

10 July 2020

Committee Secretary
Senate Standing Committees on
Environment and Communications

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SENATE INQUIRY - THE FUTURE OF AUSTRALIA POST'S SERVICE DELIVERY

Freight & Trade Alliance (FTA) is pleased to make a submission to the Senate Inquiry on the future of Australia Post's service delivery.

FTA represents:

- a membership of 394 businesses including Australia's largest international trade logistics service providers and major importers;
- several industry associations in a policy and operational support capacity including a dedicated secretariat role for the Australian Peak Shippers Australia (APSA) – the peak body for Australia's containerised exporters and importers designated under Part X of the Competition and Consumer Act 2010 and by the Federal Minister of Infrastructure and Transport; and
- several working groups including the **E-Commerce Reference Group (ECRG)** comprising major marketplaces Alibaba, e-Bay and Amazon.

The ECRG acknowledges that the future of Australia Post's service delivery is critical in terms of impacts on its workforce, businesses customers and support to the Australian community. Australia Post needs flexibility in any associated regulatory framework to evolve with the needs of all customers along with a pragmatic and financially viable business model.

The following submission has been structured under three broad areas:

- Exponential growth of e-commerce;
- Support for Australian SMBs to reach global markets; and
- Domestic distribution of parcels

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1. EXPONENTIAL GROWTH OF INTERNATIONAL AND DOMESTIC E-COMMERCE

It is a tremendous credit to our Federal, State and Territory governments (including National Cabinet) that to date they have successfully led Australia through the COVID-19 health crisis minimising the loss of Australian lives.

While international and local lockdown measures have had a significant adverse economic impact, the ECRG notes the importance and success of the various government financial relief measures to ensure a sustained level of business continuity.

Key sectors of commerce have also played a vital role in safeguarding the health of all Australians.

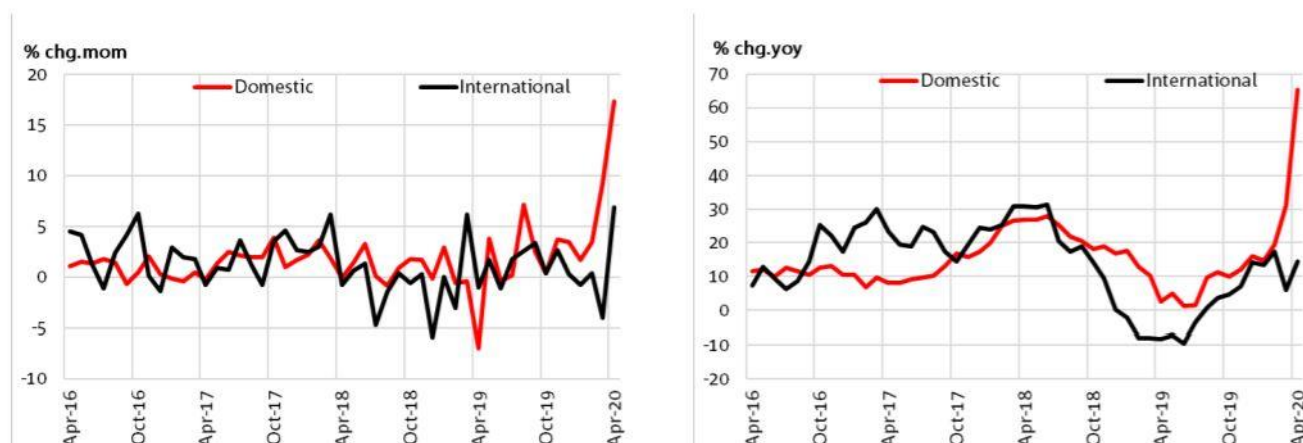
Over the last few months, e-commerce has rapidly evolved from being a convenient way to buy, sell and transport goods to becoming an important way of maintaining business continuity and safely servicing the population's consumption needs during extensive periods of 'self-isolation'.

An FTA member, a large and traditional 'bricks and mortar' retailer, advised their pre-pandemic goal was to grow their online sales from 3% in 2019 to 10% by the end of 2021. COVID-19 effectively fast-tracked this and by April 2020, this business recorded 18% of sale volume being via online purchases.

Another FTA member, being an international express logistics provider, advised record transactions and the need for urgent facility expansion to cater for import volume.

These references are reflected in the *NAB Online Retail Sales Index, Monthly Update – April 2020*¹ showing a significant increase in international online sales and the extraordinary increase of domestic online sales, literally heading off the chart with double-digit growth in the month of April.

Charts 13 & 14: Online sales by merchant location



¹ <https://business.nab.com.au/nab-online-retail-sales-index-monthly-update-april-2020-40463/>

2. SUPPORT FOR AUSTRALIAN SMBS TO REACH GLOBAL MARKETS

The spread of COVID-19 has generated new opportunities for Australian exporters

The World Trade Organization (WTO)² has looked at measures introduced by governments to facilitate e-commerce. Governments have worked to increase network capacity, encourage the provision of expanded data services at little or no cost, and lowered or scrapped transaction costs on digital payments and mobile money transfers. The WTO report titled *E-commerce, Trade and the COVID-19 Pandemic* sees that the Trade Facilitation Agreement (TFA), to which Australia is a signatory, could address some of the challenges brought to the fore by the COVID-19 pandemic.

