

8 July 2020

Senate Standing Committee on Environment and Communications (Legislation)
PO Box 6100
Parliament House
Canberra ACT 2600

Attention: Inquiry into the Future of Australia Post's Service Delivery

The Australian Logistics Council (**ALC**) welcomes the opportunity to provide a submission to the Senate Standing Committee on Environment and Communications Inquiry into the Future of Australia Post's Service Delivery.

ALC is the peak national body representing major companies participating in the freight logistics industry. Our policy focus is on delivering enhanced supply chain efficiency and safety.

Freight does not stop at state borders, which means that ALC's members bring a national perspective to how legislation is implemented. Similarly, ALC's membership is mode agnostic, bringing together perspectives from road, rail, air and sea freight operators, as well as those that provide specific logistics operations.

Impacts of COVID-19 on the Freight and Logistics Industry

It is estimated that growth in Australia's freight task will outpace population growth over the next decade. In 2016, the domestic freight task grew by 50% whilst population grew by 18% over the same period.¹ Australian consumers are not only demanding more goods, but there is an increasing expectation that those goods will be delivered to the door as quickly as possible. This is imposing unprecedented demand on the postal service and courier operators as they try to meet these expectations.

The ongoing COVID-19 pandemic has witnessed an exponential increase in parcel movements, including e-commerce deliveries, putting strain on Australia Post's pre-existing delivery model. Similarly, the freight and logistics industry has felt these impacts nationwide, particularly through demand for the home delivery of groceries and medical supplies during the pandemic.

Australia Post has a network of over 4,300 offices serving on average 4.2 million customers every week and provides a valuable service to the community. Although Australia Post is a public entity, it is not immune to the financial effects of COVID-19 that are being experienced industry wide.

¹ Australian Bureau of Statistics, 2018, Australian Demographic Statistics, Canberra, available via: www.abs.gov.au/AUSSTATS/abs@nsf/DetailsPage/3101.0Jun%202018?OpenDocument

The pandemic has also required participants in the freight and logistics industry to change the way they operate in order to meet altered patterns of demand and customer expectations during the ongoing public health crisis

The importance of the Australian freight and logistics industry in day-to-day life has never been as universally recognised as it is now. However, to meet customer needs that have changed as a result of the pandemic, many operators have found it necessary to modify the way they operate.

National logistics operators such as Australia Post must safeguard their financial sustainability, and this requires achieving balance between operating a necessary mail service whilst continuing to respond to economic trends such as the rise of e-commerce and resultant high volumes of parcel movements.

E-commerce and the need for Operational Flexibility

The quantity of traditional mail moving through Australia Post was in decline well before the onset of the COVID-19 pandemic, with online shopping and parcel delivery services increasing exponentially throughout the last decade. Each year, Australians spend \$1000 on average through online shopping providers, with almost \$27.5 billion spent annually across the nation.²

It is anticipated that consumer use of e-commerce service will continue to increase throughout and beyond the current public health crisis. Revenue for the online shopping industry is predicted to increase by 11.1% in 2020. Prior to the pandemic, this increase was only anticipated to be 2.4%.³

This significant change in market conditions is why ALC supports the liberalisation of regulations governing the regularity of mail deliveries in principle.

Prior to COVID-19, Australia Post saw a 7.3% increase to domestic parcel volumes in the 2018/19 financial year.⁴ This presents a significant challenge in managing the clear decline of traditional mail services, ensuring those that those still relying on mail continue to receive service, whilst also ensuring that there is capacity to meet increasing demand for parcel movements.

To meet growing demand for e-commerce related deliveries, businesses must be permitted an appropriate degree of operational flexibility, prioritising areas of growth and continuing to meet customer expectations.

² IBISWorld 2019, Online Shopping - Australia Market Research Report, IBIS World, Melbourne, available via: www.ibisworld.com.au/industry-trends/market-research-reports/thematic-reports/online-shopping.html.

³ IBISWorld 2019, Online Shopping - Australia Market Research Report, IBIS World, Melbourne,

⁴ Australia Post 2018/19 Annual Report, Melbourne, available via: https://auspost.com.au/content/dam/auspost_corp/media/documents/publications/2019-australia-post-annual-report.pdf

Declines in traditional mail services over recent years have forced a suboptimal allocation of resources within Australia Post to meet regulatory requirements. This creates unnecessary pressure on the organisation's resources and operations, particularly as demand for parcels increases. Prioritising parcel delivery allows Australia Post to better align its resources and workforce with emerging industry trends and customer needs.

ALC notes that the adjustment to regulations governing Australia Post are temporary, and that a commitment has been made to ensure customer expectations are met by providing on-time delivery services for parcels. It should also be noted that delivery volumes in rural and remotes will not change.

Furthermore, ALC is pleased that as at 7 July 2020 Australia Post and the Communications, Electrical and Plumbing Union has agreed a memorandum of understanding that satisfies both the requirements for operational flexibility whilst ensuring that workers do not lose employment as a result.⁵

Conclusion

The impact of COVID-19 on the Australian freight and logistics industry has forced operators to change the way they conduct business in order to cope with increased demand.

Whilst e-commerce deliveries were increasing prior to COVID-19, the pandemic has only accelerated this trend as Australians rush to purchase goods online. As a result, Australia Post (like other operators) should be afforded the ability to adjust its operational structures to cope with demand and meet customer expectations for on-time deliveries.

ALC is pleased that an agreement has been reached between Australia Post and its employees that facilitates operational flexibility, ensuring that workers can be reassigned to business areas where need is greatest.

Again, ALC welcomes the opportunity to provide a submission to the Senate Standing Committee on Environment and Communications inquiry into the Future of Australia Post's Service Delivery.

Should you wish to discuss this submission further, I can be contacted at Kirk.Coningham@austlogistics.com.au.

Yours sincerely,



Kirk Coningham OAM
Chief Executive Officer

⁵ Australia Post, union strike deal, second-day letter delivery extended, *The Australian*, 7 July 2020, Accessible at: <https://www.theaustralian.com.au/business/australia-post-union-strike-deal-second-day-letter-delivery-extended/news-story/2674a668e47b7ffd09696547c586627d>