

THE FUTURE OF AUSTRALIA POST'S SERVICE DELIVERY

SUBMISSION TO SENATE INQUIRY

THE REAL MEDIA COLLECTIVE

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Table of Contents

1.0 Executive Summary	3
2.0 About 'The Real Media Collective'	6
3.0 The Industry Snapshot	7
4.0 TRMC responses – The future of Australia Post's service delivery	8
4.1 Issues a), c) and d) of the reference points	8
4.2 The impact of COVID-19 on the financial position of Australia Post and its future	10
4.3 Related matters	11

1.0 Executive Summary

The Real Media Collective (“TRMC”) writes in an era of unprecedented times confronting not only the essence of Australian communities, but further, a critical period for all Australians, businesses and broader economy.

With members across the industry sectors and associated businesses working with Australia Post, we have long lobbied for operational efficiencies and improvements to mitigate increased operating costs leading to one outcome – price increases. It is for this reason, TRMC supports and indeed welcomes, any and all Australia Post initiatives, reviews or other projects that seek to improve Australia Post’s financial position whilst developing service models and products that reflect the need of the modern Australian community and industry for the national postal service requirements.

TRMC is an industry association representing the paper, print, publishing, mail and distribution sectors across Australia and New Zealand. Across the Australian Board and Member companies of the organisation, we represent \$15.88BN of the \$18.9BN industry.

The industry sectors we represent employ over 258,000 Australians across full-time, part-time and independent contractor arrangements with mixed skilled and unskilled labour supply across metropolitan and regional locations.

Our Industry is highly fragmented with 5,817 businesses operating across the country. The four largest companies reflect some 40% of industry’s total revenue and with the majority of firms employing less than 20 people. This equates to 95% of our businesses categorised as ‘small business’, operating under \$2.0 million turnover per annum (Ibisworld, 2019).

Over the past four years the industry has endured a 34% increase to Business Mail pricing, with PreSort (Essential Mail Letters) realising a 56% increase. In an industry under severe consolidation and cost pressures, a local manufacturing sector competing with poor overseas standards and digitalisation of media, these price increases are accelerating volume declines.

To this end, TRMC has consistently sought from Australia Post and government support to review all areas of operation across the postal service to remove costs, rather than simply increase pricing and transition the cost pressure from Australia Post to an industry operating on an average margin structure of < 3% (PORTA™, 2019).

The implications of Australia Post, temporary or otherwise, of not implementing solutions or revisions across its service delivery or product requirements such as those temporarily provided will lead to industry collapse and significant job losses across the largest industry manufacturing employer across the country.

We encourage the Senate Committee to support the Australia Post initiatives and in turn we commit as an industry, to continue working with Australia Post with an open dialogue to industry needs and opportunities to stabilise and if not, grow the mail sector for all Australians.



We thank you for the opportunity to make a submission to this inquiry and make ourselves available for any further discussions and/or additional information requests.

Yours sincerely,

Kellie Northwood
Chief Executive Officer
The Real Media Collective

KEY TAKE-OUTS

- > The paper, print, publishing, mail and distribution sectors employ 258,000 Australians across 17,756 businesses. An industry value of \$18.9BN AUD across metropolitan and regional, skilled, unskilled and contractor arrangements. We are the largest manufacturing employer industry in the country and to protect jobs, we need to ensure Australia Post operates at an optimal level that meets the market need and critically, maintains pricing stability.
- > The implications of Australia Post, temporary or otherwise, of not implementing solutions or revisions across its service delivery or product requirements such as those temporarily provided will lead to industry collapse and significant job losses across the largest industry manufacturing employer across the country. Associated businesses operate under local manufacturing conditions which are confronted by significant pressures under minimal profitability, currently recording an industry average of < 3% (PORTA™, 2019).
- > We must maintain a commercially viable PreSort (essential letters) product to ensure or citizens are not digitally excluded. A 56% price increase over four years is not sustainable.

