

Productivity Commission Retail Inquiry

Australia Post Submission

Are there any logistic concerns that have impeded the take up of online shopping? For example, are there any concerns relating to the costs, timeliness, effectiveness and efficiency of the delivery of purchased items by Australia Post and other courier and express freight services?

1. Australia has a fully competitive parcels market. Australia Post has no monopoly in parcels, but has proven to be a major player in the growing business to consumer parcels market given its range of parcel products and services, efficient operations, the reach of its distribution network and the fact that Australia Post is required, as far as practicable, to operate in a manner consistent with sound commercial practice.
2. Australia Post would like to address certain issues relating to: (a) the pricing of its parcel services; (b) its parcel delivery standards; and (c) tracked options in the Australian parcels market.

Pricing of international inbound parcels versus domestic pricing

3. Australia Post is required under its enabling legislation, the *Australia Postal Corporation Act 1989* (Cth), and the Federal Government's *Governance Arrangements for Commonwealth Business Enterprises*, to conduct its operations, as far as practicable, in a manner consistent with sound commercial practice, to operate and price efficiently, to earn at least a commercial rate of return and in accordance with any applicable international treaties. These obligations are reflected in Australia Post's parcel pricing structure and its rates are not subsidised from other areas of its business operations.
4. Australia Post is not privy to the basis on which parcel rates are determined by overseas retailers, postal administrations or other carriers. It is therefore unknown whether subsidies are involved or whether there is a longer term strategy by these players to provide parcel services at a loss in order to grow market share. In these circumstances any conclusions drawn when comparing parcel rates in different countries is more than likely to be inconclusive.
5. In the case of overseas retailers, it should also be noted that many offer a bundled all in one price. Accordingly, these overseas retailers are neither shipping for free nor at lower parcel rates to their domestic consumers or to consumers in Australia. Retailers such as Amazon offer free shipping in the US by bundling shipping into their retail prices of the products. For international shipments, some overseas retailers charge the differential between international and domestic shipping rates so that the true total charge is not visible, as part of the shipping cost is bundled within the retail price for their products. Australia Post has also observed that some Australian retailers and eBay sellers add mark ups to the postage prices from Australia Post as part of the shipping rates quoted online.

6. International letter and parcel post flows are governed by a number of treaties under the auspices of the UPU. These treaties, among other things, provide for and dictate the basis on which a destination postal administration receives payments from an origin postal administration for processing and delivering incoming international mail sent by the origin postal administration. Origin postal administrations factor these payments into their pricing for international parcels.
7. The UPU's payments arrangements are complex, subject to price floors and caps, and do not properly reflect the true processing costs of many destination postal administrations, including Australia Post. Under the UPU's payment arrangements, Australia Post gets paid the same amount for the processing of inbound international mail irrespective of its actual costs of delivery. As a result, the pricing of international parcels destined for Australia by origin postal administrations may be lower than it should actually be if properly costed and based on sound commercial practice.
8. In the case of Australia Post, the payments it receives under the UPU's terminal dues system (being the payment from other postal administrations for the processing of inbound international mail (including small parcels) up to 2 kilograms) is well below the cost of delivery within Australia. Being a net importer, this means that Australia Post incurs a substantial loss on the processing of such mail. For example, in the financial years 2010-2012, Australia Post estimates that it will make a loss of A\$1.06 per inbound international airmail packet (parcels less than 2 kilograms) on a volume of approximately 39.7 million articles.
9. Australia Post is of the view that for delivery within Australia it typically offers its customers faster delivery for all services and cheaper prices in Australian dollars for comparable services. By way of examples, the tables below demonstrate that domestic postage for sending items from Melbourne to Sydney is cheaper than sending the same items from New Zealand to Sydney for a service having approximately the same delivery times. For completeness, the tables also include information from the cheapest (but much slower service) from New Zealand:

Sending a DVD to Sydney

Origin	Destination	Carrier	Item	Size (cm)	Weight (kg)	Delivery Time	Price (AUD)¹
Melbourne	Sydney	Australia Post	DVD	19.5 x 13.5 x 1.5	0.08 kg	1 – 4 Business Days	\$1.20 (large letter service; without tracking)
New Zealand	Sydney	New Zealand Post	DVD	19.5 x 13.5 x 1.5	0.08 kg	1 – 5 Business Days	\$26.82 (International Express Courier; with tracking)
New Zealand	Sydney	New Zealand Post	DVD	19.5 x 13.5 x 1.5	0.08 kg	10 – 25 Business Days	\$3.66 (International Economy; without tracking)

¹ Prices for New Zealand Post were based on an exchange rate on 11 July 2011 of 1 NZD = 0.779 AUD.

