool be adopted in the Performance Standards Regulations<sup>53</sup>. The Australian Statistical Geography Standard - Remoteness Structure (ASGS-RS), a standard used across Government, was proposed for use with the adjustment outlined below.

This proposed reform would amend the definition of 'areas classification' used in Performance Standards Regulations from the 1991 Census classification tool to ASGS-RS, a more recent framework that classifies areas of Australia according to population and distance to services into five classes of remoteness: Major Cities, Inner Regional, Outer Regional, Remote and Very Remote. The amended Performance Standards Regulations would classify locations into either 'Major Cities' and 'all other classes' of remoteness according to the classification within the ASGS-RS. All capital city metropolitan areas would continue to be defined as 'Major Cities' under this amendment, reflecting their status as major metropolitan areas.

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<sup>53</sup>[Submission to Postal Services Modernisation, Australia Post](#)

Adoption of this proposed reform which adopts a modern classification tool would be consistent with the Government objective of a postal services regulatory framework that meets the needs of contemporary Australia.

Changing the geographical classification tool would require amendments to the “areas classification” definition within the Performance Standards Regulations.

#### 4.2.4 Option 2d - Broaden the definition of a retail outlet to include alternative points of presence

The current Performance Standards Regulations require Australia Post to maintain a minimum number of ‘retail outlets’. The terms ‘Offices of Australia Post’ and ‘retail outlets’ are defined in 28C of the APC Act— as “offices of Australia Post or other places from which Australia Post products or services may be purchased” and at Section 11(1) of the Performance Regulations – as a place “at which persons can purchase Australia Post products and services”. From a compliance perspective, retail outlets have been counted as CPOS, LPOs, CPAs and mobile van services but have excluded unstaffed facilities such as 24/7 parcel lockers.

In its submission to the public consultation process, Australia Post noted that “A reimagined postal network could include a diverse range of solutions”.<sup>54</sup> The policy option considered was that the definition of ‘retail outlet’ set out in the Performance Standards Regulations be updated to include alternative points of presence where Australia Post products and services are sold, such as, but are not limited to, self-serve unattended facilities, kiosks, vending machines and parcel lockers.

This broadening of the definition of a retail outlet could reflect modern approaches to meeting the needs of consumers. This proposal may meet the Government objective of Australia Post meeting the needs of contemporary Australia.

As discussed in more detail in [section 5](#), this proposal is likely to reduce the overall number of retail outlets which would reduce Australia Post’s operating costs, contributing to the Government’s objective of a financially sustainable Australia Post.

This proposed change will amend the CSO related to retail outlet numbers but will not remove Australia Post’s obligation to continue to meet its amended CSOs.

Broadening the definition of a ‘retail outlet’ would require amendments to the definition at subsection 11(1) of the Performance Standards Regulations.

#### 4.2.5 Option 2e - Change the proximity requirements that prescribe the percentage of residences that must be located within a certain distance of a retail outlet

Subsection 11(3) of the Performance Standards Regulations sets out the proximity requirements for retail outlets, that is, how close retail outlets must be in relation a set percentage of residences. The current requirements and proposed reformed requirements to relax the proximity requirements are as follows:

**Table 7: Current and proposed proximity requirements for retail outlets**

Current requirements	Proposed reformed requirements
In metropolitan areas at least 90% of residences are within 2.5km of an outlet.	In metropolitan areas at least 85% of residences are within 5km of an outlet.

<sup>54</sup> [Submission to Postal Services Modernisation, Australia Post](#)

Current requirements	Proposed reformed requirements
In non-metropolitan areas at least 85% of residences are within 7.5km of an outlet	In non-metropolitan areas at least 85% of residences are within 15km of an outlet

A reform to relax the proximity requirements has been proposed by Australia Post<sup>55</sup>. The reform would increase the distance allowed between retail outlets and a percentage of residences. In the case of outlets in metropolitan areas, the proposed reform also seeks to reduce the percentage of residence that would be within the prescribed distance to an outlet. The policy option considered was revising the metrics set out in the table above.

This proposed reform would work in tandem with Option 3b (see [section 4.3.2](#)) **Error! Reference source not found.**

As discussed in more detail in [section 5](#), this proposal is likely to reduce the overall number of retail outlets as well as Australia Post’s operating costs, and contribute to the Government’s objective of a financially sustainable Australia Post. However, this may undermine the Government’s objective of continuing to maintain appropriate coverage of Post Office outlets throughout Australia as it will result in reduced accessibility to Australia Post’s services for the community.

This proposed change will amend the CSO related to proximity of retail outlets but will not remove Australia Post’s obligation to continue to meet its amended CSOs.

This proposed change will amend the CSO related to proximity requirements.

The proposed reform would require amendments to subsection 11(3) of the Performance Standards Regulations.

## 4.3 Option 3 – De-regulatory Options

### 4.3.1 Option 3a - Remove the regulated requirement for a priority letter service

The priority mail service forms part of Australia Post’s “reserved” mail service which includes ordinary stamped letters weighing up to 250 grams and, as part of the reserved mail service, is not open to competition.

Priority letter pricing is linked to the BPR, costing an additional 50 per cent (currently an additional 55 cents). A significant proportion of priority mail is sent by business and Government customers to guarantee faster delivery times. In 2022-23, priority letters comprised of 7.6 per cent of addressed letter volumes, down from 13.2 per cent in 2017-18<sup>56</sup>.

Charity and promotional mail are subject to the priority and regular delivery timetables. Only a small proportion of this mail is sent via priority service.

This reform proposes to deregulate the priority letter service. In this scenario, Australia Post would introduce an alternative priority service product that will meet its customers' needs according to commercial terms and conditions rather than according to provisions of the Performance Standards Regulations.

Should the regulated requirement for a priority mail service be removed, Australia Post has undertaken to provide additional support for high priority mail events such as elections, the Census and also priority bulk business mail.

<sup>55</sup> [Submission to Postal Services Modernisation, Australia Post](#)

<sup>56</sup> Australia Post, internal data, 2023

Retention of a priority letter service would not be consistent with the proposed reforms to letter delivery timeframes. The deregulation of an underused service will create operational efficiencies and allow Australia Post to charge the actual cost of delivering this service.

This approach is consistent with the Government objectives of Australia Post achieving financial sustainability and better meeting the needs of contemporary Australia.

Removing the priority letter service would require amendments to the Performance Standards Regulations to remove reference to the service.

Provisions governing the pricing of the priority service would also need to be removed from the Price Notification Declaration (Australia Post Letter Services) (No. 2) 2015.

### **4.3.2 Option 3b - Remove the threshold for minimum numbers of retail outlets**

Section 11 of the Performance Standards Regulations requires Australia Post to maintain at least 4,000 retail outlets at which Australia Post products and services can be purchased. In rural or remote zones (using the area classification contained in the standards), the minimum number of retail outlets must be at least 50 per cent of the total number of retail outlets and not less than 2,500.

As of 30 June 2023, Australia Post reports that its retail network comprised a total of 4,271 outlets<sup>57</sup>, with 2,507 outlets in rural and remote areas<sup>58</sup>.

As previously noted, Australia Post has proposed that to ensure financial viability it is seeking to adjust the proximity requirements for outlets and also to remove requirement for the minimum number of retail outlets within the Performance Standards Regulations<sup>59</sup>.

Under this proposal, the minimum number of outlets maintained by Australia Post would no longer be regulated, therefore giving Australia Post freedom to determine the number of retail outlets needed to meet its CSOs, including what is needed to provide a service that is reasonably accessible to all Australians.

As discussed in more detail in [section 5](#), this proposal is likely to reduce the overall number of retail outlets as well as reduce Australia Post's costs, and contribute to the Government's objective of a financially sustainable Australia Post.

However, removing the standard relating to the minimum number of retail outlets that must be maintained, could undermine the Government's objective of Australia Post continuing to maintain appropriate coverage of Post Office outlets throughout Australia. Noting the current minimum numbers of retail outlets provide safeguards for the community, particularly in rural and remote areas.

The proposed reform would require amendments to the Performance Standards Regulations to remove subsections 11(1) and (2).

