

Chairman
Australian Competition and Consumer Commission
GPO Box 3131
CANBERRA ACT 2601

**Submission to the ACCC in response to
Australia Post's draft price notification
25 August 2022**

This letter serves to state that LPOG (Licensed Post Office Group Ltd) fully supports the application for the proposed changes to the Ordinary Letter Service, including a 10-cent increase to the Basic Postage Rate (to \$1.20), effective January 2023.

In viewing the information provided by Australia Post in its submission and, in particular, the community sentiment survey undertaken by KPMG on behalf of Australia Post, LPOG from its own feedback mechanisms considers that such an increase will not be detrimental to the overall Australian community in terms of the provision of postal services.

While it is apparent that letter volumes will inevitably decline side by side with an increase in digital communications and that price increases can serve to hasten this decline, such increases also provide Australia Post with the ability to fairly remunerate Licensees for the work they do, and the investment Licensees continue to make into the Australia Post retail network.

LPOG believes that without measured increases to the BPR the postal service is not sustainable. However, LPOG also believes that Australia Post cannot maintain a cost-effective Letter delivery service unless it undertakes a restructure of the Letter delivery service, particularly in terms of frequency of delivery and productivity to reduce the cost to serve.

Frequent price increases that become necessary as a result of Australia Post's inability to restructure its letter delivery network will only serve to hasten the demise of the Letter Service and, in turn, place the provision of services through the Community post Office network at risk.

It is well known that most Australians deem the local Post Office to be an essential service in their community, and demand that it be maintained, yet the cost to maintain each Post Office, and the postal service, must be funded and that aspect is often overlooked by many within the community.

The Community Service Obligation places Australia Post in the awkward position of being obligated to act commercially but then to also operate an extensive post office network when there would be no commercial imperative to do so otherwise. The Australia Post retail network is largely privately owned, and this has served to substantially reduce the cost of the provision of Australia Post access to its Letter service and also enable it to meet its CSO obligations for this aspect.

Unfortunately, in an effort to reduce its overall cost, Australia Post has an ongoing tendency to undervalue or simply not recognize the importance that Licensees play in providing Community Post Office services. This manifests itself in Australia Post releasing data regarding the amount of money it pays to Licensees without similarly recognizing Licensees own cost to serve and not limited to items such as accommodation, outgoings and staff labour costs.

LPOG does not believe that this should be the case and looks to Australia Post to adequately fund the network and services provided by the network, hence our reservations in supporting Australia Post's submission without a commensurate commitment to restructure its Letter delivery service and redirect the savings into the Community Post Office network.

It is acknowledged that revenues must increase in line with unavoidable but reasonable cost increases, so that Australia Post can continue to provide a corporate and privately-owned footprint of postal service access to the nation.

LPOG considers that the proposed postage increase should allow Australia Post to partially offset the increasing costs both for the provision of the Letter service and the maintenance of the privately-owned licensed post office network, where digital disruption continues to encroach on the viability of Community Post Offices.

LPOG's support for Australian communities is at the heart of our Association and maintaining the financial integrity of the Postal Network is fundamental to the sustainability of the business, which looks to provide a uniform service to the majority of Australia.

Please feel free to contact LPOG if we may be of any further assistance.
Yours sincerely



Angela Cramp
Executive Director
LPO Group
23 September 2022