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Supplementary Submission

Postal Services Modernisation

Discussion Paper

June 2023

[CEPU] Communication Electrical Electronic Energy Information Postal Plumbing and Allied Services Union of Australia

Communication Workers Union Division [CWU]

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The CWU and its members thank the Department for the opportunity to make this supplementary submission.



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Definitions

CEPU Communications Electrical Electronic Energy Information Postal Plumbing & Allied Services Union of Australia.

CWU Communication Workers Union, or, Communication Workers Union Division of the CEPU.

Australia Post Australian Postal Corporation.

ADM Alternate Day Delivery Model, implemented between 15 May 2020 and 30 June 2021.

CSO Community Service Obligations

2020 Regulations Australian Postal Corporation (Performance Standards) Amendment (2020 Measures No. 1) Regulations 2020.

About the CWU

The Communications Electrical Electric Electronic Energy Information Postal Plumbing and Allied Services Union of Australia [CEPU] is a national Union representing workers across the wider communications, electrical and plumbing industries.

The CEPU was formed in 1994 following the amalgamation of the Communication Workers Union of Australia (CWU) with the Electrical Trades Union (ETU) and the Plumbing and Gasfitters Employees' Union (PGEU/PTEU) and operates under an autonomous divisional structure.

The Communications Division, known as the Communication Workers Union (CWU), has coverage of and represents workers across today's postal, telecommunications and information technology industries.

1912 the Australian Letter Carriers' Association and the Australian Telegraph, Telephone Construction & Maintenance Union (later known as the Australian Postal Linesmen Union of Australia) were both registered federally

1924 the Australian Letter Carriers' Association changed its name to the Commonwealth Public Service Fourth Division Employees' Union of Australia only to amalgamate a year later with the Postal Sorters' Union of Australia and the Australian Postal Linesmen Union of Australia to form the Amalgamated Postal Linesmen Sorters' & Letter Carriers' Union of Australia

1926 the newly amalgamated Union becomes known as the Amalgamated Postal Workers' Union (APWU), covering posties, mail sorters and telecommunications linesmen.

1974 the APWU amalgamated with the Union of Postal Clerks and Telegraphists (UPT) to become the Australian Postal & Telecommunications Union (APTU)

1990 the APTU amalgamated with the Australian Postmasters' Association and later the Postal Supervisory Officers' Association to eventually be known as the Communication Workers Union (CWU). The Australian Telecommunications Employee Association/Australian Telephone & Phonogram Officers Association (ATEA/ATPOA) and the Telecommunication Officers Association (TOA) later amalgamated with the CWU. The ATEA retained autonomy in a divisional structure, whilst the TOA was absorbed by APTU originating Branches.

1994 the CWU amalgamated with the Electrical Electronic Plumbing & Allied Workers Union of Australia, the end product of a merger between the ETU and the PGEU/PTEU a year earlier, to form the Communications Electrical Electronic Energy Information Postal Plumbing & Allied Services Union of Australia (CEPU)



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Background

In March 2023, the Federal Government released a discussion paper, inviting responses from the public to a consultation process about the future regulation and operation of Australia Post.

The CWU broadly agrees with the principles outlined in the discussion paper, which are as follow:

- *Australia Post remaining in full public ownership, providing a universal and equitable service that meets the needs of Australian people and businesses;*
- *Australia Post remaining financially sustainable, and invest in its networks, services and people to support improved national productivity and supply chain resilience;*
- *Postal services that support Australia's digital economy, particularly as a critical enabler of the growing eCommerce market;*
- *Providing appropriate coverage of the Post Office network, particularly in regional and rural areas, and supporting LPO and CPA financial sustainability; and*
- *Reducing Australia Post's operating cost in delivering regulated letter services, freeing up delivery and processing resources to support parcels delivery to respond to increasing demand and consumer expectations.*

The CWU made a submission to this consultation in April 2023.

This supplementary submission is specifically concerned with the suggestion, by former Australia Post Chief Executive, and now Chief Executive of competitor Team Global Express (TGE), Christine Holgate, that Australia Post provide TGE with access to its "last mile" delivery infrastructure in rural Australia.

The CWU is strongly of the view that allowing this would undermine Australia Post's revenue base and ability to offset costs in its regulated letters service, and reduce the dividend paid to its shareholders, the Australian Government on behalf of the Australian people. Allowing competitors to access this infrastructure would threaten Australia Post's long-term viability. It must be refused.

Last Mile Infrastructure

"Last mile" is the term commonly used in the transport and logistics sector to describe the infrastructure and processes associated with the physical delivery of mail, including letters and parcels, to a delivery point. In many instances, this includes the storage of mail for pick-up at post office boxes and parcel lockers.

