



# POAAL

Post Office Agents Association Limited

A.C.N. 006 382 314

POAAL submission to the  
Productivity Commission  
on  
The Australian Retail Industry

July 2011

Contact:

Ian Kerr  
CEO  
POAAL  
PO Box 190  
CARLTON SOUTH VIC 3053

[www.poaal.com.au](http://www.poaal.com.au)

Phone: 03 96544533

Fax: 03 96544577

## Background

1. The Post Office Agents Association Limited (POAAL) represents the nearly 3,000 small business owners of the Licensed Post Office network that comprise over 75% of the Australia Post retail network. Our members are also drawn from the operators of the approximately 5,000 mail contracts, delivering mail and parcels to Australia Post customers across the country, together with around 630 Community Postal/Mail Agents. (Further information on the background of our organisation may be found on our website [www.poaal.com.au](http://www.poaal.com.au).)
2. Our members are all small business owner/operators who have invested heavily financially – and personally – in the Australia Post retail network either through purchasing a Licensed Post Office or successfully tendering for a mail contract. Post office licences are purchased on the open market, and prospective Licensees undergo extensive training. They are the front line for the services provided to Australian communities, especially in regional, rural and remote areas of Australia.
3. Licensed Post Offices are operated under licence from Australia Post. Each LPO forms part of Australia Post's retail and delivery network. Licensees are small business people, and their businesses provide the framework for delivery of postal services in their area. The Licensee is responsible for all business expenses, including providing premises, operating overheads such as utilities, and staff costs.
4. Most LPOs are operated in conjunction with another small business such as a general store, convenience store, newsagency, pharmacy, or stationery and gift sales.
5. LPOs are considered to be franchises under the *Franchising Code of Conduct*. The LPO network is the largest franchised retail network in Australia.

## A snapshot of the postal sector and LPOs in particular

6. The post office has seen many changes during its history, many of which could have been viewed as a threat, for example the telephone, the telegram, the telex and the fax. The post office remains, constantly evolving, while some of these technologies are now viewed as being virtually obsolete.
7. The growth of the internet from being a tool largely for government agencies and universities into a true global network connecting communities and businesses has had a tangible impact on the postal sector. While there has been much focus on e-substitution (the substitution of emails for letters), over the past 10 years the growth in parcel deliveries has been substantial.

8. LPOs have remained viable through the diversification of services offered in the business. Few LPOs would be profitable if relying wholly and solely upon Australia Post's range of products and services. Australia Post's products and services may be the backbone of the business, and a driver of foot traffic, but it is high margin retail products that make an LPO profitable.
9. Australia Post is subject to Community Service Obligations. These CSOs serve the purpose of safeguarding access, pricing and service levels. Some of the emergent trends in mail and retail may undermine Australia Post's ability to meet some of its access obligations, in particular its obligation to maintain a network of post offices – including 2500 in rural and remote Australia.
10. Licensees are feeling squeezed by rising rents, rising overheads and reduced consumer confidence. This is a position shared by many retailers, especially small business retailers. However LPOs are subject to a set of unique circumstances that have the effect of reducing Licensees' options for responding to these challenges.

### **The current structure, performance and efficiency of the retail sector and impediments to its contribution to the Australian economy**

11. **Staff pay and conditions.** The prevalent award relating to LPOs is the *Postal Services Industry Award*. Staff working at LPOs operated in conjunction with another business, such as a pharmacy, are generally subject to the award most relevant to the work they perform.
  - a. **Leave loading** – Staff employed under the *Postal Services Industry Award* are eligible for leave loading. It POAAL's view that leave loading is an antiquated provision. It represents a significant cost to small business operators. Leave loading is a disincentive for small business owners to take on permanent staff.
  - b. **Minimum call-out for casual employees** – In the LPO sector there is a need for workplace flexibility. In some LPOs, for example, staff may be needed for only one or two hours in order to meet mail service standards. This flexibility must be protected.
12. **Local planning issues.** From time to time, well-meaning local councillors introduce measures that stifle retail businesses. Examples include:
  - a. **Clearways.** Clearways apply during peak traffic periods, which also happen to be peak business periods for retail businesses. In the case of LPOs, parking is vital for customers who are collecting or lodging parcels, for instance.
  - b. **Parking restrictions.** Local councils have tended to impose unrealistic parking restrictions in shopping areas without due consultation with local retailers.

- c. **Signage.** Businesses need to be able to promote the services available in their business. If local councils unfairly or unreasonably restrict shop and directional advertising then retailers are disadvantaged.
  - d. **Heritage listings.** There has to be a balance between protecting our heritage and keeping businesses viable. If a business closes down, who will protect a heritage listed building? Local councils must make allowance for redevelopment or enhancement of retail premises. An issue for LPOs in heritage-listed buildings when needing to upgrade security, improve shop layout or in some cases add disabled access.
13. **Carbon tax.** The Federal Government has announced that it intends to introduce a carbon tax. This will have an effect on operating costs.
- a. While some retail businesses will be able to raise prices in order to pass on increased operating costs to customers, Licensees cannot do the same. LPOs sell postal products and services which have fixed prices, making it impossible for Licensees to pass on to customers any increases in operating costs that might arise from the introduction of a carbon tax.
  - b. The base domestic postage rate determines many Licensee payments. In order for the base domestic postage rate to increase, Australia Post must apply to the ACCC and the application undergoes a rigorous and public examination in order for the increase to be granted. The Australian public is sensitive to increases in the price of the base postage rate. In fact, base postage has been increased only three times in the last 17 years.
  - c. There is limited scope for Licensees to reduce energy usage at their LPOs. So it appears that Licensees will be expected to absorb any increased costs and battle on. This will put further pressure on LPO owners, especially those in rural areas who may be already struggling courtesy of population drift and the decay of local industries.
14. **Occupational Health & Safety.** There remains great confusion in the retail sector regarding employer obligations for workplace OH&S. In principle, the proposed national harmonisation of OH&S legislation should help alleviate confusion, however there are concerns that some of the draconian and anti-business elements of some State OH&S legislation will infect the rest of Australia. National harmonisation of OH&S must identify the best elements of each State's OH&S legislation.
15. **Leases.** Across Australia, POAAL's members are reporting instances of landlords raising retail rents beyond sustainable levels. While tenancy advocates can act on behalf of LPO owners to help negotiate more reasonable rents, landlords seem to have developed unhealthy and unrealistic expectations of the possible rates of return on their properties in retail locations

