Creating a more dynamic and resilient economy inquiry

Questionnaire response 72

Name: Australian Parcels Industry Forum

Submission date: 4/06/2025

1. Support business investment through corporate tax reform

1. What features of the Australian business environment have encouraged or restrained investment over the past 10 years?

The participant did not respond to this question.

2. What elements of the corporate tax system encourage and/or discourage investment and risk-taking?

The participant did not respond to this question.

3. Which parts of the corporate tax system do you find the hardest, or most time or cost-intensive to comply with? How could the compliance burden of the business/company tax system be reduced?

The participant did not respond to this question.

2. Reduce the impact of regulation on business dynamism

1. What areas of regulation do you see as enhancing business dynamism and resilience? What are the reasons for your answer?

Australia's eCommerce growth and economic dynamism are constrained by regulatory barriers in the parcel delivery sector, particularly in regional and rural areas. Australia's outdated postal regulations, Australia Post's monopoly control over locally owned and operated community Licensed Post Offices (LPOs), and its exemption from Part IIIA of the Competition and Consumer Act suppress competition, constraint economic growth across several industries, inflate costs, and burden both small and large retailers needing to have parcels delivered to residents across Australia in order to drive economic growth.

The Australian Parcels Industry Forum (APIF) proposes two reforms: (1) open access to LPOs for all parcel carriers, and (2) comprehensive regulatory reform, including CSO modernisation and enhanced ACCC oversight. These reforms could deliver over $4 billion in economic benefits over 10 years, reduce compliance costs, foster SME growth, and preserve regional postal infrastructure, aligning with the Productivity Commission's goal of reducing regulatory impacts on business and economic dynamism.

2. How has your regulatory burden changed over time?

In the case of the Australian postal and parcels market, outdated regulations are the primary driver of the growing regulatory burden in this sector, providing the ability for the incumbant postal operator to supress competition and maintain dominant market share.

3. What regulations do you find time-consuming, overly complex or otherwise constraining business dynamism and resilience? What are the reasons for your answer?

   Australia Post's exclusive control over independently-owned, community Licensed Post Offices (LPOs), which handle over 95% of parcel deliveries in regional and rural Australia, creates a significant regulatory barrier to market entry for competing carriers. This monopoly, reinforced by Australia Post's exemption from Part IIIA of the Competition and Consumer Act, allows it to maintain a ~70%+ national parcel market share, stifling innovation and increasing delivery costs. Retailers report that 61% of their businesses are negatively impacted by limited delivery options, constraining eCommerce growth. Opening LPOs to all carriers would transform them into neutral parcel hubs, enabling SMEs to access affordable, competitive delivery services and fostering market dynamism.

4. Can you share any specific examples of where you think a regulator has done a good or bad job of understanding and reducing regulatory burden on businesses and why?

   Australia's postal regulatory framework, designed for a letter-centric era, is obsolete, with parcels now accounting for over 70% of Australia Post's revenue. The Letters-based CSO, costing $889 million over two years, lacks transparency and fails to reflect Australia Post's parcel-centric model, leading to inefficiencies and distortions in competitive markets (parcel delivery and eCommerce retail).

   The ACCC's dedicated Postal Services group is currently provided with extremely narrow powers - also designed in the era of Australia Post's reserved letters monopoly being the sole focus of regulatory oversight.

   The current mandate of this important regulatory oversight function is outdated and lags those in comparable international markets. As a result, representatives of the ACCC's Postal Services group have acknowledged that the scope of their powers extend only to the Reserved Letters business of Australia Post, and even then, narrowly.

   APIF strongly advocates for a far more robust and modern ACCC role to address systemic issues in the postal and parcels sector, as highlighted in its ACCC submission (links included in the attached submission). The recent Frontier Economics report, commissioned by Australia Post, failed to assess efficient costs for reserved services (letters, only 17% of revenue) and ignored cross-subsidies that regulated letters services provide to Australia Post's competitive parcels business, underscoring the need for independent scrutiny.

   APIF therefore recommends the Productivity Commission and Treasury work together with the ACCC to:

   • Conduct an Independent Review of Australia Post's CSO: The CSO's key principles and cost calculation is outdated and unreasonably opaque, not reflecting Australia Post's moden, parcel-dominated business. A Treasury-led / Productivity Copmmission review would ensure transparency, redefine the CSO to prioritise LPO networks as the core community service, and limit subsidies to unavoidable costs, reducing market distortions and the need for letter price increases.