### **4.3.3 Option 3c - Reform of letter pricing oversight**

As noted, the current arrangements for BPR increases create price shocks and uncertainty for high volume letter senders and render long range budgeting difficult. There is no capacity under the current BPR increase arrangements for decisions to be made in relation to sequential price rises in a single notification.

Letters are subject to ACCC oversight through the Price Notification Declaration (Australia Post Letter Services) (No.2) 2015.

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<sup>57</sup> This number includes two mobile Post Office vans

<sup>58</sup> [Australia Post, Annual Report, 2023](#) p. 2

<sup>59</sup> [Submission to Postal Services Modernisation, Australia Post](#)

A price notification is required to be lodged with the ACCC by Australia Post each time a pricing increase is proposed.

A proposal to reform of the arrangements for setting and amending the BPR through an amended pricing framework that would allow for an agreed pricing pathway of more than one price change has been proposed by Australia Post<sup>60</sup>. Many significant users of the letters service, including Commonwealth agencies, business letter senders and mail houses also identified certainty on price increases as an important consideration and noted the benefits of this for forecasting and budget planning.<sup>61</sup>

The implementation of a more streamlined pricing pathway would contribute to the objective of a postal services framework that meets the needs of contemporary Australia and reduces regulatory costs for Australia Post contributing to its financial sustainability.

There are a number of different models for an amended framework that are currently being explored by Government. Models under consideration include the removal of the existing price notification process in the first instance.

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<sup>60</sup> [Submission to Postal Services Modernisation, Australia Post](#)

<sup>61</sup> Submissions to Postal Services Modernisation from [Australian Electoral Commission](#), [Fujifilm](#) and [Licensed Post Office Group](#)

## 5. What is the likely net impact of each option?

The Impact Analysis will assess the impacts of the proposed policy reforms identified in [section 4](#) through:

- A semi-qualitative breakdown of the impacts of each option on stakeholders;
- The direct regulatory costs to business, community and individuals, measured through a Regulatory Burden Estimate (RBE).

### 5.1 Semi-qualitative breakdown of impacts on stakeholders

A semi-qualitative assessment approach has been undertaken to describe and evaluate impacts affecting stakeholders and the broader community. Challenges in quantifying direct costs and benefits arise from difficulty in isolating and attributing the impacts of specific policy options relative to other regulatory levers, and limited information currently available.

The following factors were taken into account in assessing the impact of options: net financial benefits for Australia Post, likelihood and magnitude of changes to Australia Post's services, and sensitivity of groups of people or populations most likely to be affected and, in particular, whether impacts are likely to be disproportionately experienced by vulnerable groups.

A process to develop policy options was undertaken with Shareholders Departments and Australia Post informed by stakeholder consultation, reviews of literature on postal sector trends, and regulatory models of other postal operators.

As part of the process, [REDACTED] with Australia Post to assess the financial impact of policy options.

The purpose of stakeholder consultation was to obtain the views and opinions of potentially affected people and other interested parties of proposed policy options. It was also used to examine the viability of policy options as an input to the impact analysis.

The scale selected for the assessment of overall impact on stakeholders is:

High Positive	Positive	Modest Positive	Neutral	Modest Negative	Negative	High Negative
1	2	3	4	5	6	7

Each rating is equally weighted and assigned a numerical rating of 1 (High Positive) to 7 (High Negative). The impact on each affected stakeholder group under a policy option is individually rated, and the overall rating for that option is scored by adding and taking the average of the individual ratings.

Options assessed as 'Negative' or 'High Negative' are considered to have significant impacts and/or have not been adequately substantiated and require further exploration.

#### 5.1.1 Option 1 – Status Quo

Maintaining the status quo will include the continuation of:

- maintaining current administrative arrangements for letter price oversight;
- letters delivered in accordance with the existing Performance Standards Regulations for delivery times and speed;
- maintaining the existing CSOs; and
- maintaining the minimum regulated threshold of 4,000 Post Offices.

### 5.1.1.1 Impact of maintaining current letter price oversight arrangements

Increases to the BPR are an option to generate additional revenue and mitigate financial losses in the letters business. However, under the current arrangements it is not possible to seek sequential or urgent price increases, and the administrative process to assess a proposed price increase is costly and burdensome for Australia Post and the ACCC.

Postage costs are a significant cost in the total budgets of Commonwealth agencies, businesses and organisations that are bulk letter senders. These stakeholders note that the current process for decisions on BPR price rises has a detrimental effect on their budgetary planning processes. There is a broad consensus from these stakeholders that a longer-term pricing pathway would assist with long-range budget forecasting and planning.

43 per cent of Australians do not send letters. Of the 57 per cent of Australians that do send letters on average, 15 letters are sent each year by each of these senders.<sup>62</sup> As the average Australian currently sends on average 15 letters each year for personal reasons, increases to the BPR have only a modest negative impact. Australia Post has held reduced stamp pricing for concession card holders at the same price since 2019.

The impacts on stakeholders of maintaining existing administrative arrangements for letter price oversight is summarised as follows:

**Table 8: Stakeholder impacts of existing letter pricing oversight arrangements**

Stakeholder	Description of Impact	Quantum	Impact
<b>Australia Post</b>	Higher uncertainty and higher administrative burden.	Cost of approximately \$0.7 – \$0.9 million per annum per BPR increase	Modest Negative
<b>Bulk letter senders</b>	Short term, ad hoc postage costs increases are detrimental to budget planning processes.	Not quantified	Modest Negative

### 5.1.1.2 Impacts of maintaining the current performance standards

Letter volumes and revenue are declining but delivery points are increasing so that PDOs are covering larger geographic areas in their postal routes but delivering less on their rounds. The decline in letter volumes is expected to continue according to the following projections:

**Table 9: Letter Volumes (m)<sup>63</sup>**

FY23	FY24	FY25	FY26	FY27
1,500 (A)				

A = Actual, F = Forecast

This decline in letter volumes coupled with increased letter delivery costs is reflected in Australia Post's letters business running at a loss. Losses are projected to continue and escalate as less letters are delivered and delivery continues in accordance with the current legislative framework.

Section 10 of the Performance Standards Regulations requires Australia Post to maintain at a minimum, 4,000 retail outlets. For places that are located in rural or remote zones, the minimum threshold is at least

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<sup>63</sup> Australia Post, internal data, 2023



50 per cent of the total of all retail outlets and no less than 2,500 retail outlets. As of 30 June 2023, Australia Post maintained 4,271 Post Offices, with 2,507 in non-metropolitan locations.<sup>64</sup>

A summary of the impacts on stakeholders of maintaining the current letter delivery arrangements is as follows:

**Table 10: Stakeholder impacts of maintaining the current performance standards**

Stakeholder	Description of Impact	Quantum 2023/24-2026/27	Impact
<b>Australia Post</b>	<p>Constrained by current performance standards to deliver less letters to an increasing number of delivery points each day.</p> <p>Reduced cash flow impacts ability for investment in other areas.</p> <p>Without reform there is a risk of unplanned/uncontrolled closures or retail outlets in regional areas which would result in Australia Post not meeting its retail outlet performance standards in regional areas. Where Performance Standards are not met, Australia Post must prepare a Service Improvement Plan setting out how it will meet the performance Standards in future for scrutiny by the Government.</p>	<p>Letter delivery costs ██████████</p> <p>Letter revenue ██████████</p> <p>PBT ██████████</p> <p>Funding Shortfall ██████████</p>	High Negative
<b>Consumers</b>	<p>Will continue to receive letters as per current performance standards.</p> <p>Will not benefit from increased parcel delivery or other investments due to financial constraints of Australia Post.</p>	Not possible to quantify	Modest Negative
<b>Employees of Australia Post</b>	The continued decline in letter volumes may negatively impact employees, particularly PDOs who would be unable to benefit from opportunities related to parcel delivery.	Not possible to quantify	Modest Negative
<b>Rural and remote communities</b>	In the case of uncontrolled closures of retail outlets, communities lose access to services, or have to travel further to access similar services. In rural and remote communities, Post Offices can play an important social role.	Not possible to quantify	Negative

<sup>64</sup> [Australia Post, Annual Report 2023](#)

A negative cash position for Australia Post is forecast for 2025-26 should the status quo be maintained. ■  
■ Should the status quo be maintained without any reform, the overall impact of Option 1 is assessed as **negative**. This overall impact is derived by adding and averaging individual ratings assigned to individual identified impacts that is:  $(5 + 5 + 7 + 5 + 5 + 6) / 6 = 5.5$  (negative).