Over 2.5M Australians do not have internet connectivity in their homes (ABS, 2018) and more than four million Australians access the internet solely through a mobile connection. In 2019, mobile-only users have an Australian Digital Index Inclusion (ADII) score of 43.7, **some 18.2 points lower than the national average** (61.9) (ADII, 2019).

People aged 65+ are Australia's least digitally included age group. The ADII score for this age is **19.5 points lower** than the most digitally included age group (people aged 25-34 years) (ADII, 2019).

Those on a disability pension and living with a disability are **9.9 points lower** than the national average (ADII, 2019).

Australians with low levels of income, education, and employment are significantly less digitally included. Australians in Q5 low-income households have a **30.5 points lower** score than those in Q1 high-income households (ADII, 2019).

Indigenous Australians living in urban, regional and remote areas have low digital inclusion (55.1, or **6.8 points lower** than the national average) (ADII, 2019).

- > We are a successful media channel and reach more Australians than any other - Letterbox - addressed and unaddressed reaches 24.4M Australians daily. Magazines delivered direct to homes reach 6.3M Australians and that's before secondary reading and sharing in the home (TRMC, 2020). The federal government COVID-Safe app has reached 6M Australians who have self-interest to download, however the letterbox channel retains a far greater reach than any other, with sensible policy the letterbox has a strong future.



2.0 About 'The Real Media Collective'

The Real Media Collective ("TRMC")

TRMC provides thought leadership, education and protection of the effectiveness, relevance, versatility, power and sustainability of consumer marketing, media and the letterbox advertising channel. All activities and communications are delivered in a considered, researched, balanced and verifiable manner offering a sophisticated industry voice across producers, distributors, buyers and end-users.

TRMC was formed in 2018 under a merger from the Australasian Catalogue Association (formed in 1991) and TSA Limited (formed in 2009) as well as a Secretariat partnership with the Australasian Paper Industry Association (formed in 2010).

Pertinent to this submission is our representation of the paper, print, publishing, mail, graphic packaging and distribution industry sectors. This includes the two largest print media companies in Australia, IVE Group and Ovato Limited and the largest publisher, Bauer Media Group.

TRMC, including APIA, has 324 Member company premises across. Our members operate nationally across all States and Territories. Our member company's size by turnover ranges from \$250,000 to \$100million + turnover.

Across the Board and Member companies of the organisation, we represent \$15.88BN of the \$18.9BN industry. Collectively the industry, across paper, ink, print, publishing, mail and distribution employs over 258,000 Australians across full-time, part-time and independent contractor arrangements with mixed skilled and unskilled labour supply across metropolitan and regional locations.

We work within a collaborative and like-minded industry landscape with other industry associations including, but not limited to:

- > Australasian Paper Industry Association (APIA),
- > Association for Data-Driven Marketing & Advertising (ADMA),
- > Australian Forest Products Association (AUSFPA / AFPA),
- > Fundraising Institute of Australia (FIA), and
- > Visual Connections.

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3.0 Industry Snapshot

AUSTRALIAN PAPER, PRINT PUBLISHING & LETTERBOX INDUSTRY SNAPSHOT

KEY FIGURES

ANNUAL TURNOVER:



\$18.9BN
(AUD)

EMPLOYEES:



258,999

NO. OF BUSINESSES:



17,756



INDUSTRY REPRESENTATION:

The industries represented above include paper, print, publishing, mail and distribution, all represented under The Real Media Collective in partnership with Australasian Paper Industry Association and the Australian Forest Products Association. The Real Media Collective membership represents \$15.88BN of the \$18.9BN industry.

INDUSTRY OUTPUTS INCLUDE:

Books, Magazines, Home Delivery Packaging, Government (Federal, State, Local) Notices and Communications, Medical Packaging and Labelling, Food Packaging and Labelling, Community Notices, Signage, Catalogues, Envelopes, Finance and Insurance Essential Notices, Transactional mail and more.

RELATED INDUSTRIES INCLUDE:

Marketing, Design, ATL Media, Communications, Newspapers and more.

EMPLOYMENT BREAKDOWN BY SECTOR



60,820
of which
18,000
are direct employees.