   • Investigate Cross-Subsidies: Unaddressed cross-subsidies from letters to parcels enable Australia Post to undercut competitors, suppressing competition. The Productivity Commission, Treasury and the ACCC should analyse Australia Post's internal cost allocations to ensure competitive neutrality, preventing market power abuses.

• Revise Part IIIA Exemption: Australia Post's exemption from Part IIIA allows it to control LPOs, limiting competitors' access to critical national infrastructure. The ACCC should recommend limiting this exemption to "reserved" (monopoly) letters services only, excluding monopoly assets like LPOs, to level the playing field and enhance competition in the parcel delivery market.

These measures ensure regulatory oversight aligns with the Productivity Commission's goal of reducing market distortions, fostering innovation, and supporting SMEs.

Cover sheet: Supporting document #1

APIF Submission to the Productivity Commission:

Enhancing Business Dynamism through Postal Sector Reform

Executive Summary

Australia's eCommerce growth and economic dynamism are constrained by regulatory barriers in the parcel delivery sector, particularly in regional and rural areas. Australia's outdated postal regulations, Australia Post's monopoly control over locally owned and operated community Licensed Post Offices (LPOs), and its exemption from Part IIIA of the Competition and Consumer Act suppress competition, constraint economic growth across several industries, inflate costs, and burden both small and large retailers needing to have parcels delivered to residents across Australia in order to drive economic growth.

The Australian Parcels Industry Forum (APIF) proposes two reforms: (1) open access to LPOs for all parcel carriers, and (2) comprehensive regulatory reform, including CSO modernisation and enhanced ACCC oversight. These reforms could deliver over $4 billion in economic benefits over 10 years, reduce compliance costs, foster SME growth, and preserve regional postal infrastructure, aligning with the Productivity Commission's goal of reducing regulatory impacts on business and economic dynamism.

Proposal Details

In the case of the Australian postal and parcels market, outdated regulations are the primary driver of the growing regulatory burden in this sector, providing the ability for the incumbent postal operator to supress competition and maintain dominant market share.

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1. Open Access to Licensed Post Offices as Parcel Hubs

Australia Post's exclusive control over independently-owned, community Licensed Post Offices (LPOs), which handle over 95% of parcel deliveries in regional and rural Australia, creates a significant regulatory barrier to market entry for competing carriers while constraining local Licensees from growing their small businesses in order to remain viable.

This monopoly, reinforced by Australia Post's exemption from Part IIIA of the Competition and Consumer Act, allows it to maintain a ~70%+ national parcel market share, stifling innovation and increasing delivery costs. Retailers report that 61% of their businesses are negatively impacted by limited delivery options, constraining eCommerce growth. Opening LPOs to all carriers would transform them into neutral parcel hubs, enabling SMEs to access affordable, competitive delivery services and fostering market dynamism.

- **Economic and Productivity Impact**: Independent analysis by Lateral Economics estimates $1.5 billion in benefits over 10 years, including $530 million in additional government revenue. Retailers gain expanded market reach, particularly in regional areas, while consumers benefit from lower costs and improved access to goods. Carriers can innovate with efficient, low-emission "click and collect" services. LPOs, facing declining letter and banking revenue, secure new income streams, preventing closures and preserving community infrastructure. The reform requires no direct budget expenditure, as carriers pay LPOs for parcel handling.

- **Social and Wellbeing Benefits**: Regional communities retain vital LPO services, enhancing social connectivity and economic resilience. Nearly 100% of Australians, particularly in regional areas, support LPO survival, according to Freshwater Strategy research.
- **Feasibility**: Implementation involves a government directive to amend LPO contracts, removing clauses that prohibit third-party parcel handling. International postal regulators, such as those in the UK and EU, successfully operate open access models, providing a proven framework. Community and retailer support is strong, with the primary challenge being Australia Post's resistance, which leverages its Part IIIA exemption to protect market dominance. A strengthened ACCC role, as detailed below, can address this barrier.
- **Regulatory Alignment**: By leveraging existing LPO infrastructure, the reform minimises new compliance burdens, aligns with the Productivity Commission's goal of streamlined regulation, and fosters competition, enabling smaller carriers to enter the market.