Sending a pair of shoes to Sydney

Origin	Destination	Carrier	Item	Size (cm)	Weight (kg)	Delivery Time	Price (AUD)
Melbourne	Sydney	Australia Post	Shoes	29.5 x 18 x 9.5	1.0 kg	1 – 4 Business Days	\$11.20 (parcel service; without tracking)
New Zealand	Sydney	New Zealand Post	Shoes	29.5 x 18 x 9.5	1.0 kg	1 – 5 Business Days	\$30.41 (International Express Courier; with tracking)
New Zealand	Sydney	New Zealand Post	Shoes	29.5 x 18 x 9.5	1.0 kg	10 – 25 Business Days	\$9.48 (International Economy; without tracking)

Delivery network and times

10. Australia Post has invested in a national distribution network that helps ensure that it is able to deliver letters and parcels all over Australia on time (in accordance with its published standards) and at the lowest cost to its customers. Our national distribution network includes:
- 4,400 post offices with 90% of metro residences within 2.5km of an outlet and 85% of non metro residences within 7.5km of an outlet
 - 10.5 million delivery addresses (residential & businesses)
 - 7,600 postal rounds from 265 delivery centres
 - 12,500 posties plus a parcel contractor network
11. Australia Post aims to deliver domestic parcels within 1-5 working days. Based on weight, size and destination within Australia, our service standards for parcels (items over 500 grams and up to 20 kilograms) are set out below:

Sending parcels within the same State

Service	Posted for delivery	Delivery by (business day after posting)
Regular parcel	Within metropolitan areas of capital cities, or within the same city or town or environs	Next day
	Between a metropolitan area of a capital city and country locations	1-3 days
	Between country locations	1-4 days
Express Post parcel	Between places in the Express Post network	Next day

Sending parcels to other States

Service	Posted for delivery	Delivery by (business day after posting)
Regular parcel	Between Sydney / Brisbane; Sydney / Melbourne; Melbourne / Canberra; Melbourne / Adelaide	Second day (between metropolitan areas)
	Between Sydney / Adelaide; Melbourne / Brisbane; Melbourne / Tasmania; Adelaide / Brisbane; Adelaide / Canberra	3 days (between metropolitan areas)
	Between other capital cities	4-5 days (between metropolitan areas)
Express Post parcel	Between places in the Express Post network	Next day

12. Australia Post has consistently exceeded its domestic parcel delivery standards. By way of example, the table below sets out how Australia Post's delivery performance has tracked against its target of delivering 96% of parcels on time for the last three financial years:

Delivery performance

Financial Year	Target	% on time
2008/2009	96.0	96.4
2009/2010	96.0	96.8
2010/2011	96.0	96.2

Tracking services

13. Australia Post has a number of parcel products that enable consumers and businesses to have tracking services for parcels sent through its parcel network. These products offer a range of price points, speeds of delivery and integration points for lodgement and help ensure there are affordable tracked services in the Australian parcels market:

- eParcel
- Click and Send
- Receipted Delivery
- eBay satchels and boxes
- Express Post Platinum

14. eParcel is Australia Post' online freight management system designed to streamline the distribution of products from business customers. It is the product that is most commonly used by retailers. eParcel product features include:

- a unique identifying barcode on every parcel and parcel tracking
- online proof of delivery (with digitised signatures in many cases)
- comprehensive delivery service to both business and residential addresses
- scheduled pick-ups available from warehouses or offices
- a full suite of management reports
- suitable for different quantities of parcels (minimum of 1,000 parcels each year)
- flexible pricing options with increased discounts for larger volume senders
- failed delivery service with delivery to a safe place as instructed by the consignee or to a nearby Australia Post retail outlet for collection by the consignee
- the eParcel capability can be used with both the regular parcel post service and the express parcel post service

15. For customers that send less than 1,000 parcels per annum, the Click and Send portal offers the same tracking functionality as eParcel. The features of Click and Send include:

- on line tracking for all domestic parcels and Express Courier International or Express Post International parcels
- a step-by-step guide to assist customers to correctly complete all required documentation
- scheduled courier pickups available or acceptance at local post office
- detailed customised reports for keeping internal audit records about what has been sent
- for all domestic parcels or express international parcels, email proof of shipment
- e-mail pre alerts to recipients advising them of shipment of parcels

16. Nearly 66% of large parcels (parcels over 500 grams) moved by Australia Post are tracked. For consumers sending smaller parcels and one-off parcel senders, Australia Post offers a range of prepaid and pay-as-you-go products that are sold at 4,400 post offices which provide tracking capability including the Express Post Platinum product.

17. Not every customer of Australia Post, however, wishes to use a tracked parcel product. This is particularly true of those customers wishing to send low value items where the cost of managing the logistics of applying bar coded labels and emailing recipients the tracking number is unwarranted. Such customers include print media publishers (e.g. magazines), mail order and some online music and movie retailers. To satisfy the needs of these customers, Australia Post offers a range of simple parcel products that do not require tracking.

Australia Post's Parcels Focus

18. The key focus of Australia Post's parcels business is to help large and small business customers and consumers to send parcels. It is in the commercial interests of Australia Post to grow the demand for parcel deliveries by continuing to remain customer focussed, innovating new products and services and being the provider of choice.