38,761
DESIGN (30%) + PRINT



4,287
PUBLISHING



155,131
POSTAL SERVICES, MAIL
PROCESSING & LETTERBOX
DISTRIBUTION



258,999
TOTAL AUSTRALIANS EMPLOYED

Source:
Australian Industry Reports, Ibisworld, 2019 The Real Media Collective, Industry Metrics, 2020.
Economic contribution of the Australian mailing industry, Acl Allen, 2015. National Pulp and Paper Sustainability Report, AFPA, 2017

4.0 Response – The future of Australia Post's service delivery, 2020

We particularly respond to the following terms of reference for this inquiry.

- a) *the Australian Postal Corporation (Performance Standards) Amendment Regulations 2020 and their impact on services, the Australia Post workforce and affected businesses.***

- c) *a sustainable plan for Australia Post to provide:***
 - i. services that meet community needs and expectations,***
 - ii. job security for its workforce, and***
 - iii. support for regional and metropolitan licensed post offices***

- d) *international and domestic trends with parcels, letters and pricing.***

- e) *any related matters.***

4.1 TRMC response to issues a), c) and d) of the reference points

TRMC has regularly submitted our concerns to federal and state governments, the ACCC and other statutory bodies as well as Australia Post outlining that the industry can no longer support ongoing price increases. We have consistently urged Australia Post and government to work with industry to mitigate industry collapse and widespread unemployment on future focused solutions to stabilise the postal service across the country.

Historically, the only levers Australia Post have felt able to use to stabilise their growing costs and reduced volumes is price increases. This is an unsustainable model and across the world recognised as a short-term solution leading only to ultimate government support to maintain a postal service.

Whilst the Inquiry paper focuses on the Australia Post workforce and service impact, the industry feels compelled to report that the ripple effects of Australia Post not being able to operate at optimal efficiency and compliance will lead to significant job losses across the publishing, print and mail industry sectors. This industry employs some 258,000 Australians across metropolitan and regional areas and estimations are of 65-70% job losses across this sector.

Since the Australia Post Reform there have been several submissions from relevant stakeholders, reports including the WIK Report, ACIL Allen and the more recent Auditor-General Performance Audit exploring Australia Post's efficiency successes and opportunities. TRMC refers the Senate Committee to these reports and submissions and urges a review of these as the recommendations remain relevant and in line with Australia Post's recent application to amend service deliveries and process.

Operational efficiency is critical to Mail sector job security and industry longevity

TRMC notes Australia Post operates with limitations to managing costs in the Letters business,

specifically Australia Post operates under a fixed cost infrastructure, as a result of Community Service Obligation's (CSOs) and Prescribed Performance Standards.

TRMC notes these include a mandated delivery timetable and standards, operating a minimum of 4,000 Retail Outlets (at least 2,500 in rural areas) and 10,000 street posting boxes which require daily pick-ups and a requirement to provide daily delivery to over 98% of Australia's 11.3 million delivery points (which increase annually by 100 to 150K). Whilst noting this, TRMC sees great opportunity for Australia Post to not over-exceed its commitments and therefore reduce costs.

[REDACTED]

[REDACTED]

[REDACTED]

Table 1: Australia Post, [REDACTED], [REDACTED]
- CONFIDENTIAL NOT FOR PUBLIC RELEASE.

Auditor-General Report and Labour Efficiency Gains

TRMC refers to the Auditor-General ANAO Report, 2017-2018, on Performance in this regard noting the following findings:

Australia Post should identify and address any current impediments to further improving the efficiency of its letters service, including implementing and realizing the benefits of its improvement strategies. Australia Post is yet to realize many of its planned efficiency of its total business improvements.

Australia Post's workforce profile combined with decisions relating to workforce management have created challenges in implementing and realizing the full benefits of strategies to improve efficiency, particularly in relation to penalty hours and overall staff members.