## 5.1.2 Option 2 – Reform of Existing Regulatory Framework

### 5.1.2.1 Options 2a and 2b - Reduce delivery frequency and relax the timetable for letter delivery

The recommended reforms to letter delivery propose that from 1 July 2024 the frequency with which Australia Post delivers ordinary letters be changed to delivery of letters to 98 per cent of all delivery points daily, except on Saturdays, Sundays and public holidays, every second day. It is also proposed to relax the timetable of delivery by one day.

The reforms would allow Australia Post to change its current letter delivery model by splitting delivery rounds into two sections with each section receiving letters on alternate days and other items (including parcels) on a daily basis.

DITRDCA's recent public consultation process sought views on whether the current letters service speed of frequency of delivery requirements should change in line the decline of the number of letters being delivered. The majority of responses supported letter delivery and speed changes.

Some sectors of the community groups identified as having a greater reliance on letters than the general population. These sectors include older Australians, people with a disability and people living in rural and remote areas. These groups were mostly opposed to any changes to letter delivery frequency and speed. However, in further targeted discussions with representatives of these groups, the proposed reduction of delivery frequency and speed coupled with more frequent additional parcel deliveries was viewed as having a net positive impact.

Businesses and mail houses have acknowledged that they are the main users of the letter service (not consumers) and consider mail will remain a valued communication channel for some time into the future. They have, however conceded that changes to relax letter delivery frequency and speed would not have a significant impact on business, provided that they were able to clearly communicate to customers changes in delivery times.

Should this regulatory reform be adopted, Australia Post has also undertaken to work with senders needing to meet key delivery deadlines – for example electoral and Census material from Federal and State Electoral Commissions and the Australian Bureau of Statistics.

Licensee representatives indicated that would support this reform on the basis that letter delivery to Post Office Boxes continued every weekday. Post Office Box revenue represents an important source of licensee revenue and less frequent delivery is expected to reduce the value of the Post Office Box service to customers. Should the regulatory reform be adopted, Australia Post has undertaken to retain letter delivery to Post Office Boxes every week day.

The impacts on stakeholders of reducing delivery frequency and relaxing the delivery timetable are summarised as follows:

**Table 11: Stakeholder impacts of reforms to delivery frequency and timetable**

Stakeholder	Description of Impact	Quantum 2023/24-2026/27	Impact
Australia Post	Letter delivery is currently loss making. With less letters delivered on a daily basis under this reform, cost savings are projected.		Positive
Consumers	Letters will be received less often – every second day. However, the average Australian receives on average, only around 2.2 letters per week.	N/A	Neutral
All consumers and businesses	Will benefit from transference of resources to parcel delivery.	Not possible to quantify	Positive
Bulk letter senders	Small adjustments required for letter campaigns.	Negligible	Modest Negative
LPOs	No direct impact to LPO commissions as LPO payments are not linked to delivery arrangements, provided Post Office Box letter delivery remains every weekday. LPO commission payments may improve with higher parcel volumes.	Negligible	Neutral
Australia Post workforce	Vulnerable to a decline in letter volumes. A greater number of parcels in daily postal rounds will have a positive impact on productivity and job security.	Not possible to quantify	Positive

The overall impact of Options 2a and 2b is assessed as **modestly positive**. This overall impact is derived by adding and averaging individual ratings assigned to individual identified impacts that is:  $(2 + 4 + 2 + 5 + 4 + 2) / 6 = 3.3$  (modestly positive).

### 5.1.2.2 Option 2c - Adopt modern area classification definitions

This reform proposes that from 1 July 2024, the Performance Standards Regulations will reference a more modern area classification tool — the Australian Statistical Geography Standard - Remoteness Structure (ASGS-RS) in respect of classifying the location of retail outlets and residences in their proximity.

This reform will ensure a more accurate and up to date classification of location and the application of standards appropriate to the updated geographic classification.

Based on modelling provided by Australia Post as at 30 June 2023, this change would result in approximately 57 retail outlets being reclassified to ‘Major Cities’ zones. In particular, growth areas on the urban fringes of the major capital cities would be reclassified, for example, Sunshine Coast, QLD. It would also result in approximately 128 retail outlets currently being reclassified to rural and remote zones (i.e. outside major cities) for example, Townsville.

The public consultation for postal services modernisation did not specifically seek views on the geographic classification of postal outlets per se. However, some submissions from business and Government agencies noted that the geographical classification used in the Performance Standards Regulations should be updated,

drawing attention to some anomalous classifications arising from the current classification definition that impact on other Australia Post’s services<sup>65</sup>. Australia Post’s submission also proposed the adoption of ASGS-RS adjusted to maintain existing treatment of capital cities<sup>66</sup>.

The impacts on stakeholders of adopting modern area classification definitions are summarised as follows:

**Table 12: Stakeholder impacts of updating area classification definitions**

Stakeholder	Description of Impact	Quantum 2023/24-2026/27	Impact
Australia Post	Reclassification will better reflect the nature of the community served.	Not possible to quantify	Positive
Businesses and residents in reclassified locations	There will be no impact to the services Australia Post provides through affected outlets.	Negligible	Neutral
LPOs and CPAs	Reclassification will better reflect the nature of the community served.	Negligible	Neutral

The overall impact of Option 2c is assessed as **modestly positive**. This overall impact is derived by adding and averaging individual ratings assigned to individual identified impacts that is:  $(3 + 4 + 4) / 3 = 3.6$  (modestly positive).

### 5.1.2.3 Option 2d - Broaden the definition of a retail outlet

This reform proposes that the definition of ‘retail outlet’ set out in the Performance Standards Regulations be broadened to include alternative points of presence where Australia Post products and services are sold, such as, but are not limited to, self-serve unattended facilities, kiosks, vending machines and parcel lockers.

At 30 June 2023, Australia Post’s retail network included approximately 5,000 points of presence. This total includes 4,271 retail outlets (as currently defined) of which 2,507 are located in rural and remote areas. Australia Post includes its two mobile van Post Offices in its count of retail outlets.

Broadening the definition of ‘retail outlet’ would allow Australia Post to meet the minimum number of retail outlets prescribed in the Performance Standards Regulations using a mix of retail formats. It could also reduce the number of traditional Post Offices below the current minimum of 4,000.

Many of these alternative retail services are available outside businesses hours. For example, access to parcel lockers is available 24 hours a day, 7 days a week.

Australia Post has indicated<sup>67</sup> that a shift to an increased number of non- traditional retail outlets by 2026-27 would provide additional access (in terms of the number of hours during which services could be accessed) Increased access would be a benefit to users of these services. Australia Post would maintain the minimum number of retail outlets (using a broadened definition), as currently set out in the Performance Standards Regulations.

The DITRDCA’s public consultation process sought views on whether other facilities, such as parcel lockers, vending machines, payment terminals or mobile Post Offices, are helpful to serve community needs. Only 21 responses were received to this question with an equal spread of responses identifying mobile vans, postal

<sup>65</sup> [Submission to Postal Services Modernisation, National Farmers Federation](#) p. 3

<sup>66</sup> [Submission to Postal Services Modernisation, Australia Post](#) p. 18-19.

<sup>67</sup> Australia Post, internal data, 2023

hubs or unspecified formats identified as helpful alternatives to Post Offices. The low response rate to this question, representing 7.6 per cent of total submissions received, limits the ability to draw conclusions on this question from the public consultation process.

Some submissions to the public consultation process from Post Office licensee and agent representative groups have indicated that other facilities can fill the gap in services for some members of the community but are insufficient to replace a Post Office. Limitations raised by include restrictions on the size and content of parcels in parcel lockers.

