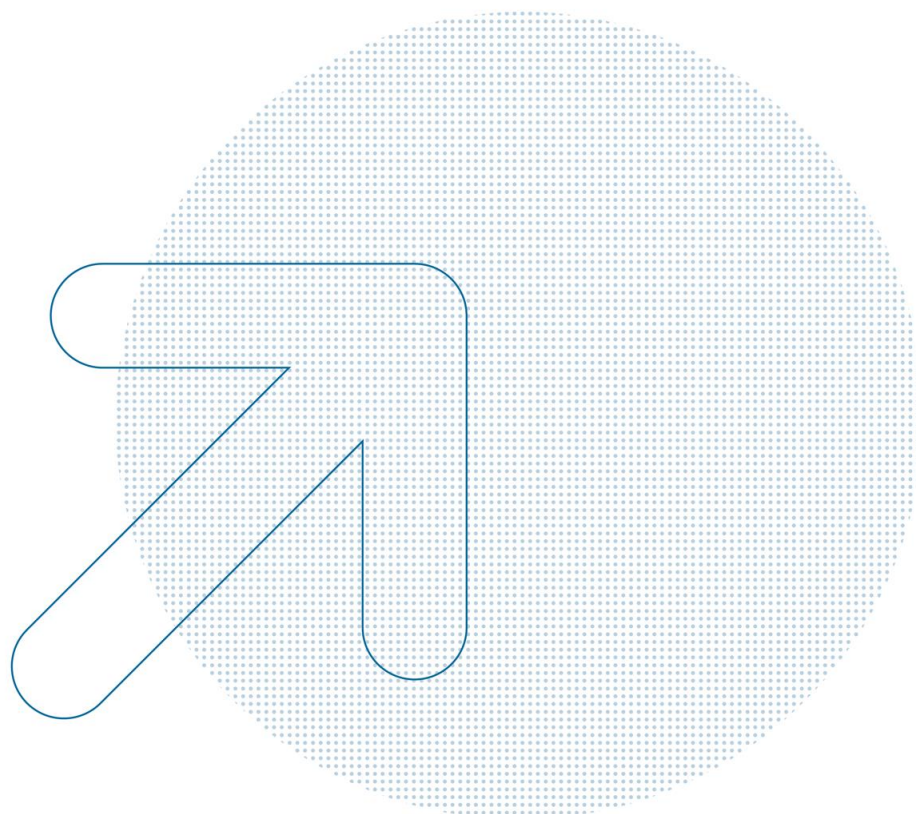


WIK-Consult • Final Report

Study for the Australian Competition & Consumer Commission



Assessment of Australia Post's operational efficiency

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Imprint

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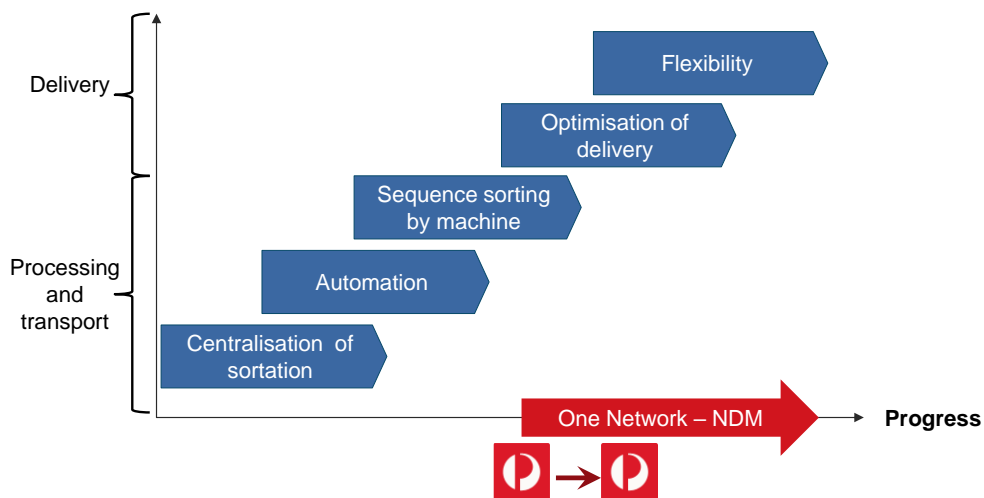
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Executive Summary

In this report, Australia Post's operational efficiency is compared against that of international postal operators experiencing declining letter volumes. The benchmark exercise shall assist the ACCC in its assessment of Australia Post's proposed price increases for certain letter services in 2024. The international benchmark refers to the same international postal operators as the WIK 2015 and 2019 review of Australia Post's efficiency programs: Deutsche Post (Germany), La Poste (France), PostNL (The Netherlands), PostNord Denmark and PostNord Sweden.