**The drivers of structural change in the retail industry, including globalisation, increasing household and business access to the digital economy, cost structures of the domestic retail industry, employment structure, the exchange rate and structural change driven by the resources boom**

**16. Globalisation and e-commerce.** The growth in B2C international e-commerce has been a mix of good and bad news for the LPO network.

- a. **Advantages.** Globalisation is a two-way street. Australian customers have been able to bypass the local “bricks and mortar” retail network and shop internationally, principally via online e-commerce second-hand sales businesses. Australian businesses have been able to access international markets by the same means.
  - i. **Growth in parcel sales.** There has been a growth in domestic and international parcels sent via the post office. This has provided a welcome boost to over-the-counter sales at LPOs.
  - ii. **The threats.** The parcels market is fully competitive.
    1. There are domestic carriers who can and do compete for Australia Post’s parcel business.
    2. Overseas warehousing and distribution is looming as a threat to the number of parcels lodged via the Australia Post network.
    3. Retaining the ability for local postal outlets to service local customers.
  - iii. **The future of parcels in Australia.** Trends over the past 10 years indicate that parcel volumes will continue to grow. The strength of the economy is an influencing factor on parcel volume growth. Another factor that will influence the parcel and logistics sector will be the introduction of any environment-related taxes on road or fuel users.
- b. **Disadvantages.** While Licensees have been able to benefit from a growth in parcels sales thanks to e-commerce, there is now greater competition for consumers’ retail spend. The online channel often has lower overhead costs (no retail shopfront, for example) but lacks personal face-to-face customer service.

**17. Currency exchange rates.** The strong Australian dollar has had various effects on the postal sector.

- a. **Inbound international parcels.** The strong Australian dollar has fuelled a growth in the number of inbound international parcels. This has added to the growing number of domestic parcels being handled by Australia Post. The current “terminal dues” system works to Australia Post’s financial disadvantage.
- b. **Travel money.** As more Australians consider overseas travel in preference to holidaying within Australia, there has been a growth in travel money products offered at LPOs. (This, of course, means that this money is being spent overseas rather than domestically.)
- c. **Reverse logistics.** Higher online purchasing has resulted in higher numbers of returned items. Formal reverse logistics chains need to be put into place, without damaging local economy or disadvantaging Australian postal or parcel carriers.

**18. Resources boom.** The resources boom witnessed in Australia has led to severe problems for Licensees operating LPOs in those areas.

- a. **Staff wages and retention.** Licensees in mining areas have reported having difficulty retaining staff. The wages on offer in the retail sector can be dwarfed by the tempting dollars available in the mining sector.
  - i. Many of the products and services offered in LPOs have fixed prices, so the Licensee is unable to simply raise prices and then offer staff higher salaries. Where Licensees do pay well above award wages, there is still the risk of the employee leaving.
  - ii. Some LPOs have observed very high staff turnover. One Licensee has had to fill a position four times in one 12-month period. It can take two months to fully train a staff member, and just as the employee starts to become proficient and contribute to the business, the employee finds a job with a local mining company or a mining industry service provider.
  - iii. Most LPO staff that are “poached” are approached directly by the mining company. Local staff are less costly for mining companies to hire because there are no relocation costs.
- b. **Retail premises and rents.** There is a shortage of retail premises available in many mining towns. This leads to upward pressure on retail rents. As noted above, Licensees are unable to raise prices on products and services across the board in the hope of being able to meet increased rent demands. One Licensee in a mining area in South Australia pays rent equivalent to shopfronts in Adelaide’s Rundle Mall.

- c. **Fly-in, fly-out.** POAAL members in mining areas report that mining company employees and contractors who fly-in/fly-out spend little money in local retail shops. Money earned in the community is spent in major centres such as Perth and Adelaide.
- d. **Rostering.** Another observation from POAAL members in mining areas is that locals working in the mines might have 4-7 days off and will go out of town for that period.

## Recommendations

1. Representation of small retail business (including franchisees) in all key Government and Government Agency forums, including:
  - a. Banking and finance
  - b. Planning
  - c. Retail tenancy
  - d. ACCC
2. Review of award modernisation, in particular in relation to minimum call-out and casual loading.
3. Government assistance through financial incentives or tax relief to keep small business viable in regional, rural and remote areas. Services must be maintained in areas that produce Australia's food.
4. Cost-effective dispute resolution for small business.
5. Easy-to-understand, standard and business- and staff-friendly OH&S laws.