Submissions to the public consultation included representations from vulnerable members of the community, including people with a disability, older Australians, people from culturally and linguistically diverse backgrounds, and people with a low level of digital literacy. In their submissions, these community members highlighted that traditional Post Offices are often the most accessible means for them to have their identity verified or have access to government services without the need to go online. Several community groups, including the Council on the Ageing, also identified that Post Offices are trusted to provide identity and government services<sup>68</sup>. In its submission, the Australian Federation of Disability Organisations noted that people with a disability use services available at traditional Post Offices consistently more than double the frequency of the general public<sup>69</sup>.

A high proportion of submissions from rural and regional communities and businesses emphasised that the traditional Post Office and the services supplied by Post Offices, were essential to community wellbeing and the maintenance of a connection to the community<sup>70</sup>. A broad range of submissions identified the social impacts of the Post Office and the importance of Post Offices as community hubs, where people feel that they are valued community members<sup>71</sup>. Several submissions noted that Post Office employees frequently provide support and take additional time to assist vulnerable members of the community. The submission from the Australian Red Cross identified that Post Offices are highly valuable in providing community support before, during and after disasters, and offering emergency services and critical information<sup>72</sup>. That alternative retail solutions (for example parcel lockers and/or mobile vans) can offer an equivalent or better level of services for some communities is clear. However, the views expressed in some submissions, indicate that, should the definition of a retail outlet be broadened to include points of presence that are not traditional Post Offices, a replacement of traditional Post Offices by alternative points of presence could have a high negative impact on people from vulnerable groups and those living and working in regional, rural areas.

It should be noted that it is open to Australia Post to further promote the benefits of these alternative point of presence to the general public these and to increase the number of alternative points of presence to its retail network.

Australia Post currently has regulatory obligations to comply and report on its compliance with its CSOs which includes reporting on meeting the standard for maintaining the minimum number of retail outlets. Should the definition of a retail outlet be broadened, this regulatory obligation and the associated cost of meeting this would not change.

Notwithstanding financial savings that may be made by replacing traditional Post Offices with alternative points of presence, these need to be balanced against the social costs associated with this proposed reform. This proposed reform was not considered further at this time and would require further consultation if it was to be considered in the future.

The impacts on stakeholders of broadening the definition of retail outlets in the Performance Standards Regulations are summarised as follows:

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<sup>68</sup> [Submission to Postal Services Modernisation, Council on the Ageing](#) p.4

<sup>69</sup> [Submission to Postal Services Modernisation, Australian Federation of Disability Organisations](#)

<sup>70</sup> [Submission to Postal Services Modernisation, Licensed Post Office Group](#) p.6

<sup>71</sup> [Submission to Postal Services Modernisation, Council on the Ageing](#) p.4

<sup>72</sup> [Submission to Postal Services Modernisation, Australian Red Cross](#)

**Table 13: Stakeholder impacts of broadened retail outlet definition**

Stakeholder	Description of Impact	Quantum 2023/24-2026/27 *	Impact
<b>Australia Post</b>	The Post Office network supports the loss-making letters business. With lesser constraints on the minimum number of manned retail outlets to maintain, cost savings are expected.	Cost savings* ██████	Modest positive
<b>Consumers</b>	Communities could be serviced through alternative means that better suit lifestyle and parcel delivery. However, this is somewhat offset by a loss of access to face-to-face services that vulnerable cohorts of the community rely on.	Not possible to quantify	Modest positive
<b>Australia Post workforce</b>	Communities could be serviced through alternative self-service means, negatively impacting employees, particularly Post Office staff.	Not possible to quantify	Modest Negative
<b>Rural and remote communities</b>	In the case of uncontrolled closures of retail outlets, communities could be serviced through alternative means. However, this is offset by a loss of access to face-to-face services. In rural and remote communities, Post Offices can play an important social role.	Not possible to quantify	Negative
<b>LPOs and CPAs</b>	Fewer face-to-face retail outlets could improve the financial viability of remaining outlets, but alternative points of presence could also displace revenue from remaining outlets.	Not possible to quantify	Neutral

\*Estimated cost savings would be achieved if Options 2d, 2e and 3b pursued together.

The overall impact of Option 2d is assessed as **neutral**. This overall impact is derived by adding and averaging individual ratings assigned to individual identified impacts that is:  $(3 + 3 + 5 + 6 + 4) / 5 = 4.2$  (neutral).

#### 5.1.2.4 Option 2e - Change the proximity requirements that prescribe the percentage of residences that must be located within certain distances of a retail outlet

The proximity requirements for retail outlets are currently set out in subsection 11(3) of the Performance Standards Regulations.

This proposed reform would increase the distance allowed between retail outlets and the prescribed percentage of residences in proximity to the outlets set out in the Performance Standards. In the case of outlets in metro areas, the proposed reform also seeks to reduce the percentage of residence that would be within the prescribed distance to an outlet.

The current Standards and the policy option that was considered follows:

**Table 14: Current and proposed proximity requirements for retail outlets**

Current requirements	Proposed reformed requirements
<b>In metropolitan areas at least 90% of residences are within 2.5km of an outlet.</b>	In metropolitan areas at least 85% of residences are within 5km of an outlet.
<b>In non-metropolitan areas at least 85% of residences are within 7.5km of an outlet.</b>	In non-metropolitan areas at least 85% of residences are within 15km of an outlet.

This proposed reform would work in tandem with Option 3b, also proposed by Australia Post (see [section 4.3.2](#)).

Australia Post has noted that some metropolitan areas are ‘over serviced’, impacting the financial sustainability of nearby Post Offices. Examples provided include 73 outlets within a 7.5 kilometre radius of Darlinghurst, NSW and 79 outlets within a 7.5 kilometre radius of Brunswick, VIC<sup>73</sup>.

Where a Post Office closes in an ‘over serviced’ cluster, there is an expectation of a resultant increase in the financial viability of surrounding outlets. Any closures of LPOs would, however, need to reflect the often significant investments made in these businesses by the proprietors.

If this reform to proximity standards were applied in isolation to the proposal to remove the minimum number of ‘retail outlets,’ Post Offices numbers would easily fall to the minimum number currently required under the Performance Standards Regulations of 4,000 outlets. Australia Post has estimated the cumulative net financial benefits of reducing the number of retail outlets to the minimum level would be [REDACTED]. However, all users of services provided by Post Office outlets subject to closure would be impacted in some way from a change to the proximity standard for retail outlets. Views to change the proximity standards were not specifically sought as part of the public consultation. However, approximately 100 submissions addressed the number of retail outlets with 3 in 4 opposed to any reduction to the postal network. Furthermore, as previously noted, there is a low level of use and appreciation of the potential benefits of alternative retail services that may replace traditional Post Offices.

Additionally, as previously noted, disadvantaged members of the community would be particularly impacted by Post Office closures and the need to travel further to an alternative location.

Under the current accessibility standards set out in the Performance Standard Regulations, it is open to Australia Post to reduce number of retail outlets to the minimum threshold of 4,000 outlets. However, changes to the current proximity standards may result in a further reduction of outlet numbers beyond this threshold.

Australia Post currently has regulatory obligations to comply and report on its compliance with its CSOs which includes reporting on meeting the Standard for the proximity of retail outlets to residences. Should the metrics of the proximity Standard be changed, this regulatory obligation would not change but the associated cost of meeting this obligation would reduce in proportion to the number of outlets that would be reported on.

The financial benefits of undertaking a significant reduction in the number of Post Office outlets resulting from changes to the proximity standards need to be balanced against the social costs caused by such a reduction and the Government’s objectives for postal services modernisation. This proposed reform was not further considered at this time and would require further consultation to understand the impacts if it is to be considered in the future.