2. Comprehensive Regulatory Reform with Enhanced ACCC Oversight

Australia's postal regulatory framework, designed for a letter-centric era, is obsolete, with parcels now accounting for over 70% of Australia Post's revenue.

The CSO, costing taxpayers $889 million over the past two financial years, lacks transparency and fails to reflect Australia Post's parcel-centric model, leading to inefficiencies and distortions in competitive markets (parcel delivery and retail).

Cross-subsidies from the reserved letters business to the competitive parcels business, unaddressed due to weak regulatory oversight, allow Australia Post to maintain market dominance while reporting $289 million in "Letters" losses over the past two years alone.

Furthermore, Australia Post's legacy exemption from Part IIIA shields its monopoly infrastructure (LPOs) from competitive access, undermining business dynamism. This exemption was provided when "Reserved Letters" was Australia Post's predominate business and a legislated service monopoly warranting special treatment – special treatment that now carries the unforeseen consequences of it now being exploited to supress competition in the competitive parcels market.

APIF proposes modernising the regulatory framework, reforming the CSO, and empowering the ACCC to ensure competitive neutrality and a level playing field in the parcels market.

- **Economic and Productivity Impact**: APIF estimates $4 billion in benefits over 10 years by optimising the letters business, reducing annual costs by $396 million, and transforming Australia Post's losses into profits exceeding $150 million annually. SMEs benefit from lower delivery costs and improved regional eCommerce access, while consumers enjoy affordable goods. Government budget savings arise from a streamlined CSO, reducing subsidy requirements. Enhanced competition fosters innovation in delivery services, boosting productivity across the supply chain.

- **Social and Wellbeing Benefits**: A sustainable LPO network ensures continued access to essential services in regional communities. Transparent CSO funding prioritises community infrastructure over outdated letter delivery standards, enhancing public trust and economic resilience.
- **Feasibility**: Regulatory reform involves updating the postal framework and CSO definitions (provided for under the Australia Post Corporation Act 1989), a process within the scope of the Productivity Commission and Treasury. International examples, such as the UK, United States, Canada, the EU, and New Zealand, demonstrate successful modernisation of postal regulations under various models.

  Public concern over post office closures and rising letter prices further supports the case for reform, with retailers and carriers advocating for fair competition and a more level playing field. Australia Post's resistance, enabled by its Part IIIA exemption and lack of ACCC scrutiny, is the primary challenge, addressable through enhanced regulatory oversight.
- **Regulatory Alignment**: Modernising regulations reduces compliance costs for Australia Post and competitors, aligning with the Productivity Commission's focus on efficient regulation. By addressing cross-subsidies and ensuring competitive neutrality, the reform fosters a dynamic, eCommerce retailer-friendly market, including for the many SMEs driving growth in this economically important market.

Strengthening ACCC Oversight

The ACCC's dedicated Postal Services group is currently provided extremely narrow powers, designed in the era of Australia Post's reserved letters monopoly being the sole focus of regulatory oversight.

The current mandate of this important regulatory oversight function is outdated and lags those in comparable international markets. As a result, representatives of the ACCC's Postal Services group have acknowledged that the scope of their powers extend only to the Reserved Letters business of Australia Post, and even then, narrowly.

APIF strongly advocates for a far more robust and modern ACCC role to address systemic issues in the postal and parcels sector, as highlighted in its ACCC submission (links included in the attached submission). The recent Frontier Economics report, commissioned by Australia Post, failed to assess efficient costs for reserved services (letters, only 17% of revenue) and ignored cross-subsidies that regulated letters services provide to Australia Post's competitive parcels business, underscoring the need for independent scrutiny.

APIF therefore recommends the Productivity Commission and Treasury work together with the ACCC to:

- **Conduct an Independent Review of Australia Post's CSO mechanism:** The CSO's key principles and cost calculation is outdated and unreasonably opaque, not reflecting Australia Post's moden, parcel-dominated business. A Treasury-led / Productivity Copmmission review would ensure transparency, redefine the CSO to prioritise LPO networks as the core community service, and limit subsidies to unavoidable costs, reducing market distortions and the need for letter price increases.

- **Investigate Cross-Subsidies:** Unaddressed cross-subsidies from letters to parcels enable Australia Post to undercut competitors, suppressing competition. The Productivity Commission, Treasury and the ACCC should analyse Australia Post's internal cost allocations to ensure competitive neutrality, preventing market power abuses.