Aligned to the TFA, simple and practical steps can be implemented to assist Australian business gain access to an increasing global e-commerce market

The ECRG experience is that logistics is one of the key barriers to first time exporters and sees an ongoing role for Australia Post to educate Small and Medium Businesses (SMBs) to provide skills and solutions to understand freight and logistics when exporting in addition to the services and education provided by marketplaces and industry.

By way of example and to demonstrate the potential, more than 2,000 Australian brands currently sell via Alibaba Group's Tmall and Tmall Global marketplaces to consumers in China. Taking these steps will help additional SMBs take advantage of the opportunities created under Australia's many free trade agreements.

3. DOMESTIC DISTRIBUTION OF PARCELS

3.1. TRANSPORT AND INFRASTRUCTURE COUNCIL COMMUNIQUÉ

As a part of the Australian planning for the 'lockdown' in response to the out-break of COVID-19, a Transport and Infrastructure Council Communiqué (Communiqué) was released by Federal, State and Territory Ministers on 25 March 2020 affirming the critical role the trade and logistics sector play in providing essential supplies of food, medicine or other goods.

"Our freight and logistics sector starts at the border via our maritime and aviation routes. We then use rail and trucks to move substantial quantities of goods throughout the country, from ports and airports to the doors of individuals, businesses, and service providers.

This includes recognition of the importance of all members of the freight distribution chain, from drivers, pilots, engineers and others who support them, including those in the back office working out rostering and logistics."

FTA provided a formal submission to the Chairman of the National Covid-19 Coordination Commission on 27 March 2020, supporting the position outlined in the Communiqué with the following additional commentary highlighting the essential nature of 'last-mile' deliveries.

"In an environment whereby the policy intent is for the majority of our population to self-isolate, 'last-mile' deliveries by carriers and Australia Post, facilitated through e-commerce, will play an essential role. To ensure that freight and logistics can continue to operate effectively, all steps along the supply chain need to remain operational. Warehousing, as well as fulfilment at retail sites (where those sites may be closed to consumers), will be critical to ensuring goods are delivered and businesses can remain viable."

² World trade Organization "E-commerce, Trade and the COVID-19 Pandemic"

3.2. THE ESSENTIAL ROLE OF AUSTRALIA POST

'Digital disruption' has changed the traditional core business of Australia Post, particularly in terms of the declining use of letters. To illustrate this, the quantum of addressed letters sent in Australia in 2019 was just 44.9% of the volume handled back in 2007/08. Meanwhile, population growth has added an extra 1.7 million delivery points to the network over the past 11 years, translating to Australia Post now servicing 12.1 million delivery points.

In the *Australia Post 2019 Annual Report*³, Christine Holgate (Group Chief Executive Officer and Managing Director) highlighted that domestic parcel business confirmed Australia Post's market leadership position, growing at approximately 9.2%.

"This business now contributes almost half of our Group revenues. Pleasingly we achieved our highest growth rates in the last 10 years, as more and more customers choose Australia Post to partner with, to deliver their eCommerce solutions."

But these two services, letters and parcels, should not be seen as mutually exclusive. Rather, both benefit one another, as revenue from delivery of goods has helped Australia Post sustain its nationwide network and maintain its letter delivery business. With continued investment and growth in the parcel business, Australia Post will not only be able to better perform as an essential last-mile delivery service, but it will also be better positioned to serve the community as a letter carrier.

3.3. A PRAGMATIC APPROACH

The ECRG sees merit in the Federal Government change made in April 2020 (to be reviewed in June 2021) allowing Australia Post to focus on parcel deliveries.

We note the public statement⁴ that Australia Post and the CEPU have signed a memorandum of understanding (MoU) to protect employee conditions under EBA2017 to help manage the ongoing uncertainty caused by the COVID-19 pandemic – providing security to more than 33,000 postal employees.

"This MoU will protect jobs and take-home pay as Australia Post implements the Alternating Delivery Model (ADM) from next month in metropolitan areas. This will see letter delivery occur every second day with some Posties redeployed to deliver and process parcels."

In a time of extreme need, the above approach is seen as a pragmatic solution and an appropriate policy outcome. The need for an extended arrangement is highlighted by the COVID-19 outbreak currently being experienced in Victoria and must be maintained.

In the event of future shutdowns, an efficient parcel delivery service will be crucial to maintaining retail business, delivery of essential goods, and to the extent possible, a normal way of life.

³ https://auspost.com.au/content/dam/auspost_corp/media/documents/publications/2019-australia-post-annual-report.pdf

⁴ Public statement on the Australia Post Enterprise Agreement