<sup>73</sup> [Submission to Postal Services Modernisation, Australia Post](#), p. 18



The impacts on stakeholders of changing the proximity requirements in the Performance Standards Regulations are summarised as follows:

**Table 15: Stakeholder impacts of proximity requirements**

Stakeholder	Description of Impact	Quantum 2023/24-2026/27 *	Impact
<b>Australia Post</b>	The post office network supports the loss-making letters business. With lesser constraints on the proximity requirements of retail outlets, cost savings are expected.	Cost savings* ██████	Modest positive
<b>Consumers</b>	Communities could be serviced through less Post Offices, however, may lose access to services, or have to travel further to access similar services. This issue may be exacerbated for vulnerable cohorts in the community.	Not possible to quantify	Modest Negative
<b>Australia Post workforce</b>	Communities could be serviced through lesser density in the Post Office network, negatively impacting employees, particularly Post Office staff.	Not possible to quantify	Modest Negative
<b>Rural and remote communities</b>	Communities may lose access to services, or have to travel further to access similar services. In rural and remote communities, Post Offices can play an important social role.	Not possible to quantify	Negative
<b>LPOs and CPAs</b>	Fewer face-to-face retail outlets could improve the financial viability of remaining outlets, but any closures of LPOs would need to reflect the often significant investments made in these businesses.	Not possible to quantify	Neutral

\*Estimated cost savings would be achieved if Options 2d, 2e and 3b pursued together.

The overall impact of Option 2e is assessed as **Modestly Negative**. This overall impact is derived by adding and averaging individual ratings assigned to individual identified impacts that is:  $(3 + 5 + 5 + 6 + 6) / 5 = 5$  (modestly negative).

## 5.1.3 Option 3 – De-regulatory measures

### 5.1.3.1 Option 3a - Remove the regulated requirement for a priority letter service

This reform proposes to deregulate the priority letters service by removing the relevant provisions governing the service from the Performance Standard Regulations.

Priority letters constitute a small proportion (7.6 per cent) of addressed letters and around 8 per cent of Australia Post’s non-bulk letters business<sup>74</sup>, but impose disproportionate costs in terms of the inefficiencies in offering and delivering the service.

It should also be noted that with the relaxation of the letter delivery timeframes, Australia Post would no longer be able to meet the timeframes for priority mail delivery.

Recognising the small, declining volumes of priority letters sent, the majority of which are sent by businesses or governments, this reform would impact a small group of current users.

The public consultation process sought views on deregulating the priority service while maintaining a commercial bulk priority letter service and what the value of the priority service was. Only 20 submissions engaged with this issue (predominately from the small business and Government sectors) and indicated a preference that priority mail should be retained but there were no strong views that the service should remain regulated.

The financial benefits to Australia Post of deregulating the priority mail service, outweigh the potential modest negative impacts on the small cohort of priority mail users who will now need to use alternative, commercial offerings.

The impacts on stakeholders of removing the requirement for a priority letter service are summarised as follows:

**Table 16: Stakeholder impacts of deregulating the priority service**

Stakeholder	Description of Impact	Quantum	Impact
Australia Post	Financial savings to be gained as the costs of providing the priority mail service are greater than the revenue it provides.	██████████ (based on revenue and costs in 2022-23) <sup>75</sup>	Positive
Australia Post	Reduction in manual handling required to sort priority mail in red post boxes. Savings expected in labour costs and from streamlined sorting operations.	Unquantified	Modest Positive
Australia Post	Will have the commercial flexibility to offer this service at a different price point that more closely reflects the costs incurred and offer competitive terms and conditions.	Unquantified	Positive

<sup>74</sup> Australia Post, internal data, 2023

<sup>75</sup> Australia Post, internal data, 2023

Stakeholder	Description of Impact	Quantum	Impact
Businesses and Government agencies that use priority mail.	Will now need to use a priority service available at commercial rates and terms of service.	Unquantified	Modest Negative

The overall impact of Option 4.3.1 is **modestly positive**. This overall impact is derived by adding and averaging individual ratings assigned to individual identified impacts that is:  $(2 + 3 + 2 + 5) / 4 = 3$  (modestly positive).

### 5.1.3.2 Option 3b - Remove the minimum retail outlet thresholds

This reform would remove the regulated threshold of 4,000 retail outlets in total and 2,500 in rural and remote areas as currently prescribed in Section 11 of the Performance Standards Regulations.

Australia Post has estimated that in 2023-24 it will cost more than \$1.3 billion to run its retail network, with revenue directly generated by the retail network of [REDACTED]. Costs include the direct in-store costs of the retail network, commissions paid to LPOs. These costs are being incurred in an environment of declining retail transactions.

This proposed reform would provide Australia Post with the flexibility to adjust number of retail outlets to levels that support a financially viable network.

Australia Post has noted a number of ‘over-serviced’ clusters in metropolitan areas where there is a high number of outlets in close proximity to each other. It notes that it expects that the closure of one outlet in an over serviced area will increase the financial viability of the other outlets in the cluster.

Australia Post has processes in place to assess the impact of the closure of a retail outlet on surrounding local communities, including through the uplift in financial performance of nearby outlets.

Australia Post has estimated the cumulative net financial benefits of reducing the number of retail outlets 4,000 (the minimum required) would be [REDACTED].

These net financial benefits include the regulatory costs and costs to close unprofitable Post Offices.

Approximately 100 submissions to the public consultation process addressed the issue of the number of retail outlets and 3 in 4 did not support a reduction in the number of retail outlets in the Post Office network.

As previously noted, the Post Office network is the most geographically dispersed retail network in Australia. It directly employs approximately 6,000 team members and supports the employment of approximately 12,000 team members through LPOs and CPAs. It’s geographic breadth and services render it an important part of the Australian economy.

The Post Office network also plays an important social role in communities. Furthermore, the digitisation of banking and other government services has increased the importance of Post Offices as often the only option for non-digital transactions – particularly in rural and remote areas and for Australians who are not digitally literate or lack access to digital alternatives. Australians without digital access or low levels of digital literacy comprise of the most vulnerable sectors including some people with a disability, older Australians, people from culturally and linguistically diverse backgrounds and First Nations people.

Almost 60 per cent of Australia Post’s retail presence is in regional and remote Australia, triple that of other Australian industries, such as transport, finance and health. As banks and other service providers go online and close their shop fronts, Post Offices have become increasingly important in many communities by providing access to postal, financial, business and community services.

A high proportion of submissions to the public consultation from rural and regional communities and businesses emphasised that the traditional Post Office and the services supplied by Post Offices, were essential to community wellbeing and the maintenance of a connection to the community.

It is difficult to monetise the impacts on Post Office users of this proposal, however the social impacts inherent in removing the regulated minimum of retail outlets, which could lead to significant reductions in the number of traditional outlets offering face-to-face services, do not appear outweigh the social costs that would be caused by such a reduction.

Note that under the current Performance Standards Regulations, Australia Post is able to reduce number of retail outlets to 4,000.

The impacts on stakeholders of removing the minimum number of retail outlets to be maintained by Australia Post are summarised as follows:

**Table 17: Stakeholder impacts of removing minimum numbers of retail outlets**

Stakeholder	Description of Impact	Quantum 2023/24-2026/27	Impact
<b>Australia Post</b>	The Post Office network supports the loss-making letters business. With lesser constraints on the proximity requirements of retail outlets, cost savings are expected.	Cost savings* ██████	Modest positive
<b>Consumers</b>	Communities could be serviced through less Post Offices, however, may lose access to services, or have to travel further to access similar services. This issue may be exacerbated for vulnerable cohorts in the community.	Not possible to quantify	Negative
<b>Australia Post workforce</b>	Communities could be serviced through lesser density in the Post Office network, negatively impacting employees, particularly Post Office staff.	Not possible to quantify	Modest Negative
<b>Rural and remote communities</b>	Communities may lose access to services, or have to travel further to access similar services. In rural and remote communities, Post Offices can play an important social role.	Not possible to quantify	Negative
<b>LPOs and CPAs</b>	Fewer face-to-face retail outlets could improve the financial viability of remaining outlets, but any closures of LPOs would need to reflect the often significant investments made in these businesses.	Not possible to quantify	Neutral

\*Estimated cost savings would be achieved if Options 2d, 2e and 3b pursued together.

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<sup>76</sup> Australia Post Internal Data, 2023

The overall impact of Option 4.3.2 is assessed as **modestly negative**. This overall impact is derived by adding and averaging individual ratings assigned to individual identified impacts that is:  $(3 + 6 + 5 + 6 + 6) / 5 = 5.2$  (modestly negative).