- **Update the Part IIIA Exemption:** Australia Post's exemption from Part IIIA allows it to unilaterally control LPOs, limiting competitors' access to critical national infrastructure. The ACCC should recommend limiting this exemption to "reserved" (monopoly) letters services only, excluding monopoly assets used to deliver parcels like LPOs and PO Boxes, to level the playing field and enhance competition in the parcel delivery market.

These measures ensure regulatory oversight aligns with the Productivity Commission's goal of reducing market distortions, fostering innovation, and supporting SMEs.

Supporting Evidence

- **APIF's ACCC Submissions** (source: ACCC website – links in the table below): Critique Australia Post's inefficiencies, noting the Frontier Economics report's failure to address efficient costs or cross-subsidies. It highlights Australia Post's strong profits and 75% market share, contradicting claims of competitive pressure.
- **Independent Research**: Lateral Economics quantifies $1.5 billion in benefits from open access, while Freshwater Strategy confirms public support for LPOs. APIF's $4 billion estimate for regulatory reform is grounded in cost-saving projections.
- **International Precedents**: Open access and modernised postal regulations in the UK, EU, Canada, and New Zealand provide actionable models.

Conclusion

APIF's proposed reforms—open access to LPOs and comprehensive regulatory overhaul with enhanced ACCC oversight—deliver over $5.5 billion in benefits over 10 years. By reducing regulatory barriers, addressing Australia Post's Part IIIA exemption, reforming the CSO, and empowering the ACCC, these reforms foster competition, lower costs for SMEs, and preserve regional LPOs. They align with the Productivity Commission's mission to enhance business dynamism, offering high feasibility, strong evidence, and widespread community support. APIF urges the Commission to prioritise these reforms to unlock Australia's economic potential.

Consent

APIF consents to this response being published on the Productivity Commission website, attributed to the Australian Parcels Industry Forum (www.apif.com.au).

Attachment – Summary of Proposed Regulatory Changes

Name of regulation	Reduce, Amend or Cut?	Why would this reduction, amendment or cut be important? What are the consequences of this regulation?	Supporting Comments.	Links to further information
Australia Post Corporations Act, Exemption to Part IIIA of Competition and Consumer Act	Amend	The exemption from providing access to Australia Post infrastructure should be restricted to the provision of reserved services and not apply more broadly. This would create a framework for numerous industries (e.g. parcel delivery, retail, banking) to use for accessing postal infrastructure, incl Post Offices, particularly relevant in regional and rural locations.	Australia Post has a virtual monopoly on parcel delivery (~95% market share in regional and rural areas, ~70% market share in metro areas) underpinned by its exclusive access to independent licensed Post Offices for parcel pick-ups and drop-offs, which gives it a cost and service advantage over competitors and a basis for stifling competition. Removing the exemption would allow other parties to request access to Postal Infrastructure which would promote growth and efficiency in the eCommerce market. In the US, UK, and most European countries this issue has been addressed with by defining commercial access terms.	APIF and CAPEC have made submissions to both the Government and ACCC: Links here: https://www.accc.gov.au/system/files/submission-apif-aus-post-dpn.pdf?ref=0&download=y https://www.accc.gov.au/system/files/apif-submission-aus-post-consultation.pdf?ref=0&download=y https://www.accc.gov.au/system/files/capec-submission-aus-post-consultation.pdf?ref=0&download=y Team Global Express: https://www.infrastructure.gov.au/sites/default/files/documents/post2023-submission-no-99-team-global-express.pdf Sendle: https://www.infrastructure.gov.au/sites/default/files/documents/post2023-submission-no-95-sendle.pdf
Competitive Neutrality Policy	Amend	Strengthening the competitive neutrality complaints mechanism would force more timely responses to complaints, which in some cases can go on for years, and introduce mechanisms to arbitrate, and compel	The Conference of Asia Pacific Express Carriers (CAPEC) filed a complaint with the Australian Government Competitive Neutrality Complaints Office (AGCNCO) about Australia Post's unfair access to postal infrastructure. The recommendations from the report are being largely	AGCNCO report on CAPEC complaint: Australia Post - Competitive neutrality investigation report - Productivity Commission

		Government Business Enterprises (GBEs) to act on findings.	unaddressed. Chapter 7 of AGCNCO's report on CAPEC's complaint, however, does outlines some of the difficulties that office has in being effective, which should help all companies competing against GBEs.	