Australia Post's strategies to improve its efficiency have focused on process optimization and automation along with labour force flexibility, all with the objective of improving labour productivity. It has been relatively slow in developing and implementing some of these strategies. In particular, Australia Post has not fully implemented its strategies to improve labour productivity, which were to be key drivers of the planned efficiency improvements.

Although Australia Post's progress so far, in comparison to international postal agencies facing similar challenges, is comparable, it nonetheless commenced its adoption of these same strategies later than its international counterparts. Australia Post's high operation fixed costs for delivery network and protracted implementation plans have showcased the need for strategic views and stakeholder support in earnest.

The WIK report in their benchmarking review of 2015 concluded in their consultation, inter alia, that Australia Post's efficiency in letter operations has lagged behind its international counterparts with relatively low performance in terms of efficiency improvements and cost savings between 2008 and 2014 (WIK-consult, 2015).

Australia Post must improve operationally not only throughout the current global pandemic, however implement temporary solutions to further assess future requirements. Industry expectation is post-COVID-19 the sector will only return to 70% which will apply additional pressure on Australia Post pricing and service models as they operate under a volume model. As volumes reduce, the current model lever only option is price increases which accelerates volume declines.

The WIK Report is clear when analysing Australia Post performance against international models highlighting should Australia Post not address the concerns outlined, the current model will see government with no choice but to subsidise the national postal service. We have seen this most recently and most locally across NZPost which NZ Government having to concede the organisation to operate at a substantial loss.

Industry is firm in our view, if we do not support Australia Post during this period with these temporary measures the future impact will be significant well beyond the Australia Post workforce and lead to industry unemployment and collapse.

If Australia Post, due to government service and performance models, is unable to implement the recommended solutions and achieve efficiencies gains either within the global pandemic and/or beyond the Industry can not be relied upon to support a further increase of pricing across Business Mail. The sector will simply collapse to the unregulated letterbox services applying more pressure on Australia Post volumes and ultimately Australia Post workforce.

4.2 The impact of COVID-19 on the financial position of Australia Post and its future

TRMC will not comment on Australia Post's financial position and refers all such correspondence directly to Australia Post and their independently audited financial reports.

Noting only, that the current impact of COVID-19 across all of industry is seeing businesses, associations and contractors looking at multiple arrangements and flexibility to ensure this period can be endured with a moderate financial position as the recovery period commences.

The Hon. Prime Minister, Scott Morrison, has urged all Australian businesses to apply a flexible and solutions focused approach. It is our belief Australia Post have applied this logic to their submissions for temporary service relief with due consideration to ensure a stable financial future as this period transits from current day to future recovery.

4.3 TRMC response to 'e) - any related matters' reference point

Business mail prices have continued to increase over the past four years, realising an average increase of 36% across all products.

PreSort, essential bills and letters, with the introduction of the January 2020 pricing realised an increase of 56% across four years, Print Post, that which mails subscription publications, such as magazines, 28% across four years, Promo Post, marketing collateral and voucher offers, 50% and Charity Mail 25% across the same time frame. These pricing increases are unsustainable, not aligned to Consumer Price Index (CPI), nor reflective of the retail or manufacturing economic landscapes and lacking the responsibility of a government asset to work with Industry and build a robust economic landscape for immediate and secondary organisations across the sector.

If the industry is not operating within a strong economic environment, due to eroding volumes and margins, job losses are imminent and ultimately there will be a collapse of the sector.

Industry appeals to government and Australia Post, let's work together, strengthen the sector, develop a future model and build a solution that meets the community needs of today and for the future. The current fixed operational model requirements Australia Post operate under, the extensive service obligations negotiated with government and one option only - pricing increase structures are built on a foundation of a postal service and network that is no longer a reality in the modern communications era.

TRMC and the industry is working closer than ever with Australia Post, most recently developing relaxation solutions across Charity Mail and Print Post which were welcomed by business Australia-wide and is now being reviewed by NZPost for adoption. With this new collaboration we believe Australia Post, industry and government have an opportunity to rebuild the infrastructure, develop a future-proofed model that stabilises employment, increase the effectiveness of the letterbox and strengthen the economic performance of industry.