### 5.1.3.3 Option 3c - Reform of letter pricing oversight

The proposal to reform of the arrangements for setting and amending the BPR through an amended pricing framework would allow for an agreed pricing pathway of more than one price change.

In submissions to the public consultation process, many significant users of the letters service – business letter senders and mail houses – identified certainty on price increases as an important consideration. Additionally, key Commonwealth letter senders that provided advice on this issue were supportive of longer-term letter pricing arrangements and stated the benefits of this for forecasting and budget planning.

Following the receipt of submissions to the public consultation process, the DITRDCA discussed the proposal for a framework which would permit for a longer-term pricing pathway with a number of bulk letter senders. There was unanimous support for such a reform which would provide benefits in forecasting and budget planning.

Australia Post has advised that its total regulatory costs in complying with its two most recent (ad hoc) pricing notifications ranged from \$0.7 to 0.9 million. A reformed pricing framework would seek to reduce these costs, and would also reduce costs incurred by the ACCC.

The impacts on stakeholders of reform of letter pricing oversight are summarised as follows:

**Table 18: Stakeholder impacts of reforming letter pricing oversight arrangements**

Stakeholder	Description of Impact	Quantum	Impact
Australia Post	Expected to reduce regulatory costs in complying.	Current costs \$0.7 to \$0.9 per price rise (assume annual)	Positive
Australia Post	Setting an agreed pricing pathway of more than one price change would provide greater funding certainty.		Positive
Businesses and Government agencies that use mail	An agreed pricing pathway of more than one price change would provide greater clarity for budgeting and forecasting for postage costs.		Positive

The overall impact of Option 3c is assessed as **positive**. However, further consultation with the Treasury, ACCC, Australia Post and stakeholders is required to explore how this reform can be best implemented to achieve an optimum net benefit.

## 5.2 Regulatory burden estimate

Total changes to the regulatory cost as a result of the amendments to the Performance Standards Regulations is estimated to be negligible or nil. Amending the Performance Standards Regulations would allow Australia Post to make changes within its operations but its performance would continue to be subject to a legislative framework with oversight from Shareholder Ministers. It is not proposed that annual performance audit

requirements would change. Table 19 sets out the assessed change in impact of annual regulatory costs associated with regulatory changes.

**Table 19: Changes in regulatory costs associated with regulatory changes**

Change in costs \$m	Australia Post	Business	Community organisations	Individuals	Total change in costs
<b>Option 1</b>	Negligible	Negligible	Negligible	Negligible	Negligible
<b>Option 2</b>	Negligible	Negligible	Negligible	Negligible	Negligible
<b>Option 3</b>	Negligible	Negligible	Negligible	Negligible	Negligible

Affected stakeholders are not subject to the performance requirements. However, some businesses, are obligated to use the mail service to dispatch important communications and these can be subject to other regulatory compliance. However, this should be limited to one-off administrative changes to adjust timetables for mail campaigns in line with changed letter delivery arrangements. High volume letter senders have not indicated any costs associated with the proposed reforms to letter delivery.

In the absence of the proposed reforms to the Performance Standards Regulations, Australia Post’s ability to deliver existing mail services will be impacted. This would see delays in delivery of services, leading to increased costs associated with regulation (for example, the preparation of service improvement plans when it does not meet regulatory performance standards. Additionally, Australia Post has not identified any net change to the regulatory burden associated with compliance with the proposed reforms, or regulatory cost savings associated with the proposed de-regulation of the priority mail service.

## 6. Who did you consult?

To inform its development of policy reforms to support modernisation of postal services, the Government undertook a broad public consultation process followed by targeted consultation with stakeholders who provided submissions to the public consultation process.

The objective of the [Postal Services Modernisation](#) consultation was to obtain the views for the Australian community about the postal services it wants and needs now and in the future.

The consultation provided a [discussion paper](#) which outlined the postal services currently available in Australia and identified how the use of letter, parcel and Post Office services have changed over time. It asked those making a submission to consider what postal services were most important to them and their community now and into the future.

The consultation was open from 2 March 2023 to 27 April 2023. Over 1,000 contributions to this consultation were received in the form of formal submissions and short comments. 105 formal submissions were published on the [Postal Services Modernisation web page](#). Contributions were received from a wide range of stakeholders including from individuals, community organisations, charities, businesses, and all levels of government.

### 6.1 Findings from consultation

A variety of views were put forward in submissions and comments to the Government's public consultation which demonstrated overwhelming support for a well-designed package of reforms that would:

- continue to support the delivery of traditional postal services
- support growth in services, and
- underpin the long-term financial sustainability of Australia Post.

The key findings from consultation were:

- Australians support a financially sustainable Australia Post that can continue to support communities and businesses across the country.
- Directing resources to improve parcel services has wide support, with frequency, reliability, delivery choice and tracking all considered to be important features of a modern postal service.
- Changes to street side letter delivery frequency has broad support. Key stakeholders noted there would be minimal impacts from reducing letter delivery frequency.
- Should changes be agreed by Government, it will be important for Australia Post to work with users of the letters service to support their needs into the future. This includes support for elections, the Census and priority bulk business mail.
- Maintaining subsidies for concession card holders and Christmas greeting stamps is important to many Australians.
- Retail outlets in rural, regional and remote areas are highly valued. There is some support to optimise the retail network in metropolitan areas, expand services and better help communities (including to prepare, respond and recover from natural disasters).
- There is broad support to remove the Priority Mail service, with many individuals and stakeholders noting that this service is not frequently used.

The Government undertook further targeted consultation with key stakeholders to inform specific options for reform. Stakeholders included major letter senders, logistics organisations, eCommerce platforms, business groups, community groups, licensee representative groups, and postal worker unions. Further consultation was also undertaken with relevant Government Departments and Agencies, through one-on-one and Interdepartmental Committee meetings.



The purpose of these targeted meetings was to provide an update on modernisation reform options, test policy reform proposals and to ask specific questions relating to the submissions made by these groups.

Stakeholders raised the following issues during these targeted consultations:

- Major letter senders raised concerns about an increase in letters pricing contributing to an acceleration in the decline in letters volume, and the timing of the proposed increase to the Basic Postage Rate (BPR) from January 2024, noting letters pricing has been effectively increased twice in the last year.
- Some letter senders consider the future decline in letter volumes will not be as rapid as forecast by Australia Post, with letters still seen as a valuable product in key areas such as utility bills, charity fundraising and catalogues.
- For vulnerable groups that have a high reliance on letters, the proposed reduction of delivery frequency and speed coupled with more frequent parcel deliveries was viewed as having a net positive impact.
- Changes to services need to be well-planned, allowing sufficient time for users to adjust their processes to minimise the impact on users of the service, and particularly vulnerable members of the community. There was consensus that Australia Post should improve its engagement with letters customers.
- The lack of competition in the parcel delivery market in regional, rural and remote areas and Australia Post is generally the sole provider of parcel services, and the impact on parcel prices. Stakeholders also noted a lack of oversight of Australia Post's parcels pricing in these areas.
- Some parcel and logistics companies noted Australia Post could be required to provide access to its last mile infrastructure as a potential solution to increase competition in regional areas. The proposal would have impact on Australia Post's commercial relationship with Post Office licensees, with licensee representative groups not currently supporting the proposal but indicating it may need to be revisited in the future if revenue to Post Office licensees continues to decline, putting their financial viability at risk.
- Post Office licensees consider government decisions are needed urgently to give them certainty about the long-term viability of their businesses.
- Licensees consider there has been little information provided to them by Australia Post about what impact reforms to the Performance Standards Regulations may have on mail processing and dispatch to Post Offices for delivery in the last-mile.

The views obtained through consultation have shaped the proposed reforms for postal services modernisation.

## 7. What is the best option?

### 7.1 Net impacts and contribution to the objectives

To address the problem, DITRDCA is recommending a combination of reforms to the existing regulatory framework and one deregulatory reform. The recommended package of reforms has been the subject of thorough stakeholder consultation been assessed as having an overall net benefit of modestly positive or positive. The reform package also positively contributes to the Government’s objectives for postal services modernisation.