Australia Post owns and operates the infrastructure associated with the delivery process in Australia, which includes physical infrastructure such as distribution centres, delivery vans and bikes and the network of locally owned (community) post offices and parcel lockers, and digital infrastructure such as online delivery tracking and notification tools via short message service (SMS) and email.

The proposal being pushed by TGE would see Australia Post open up this last mile infrastructure to provide access to competitors at commercial rates. TGE's argument is that current arrangements provide Australia Post with a "monopoly" over remote parcel delivery, and that opening up its last mile infrastructure would bring benefits of \$1.5billion over 10 years to the Australian Economy, including \$500million in savings to rural customers over the decade. TGE also claims that allowing it to access Australia Post's last mile infrastructure would create 2,000 jobs, including 1,000 in remote areas, over the next ten years.

This figure was arrived at through modelling commissioned by TGC from a private consultant, Lateral Economics. While Lateral's modelling has apparently been provided to the Inquiry, it is not available to the CWU and so we cannot interrogate its methodology.

However, at face value, these claims present little justification for opening up Australia Post's critical last mile infrastructure to commercial competitors.



Australia Post delivered more than 500 million parcels across Australia in the 2021-2022 financial year, and parcel delivery now represents more than two-thirds of the Enterprise's revenue.

The modelled benefits relied upon by TGE to make a case for it to access Australia Post's last mile infrastructure are minimal for the Australian public. The benefits are almost certainly greatest for TGE, and would reduce revenue for Australia Post.

The modelled savings in parcel pick up costs for rural customers presumably rest on assumptions about what level of service commercial competitors would provide over the infrastructure, and at what price point. The CWU, which represents the posties and other workers that deliver services across that last mile infrastructure, believes that the demands of delivery and related logistics in remote and rural Australia, where population density is among the lowest in the world, make significant savings simply due to competition from private companies highly unlikely.

It is more likely that such competition will reduce the ability of Australia Post to achieve the necessary economies of scale to keep costs down and will further undermine its ability to offset losses in the regulated letter service through its parcels business. The high cost of delivering essential mail via the letters service in remote areas is currently offset by the parcels business in those last mile regions.

Were the last mile infrastructure to be opened to competition, we would expect commercial operators to compete heavily for metropolitan business customers, such as retailers engaged in online trade, securing their business at the expense of Australia Post. Should Australia Post lose significant commercial and online retail accounts to competitors, it would lose significant revenue as each parcel that is now carried by Australia Post from end to end would only yield 16 cents for the last mile service, with the bulk of the profits from such accounts flowing to commercial competitors.

It is impossible to ascertain why the Lateral modelling assumes any employment growth in last mile deliveries is dependent upon further commercial competition: the size of the workforce will grow according to the volume of letters and parcels moving through the system.

As there is only one set of infrastructure, the number of different commercial carriers using this infrastructure to deliver against demand will not in itself increase the number of jobs needed to serve customers. The supply of services and workers to deliver them will grow in response to aggregate demand for those services, regardless of the number of carriers in competition for the market.

It is more likely that such competition will simply force down the wages and conditions of essential postal workers and lead to a reduction in the quality of service for customers. This is also likely to reduce safety and working conditions for postal workers in remote and rural Australia.

The CWU strongly advises the Government to refuse any request to open up Australia Post's last mile infrastructure to commercial competitors.

Conclusion

Australia Post is a trusted essential service, used frequently and valued highly by all Australians.

Despite the undeniable decline of the regulated letters business, the rise of online shopping and e-commerce, and the decline of many community services, such as banks, in regional and rural Australia, mean that the services provided by Australia Post are more important than ever before to households and businesses across the nation.

It is essential that Australia Post is maintained in public ownership, and provided with regulatory certainty to enable it to continue to fulfil its essential function within our economy, and to the Australia people.



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Allowing the last mile infrastructure to be opened for utilization by competitors will only dilute the profitability of Australia Post's parcel service, which is now the economic backbone of its operation. The profitability of the parcels business is critical to Australia Post's future, universal affordability to the Australian public and to its ongoing ability to return a dividend to Australian taxpayers.

Allowing the last mile infrastructure to be utilized by commercial competitors is also likely to erode the pay and conditions of essential workers in remote and rural Australia, with no empirical evidence that there will be material savings to customers or an otherwise unrealised growth in jobs in remote Australia.

The Government must, as part of its commitment to keeping Australia Post in full public ownership and control and to securing its future economic sustainability, refuse any request to allow utilisation of Australia Post's critical last mile infrastructure by commercial competitors.



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