The One Network Program, launched in FY2017, supported Australia Post to catch up in terms of operational efficiency in parcel operations to the levels of its international peers. However, while Australia Post made significant progress in parcel automation, the stagnation in letter automation combined with capacity limitations in staffed delivery rounds limit the potential for combined delivery of letters and parcels by Postal Delivery Officers, so that efficiency gains in delivery remained limited. Australia Post's progress made between 2019 and 2023 is illustrated in the following figure.

Progress made by Australia Post in letter operations (2019-2023)



Source: WIK assessment

Automation: The proportion of large letters sorted by machine to delivery rounds stagnated at a level of around [redacted] (in total) between 2018 (or last review) and 2023.

Sequence sorting by machine: The proportion of small letters sequenced by machine stagnated at a level of around [redacted] between 2018 (our last review) and 2023 despite declining total letter volume and a declining share of priority letters. We would have expected an increasing share of letters sorted to walk sequence by machine. This would allow to save additional time for indoor activities that can be used to increase the capacity for parcel deliveries.

Optimisation of delivery: Australia Post reduced the time share of indoor activities from [REDACTED] in 2018 to [REDACTED] in 2023. Streaming of parcels and the still significant share of non-sequenced items limit the opportunities to further reduce the time for indoor activities. The declining share is driven by a combination of the overall letter volume decline, only a slight increase in parcel deliveries and efficiency measures (notably the increase of delivery points per round). Already in 2018, the peers achieved lower time shares for indoor activities which was, of course, driven by a higher share of letters sorted to delivery rounds and walk sequence.

Flexibility: The next step in delivery modernisation is to manage the delivery of articles delivered daily (priority and scannable items) or every other day (regular letters and unaddressed items). The experience during the transitory regulatory relief (TRR) with the alternate-day delivery model in metropolitan areas and the positive results of the New Delivery Model (NDM) pilot [REDACTED] show that Australia Post is able to increase delivery flexibility by working closely with its employees. However, the [REDACTED] model (Phase 1 of the NDM) is very specific to Australia Post as none of its peers would have adopted such a model. It is a combination of increased flexibility on the one hand and maintaining traditional delivery methods ('one postie – one round') on the other. This model is much more accepted by the Postal Delivery Officers and their representatives than the alternate-day delivery model applied during the TRR and can be considered as a compromise to ensure social peace within the company.

Australia Post made some progress in modernising the delivery organisation in slowly increasing the flexibility in the delivery organisation like the increase in the number of delivery points per round and the trial for the [REDACTED] model. However, the increase in delivery points per round has not resulted in a reduced number of delivery rounds, particularly of Postal Delivery Officers' (or staffed) rounds. Australia Post argues that the number of total delivery rounds is driven by the growth in delivery points and by the increased number of packets and parcels delivered by Postal Delivery Officers. Additionally, the switch from motorcycles to 3-wheel electric delivery vehicles (3-wheel eDVs) resulted in more delivery rounds because delivery by motorcycles is less time-consuming than by 3-wheel eDVs. While the benchmark operators may face less growth in delivery points, they deliver a growing number of packets and parcels jointly with letters, usually by van, e.g. Deutsche Post. Delivery by van allows the delivery of more and bigger parcels than delivery by 3-wheel eDVs or motorcycles.

Overall, the [REDACTED] model is in line with international practice while being a 'softer' solution compared to the alternate-day delivery models applied during the TRR or implemented by PostNord Sweden in 2021. Compared to its international peers, Australia Post is again lagging behind in adapting the delivery model for regular letters given the speed of its letter decline. In the light of the European regulatory practice, we suggest considering an earlier start to implementation, if compliant with the current Australian postal legislation.