The following reforms will deliver a significant improvement to the financial position of Australia Post in the medium term. The reforms can be implemented through amendments to the Performance Standard Regulations effective from 1 July 2024.

**Table 20: Summary of recommended reforms vs objectives**

Proposed reform option	Net impact	Objectives met
2a and 2b - reduction of delivery frequency and relaxation of the timetable for letter delivery	Positive	<ul style="list-style-type: none"> <li>Australia Post will continue to meet its CSOs</li> <li>Meets the needs of contemporary Australia</li> <li>Contributes to the financial sustainability of Australia Post</li> </ul>
2c - Adoption of modern area classification definitions in the Performance Standards Regulations	Modest Positive	<ul style="list-style-type: none"> <li>Meets the needs of contemporary Australia</li> <li>Australia Post will continue to meet its CSOs</li> </ul>
3a - Removal of the regulated requirement for a priority letter service	Positive	<ul style="list-style-type: none"> <li>Contributes to the financial sustainability of Australia Post</li> <li>Meets the needs of contemporary Australia</li> <li>Australia Post will continue to meet its CSOs</li> </ul>
3c – Reform of letter pricing oversight	Positive	<ul style="list-style-type: none"> <li>Contributes to the financial sustainability of Australia Post</li> </ul>

It is also proposed that price increases under the BPR continue as an option of containing the losses of the declining letter service.

The projected financial position from this package of reforms is as follows:

**Table 21: Impact of recommended reforms on Profit Before Tax (PBT)<sup>77</sup>**

	FY24 \$m	FY25 \$m	FY26 \$m	FY27 \$m	Cumulative 4 Year Total \$m
<b>PBT (Current Corporate Plan forecast)</b>	██████	██████	██████	██████	██████
<b>Changes to Performance Standards Regulations</b>	██████	██████	██████	██████	██████

<sup>77</sup> Australia Post internal data, 2023

	FY24 \$m	FY25 \$m	FY26 \$m	FY27 \$m	Cumulative 4 Year Total \$m
Deregulating the priority letter service (estimated cost savings)					
Reform of letter pricing oversight					
PBT (with recommended reforms)					
<i>Variance</i>					

Note: Numbers may not total due to rounding, and other potential cost savings that could be realised as a result of the reforms have not been taken into account.

As noted, Option 3c will require further work and consultation to determine how the existing mechanism should be amended or whether a new framework should be developed to support a long-term price path for the regular letter services. A new process could be in place by 1 July 2024 subject to this.

It is proposed that amended regulations be supported by an updated Statement of Expectations (SoE) which contains commitments from Australia Post to support the reforms by:

- supporting job security for PDOs and other workers whose roles have changed to include more parcel delivery and processing due to reduced letter delivery frequency;
- introducing a non-regulated priority letter service with specified terms and conditions; and
- committing to future investments to ensure postal services meet the contemporary needs of the Australian economy and community.

## 7.2 Reforms for future consideration to address the problem in the longer term

The following proposed options for reform could deliver a further positive impact on the outlook for Australia Post's long-term financial sustainability:

- **Option 2d** - Broaden the definition of a retail outlet to include alternative points of presence.
- **Error! Reference source not found.** Change the proximity requirements that prescribe the percentage of residences that must be located within a certain distance of a retail outlet.
- **Option 3b** - Remove the threshold for minimum numbers of retail outlets.

However, on account of the social impacts of these proposed reforms being largely uncertain and the net impact being neutral or negative, it is not recommended they be implemented at this time. It is proposed that further consultation with Australia Post and stakeholders be required if these options are to be further considered, noting they also require amendments to the Performance Standards Regulations.

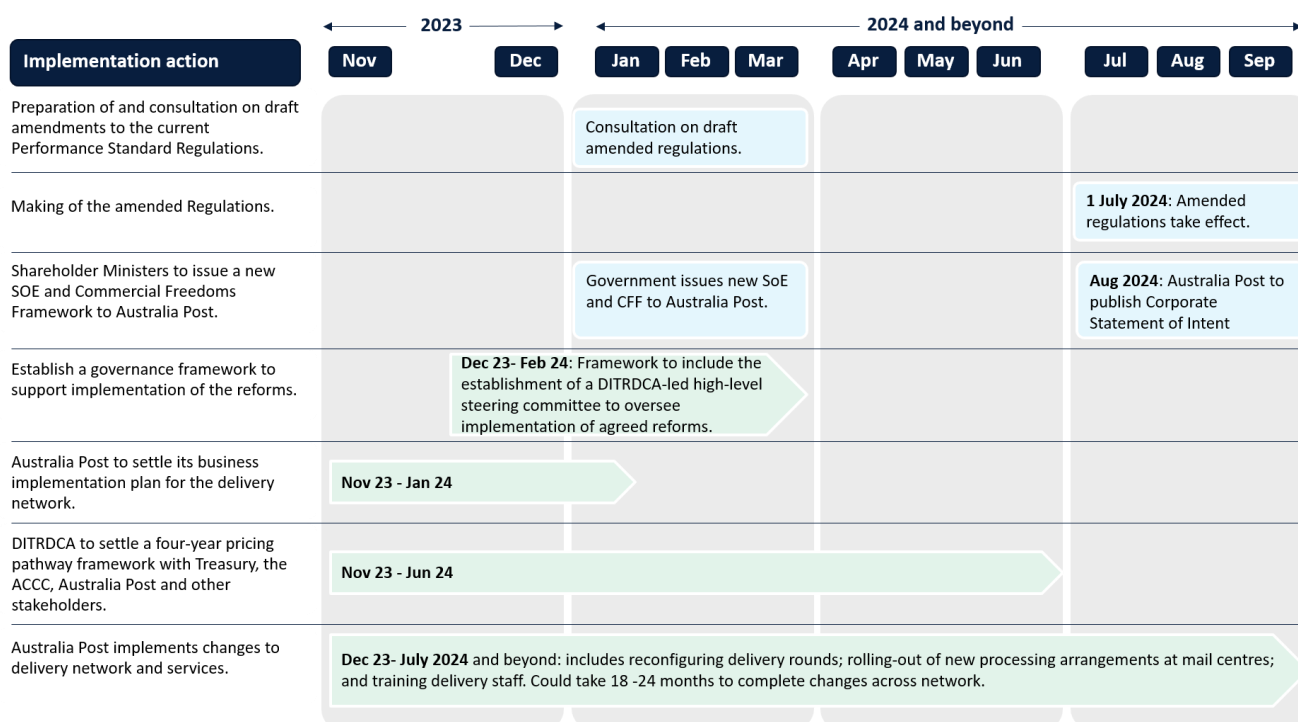
## 8. How will the best option be implemented and evaluated?

### 8.1 Implementation plan

Key steps and timeframes for the implementation of the recommended reforms are outlined below.

**Table 22: Implementation timelines for recommended reforms**

This table sets out implementation timelines for recommended reforms in an inaccessible way. For an accessible version, refer to [Appendix B - 60Implementation timeline for recommended reforms – accessible version](#)



### 8.2 Implementation risks

In developing and consulting on the recommended reforms for postal services modernisation, a number of risks and challenges to implementation became apparent.

It will take 18-24 months for Australia Post to implement the reforms to its delivery network. This lengthy rollout period exacerbates the risk of delays in implementation.

The changes to the letter delivery arrangements involve changes to workflows and will be subject to consultation with worker representatives. It may not be possible for negotiations to keep pace with the proposed roll out, particularly since the implementation phase will coincide with enterprise bargaining negotiations for postal workers.

The postal services modernisation consultation process engaged a broad number of stakeholders from a wide range of sectors. Further consultation is desirable but it may be difficult to maintain the same high level of stakeholder engagement.

**Table 23: Implementation risks**

<b>Risks</b>	<b>Likelihood</b>	<b>Consequences</b>	<b>Management</b>
<b>Australia Post’s operational change plan may encounter disruptions or delays (i.e. redesign of mail routes takes longer, operational issues identified during progressive roll-out)</b>	Medium	Reforms are not implemented, benefits not realised and Australia Post is non-complaint with the amended Performance Standards Regulations.	<p>Australia Post will provide an operational change plan to support implementation of the proposed reforms, including its planned communications and engagement with its workforce and licensees.</p> <p>Australia Post will agree a Memorandum of Understanding with postal worker unions to support the ongoing roll-out of operational changes.</p> <p>The Steering Committee will be kept apprised of potential impacts to implementation as issues arise, and will review action plans prepared by Australia Post.</p>
<b>The amended Regulations are disallowed</b>	Medium	Reforms are not implemented, benefits not realised.	<p>A period of 8-12 weeks has been allowed for consultation with stakeholders on the draft amendment Regulations.</p> <p>This would be complemented by a series of engagement activities to garner stakeholder support for the regulations, particularly with parliamentarians.</p>

Successful implementation of the recommended options will achieve the following outcomes within the next one to two years. See [Section 8](#) for further information on how the objectives and targets would be evaluated.

**Table 24: Targets and metrics for implementation of the recommended options**

Target	Metric/s
<p><b>The Performance Standards Regulations give Australia Post sufficient flexibility to change its letter delivery model nationwide.</b></p>	<ul style="list-style-type: none"> <li>• The regulations are amended and in place by July 2024.</li> <li>• Australia Post completes implementation of its business change plan for the corporately operated letter network by June 2025.</li> <li>• Australia Post completes implementation of its business change plan for the letter network operated by contractors by June 2026.</li> </ul>
<p><b>Financial support for Australia Post from the Government is not required in the short term.</b></p>	<ul style="list-style-type: none"> <li>• No formal requests for financial assistance are made by Australia Post to the Government.</li> <li>• Australia Post retains its current credit rating.</li> </ul>
<p><b>Australia Post will realise a reduction in fixed costs across the delivery network.</b></p>	<ul style="list-style-type: none"> <li>• Australia Post realises its projected cost efficiencies savings in its delivery network.</li> </ul>
<p><b>PDOs will be more effectively utilised, leading to higher productivity and increased workforce engagement.</b></p>	<ul style="list-style-type: none"> <li>• Regular workforce satisfaction surveys indicate consistently positive results.</li> <li>• The number of Australia Post corporate letter delivery rounds is reduced by June 2025.</li> <li>• Parcels delivered by PDOs increase.</li> </ul>
<p><b>A process is established to endorse a four-year pricing pathway for the BPR aligned with the Australia Post’s Corporate Planning process.</b></p>	<ul style="list-style-type: none"> <li>• A new process to notify and endorse the BPR pricing pathway is in place by July 2024.</li> <li>• Australia Post publishes its planned four-year pricing pathway each year in parallel with publishing its Statement of Corporate Intent.</li> </ul>

### 8.3 Evaluation plan

Following Government’s agreement to proceed with the recommended package of reforms, an evaluation plan will be developed in line with the Commonwealth Evaluation Policy and the Department’s Evaluation Strategy.

The evaluation plan will outline who in Shareholder Departments will be responsible for leading the evaluation, how the evaluation process will be conducted, and the criteria to evaluate the outcomes of implementing the recommended package of reforms.

It is envisioned that success will be monitored and evaluated progressively during implementation of the recommended package of reforms, noting that the package will be implemented in stages. Key checkpoints or milestones include:

- the making of amendment Regulation,
- completion of operational changes at Australia Post’s processing facilities, and
- completion of operational changes across the rest of the business.

A set of evaluation criteria will be developed for each of these checkpoints. This approach will enable insights to be captured and used by Australia Post’s to adjust its processes and procedures.

Information from evaluation processes will also be used by DITRDCA to better understand how and changes to services impacted on consumer and its workforce, and as well as guide future policy development and implementation, particularly for the retail outlet performance standards. Findings will also be useful to international postal operators that may be considering similar interventions.

Achievement of the long-term objectives is expected to be evaluated, with the following information resources to be considered:

- Commissioned research to obtain updated qualitative data
- Assessment of impacts of changes to communities including in relation to vulnerable cohorts of the community.
- Online surveys to gauge insights into use of services, behaviour, and impacts
- Customer sentiment survey by Australia Post
- Consultations with peak bodies or stakeholder surveys
- Australian National Audit Office audits of Australia Post's compliance with Performance Standards as reported in its Annual Report.



## Appendix A - Glossary of Terms

Term	Description
<b>ACCC</b>	Australian Competition and Consumer Corporation
<b>APC Act</b>	Australian Postal Corporation Act 1989
<b>Basic Postage Rate (BPR)</b>	The full value postage (stamp price) that applies to regular letters — that is, it is the stamp price you would pay to send a Regular letter. Postage for priority letters are set at 150 per cent of the BPR
<b>Community Postal Agent (CPA)</b>	CPAs provide over-the-counter delivery services in rural and remote areas of Australia. They are typically operated in conjunction with another business such as a general store
<b>Corporate Post Office (CPO)</b>	A Post Office that is owned and operated by Australia Post
<b>DITRDCA</b>	Department of Infrastructure, Transport, Regional Development, Communications and the Arts
<b>eCommerce</b>	The buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the internet
<b>Letters</b>	<p>A letter is defined in the APC Act as being any form of written communication that is directed to a particular person or address, and includes:</p> <ul style="list-style-type: none"> <li>• any standard postal article</li> <li>• any envelope, packet, parcel, container or wrapper containing such a communication</li> <li>• any unenclosed written communication that is directed to a particular person or address</li> </ul>
<b>Licensed Post Office (LPO)</b>	A Post Office that is owned and operated as a franchise They may be run solely as a Post Office, or in conjunction with another business— for example, a chemist or newsagent
<b>Online shopping</b>	A form of eCommerce by which consumers directly buy goods or services over the Internet
<b>Performance Standards Regulations</b>	Australian Postal Corporation (Performance Standards) Regulations 2019. Sets specific requirements on Australia Post in relation to the speed, frequency and accuracy of letter delivery, the number and location of retail outlets, and the number of Street Posting Boxes
<b>Postal delivery officers (PDOs)</b>	'Posties', responsible for delivering mail to a delivery point such as a letter box
<b>PreSort letters</b>	PreSort is a service that offers reduced postage rates to customers who sort their letters before lodgement and comply with relevant mailing conditions — in particular, lodgement in minimum batches of 300 items that are barcoded and sorted
<b>Priority letters</b>	A reserved service letter carried for an additional fee above the BPR and in accordance with the priority speed timetable set out in the Performance Standards

Term	Description
<b>Regular letters</b>	A reserved service letter carried at the BPR and in accordance with the regular speed timetable set out in the Performance Standards
<b>SoE</b>	Statement of Expectations

# Appendix B - Implementation timeline for recommended reforms – accessible version of Table 22

Key steps and timeframes for the implementation of the recommended reforms are outlined below.

## **Implementation action**

Preparation of and consultation on draft amendments to the current Performance Standard Regulations.

## **Timeline**

January to March 2024 - consultation on draft amended regulations.

## **Implementation action**

Making of the amended regulations.

## **Timeline**

1 July 2024 - Amended regulations take effect.

## **Implementation action**

Shareholder Ministers to issue a new SOE and Commercial Freedoms Framework to Australia Post.

## **Timeline**

February 2024 - Government issues new SoE and CFF to Australia Post.

August 2024 - Australia Post to publish Corporate Statement of Intent.

## **Implementation action**

Establish a governance framework to support implementation of the reforms.

## **Timeline**

Dec 2023 to Feb 2024 - Framework to include the establishment of a DITRDCA-led high-level steering committee to oversee implementation of agreed reforms.

## **Implementation action**

Australia Post to settle its business implementation plan for the delivery network

## **Timeline**

November 2023 to January 2024.

## **Implementation action**

DITRDCA to settle a four-year pricing pathway framework with Treasury, the ACCC, Australia Post and other stakeholders.

## **Timeline**

November 2023 to June 2024.

## **Implementation action**

Australia Post implements changes to delivery network and services.

## **Timeline**

December 2023 to July 2024 and beyond. Includes reconfiguring delivery rounds; rolling-out of new processing arrangements at mail centres; and training delivery staff. Could take 18 -24 months to complete changes across network.