LPO Group

Contact Details:
Angela Cramp – Foundation Member
P O Box 454
Warilla NSW 2528
Email: lpogroupau@gmail.com.au
Mob 0414613768

Submission to

The Inquiry by Alan Wein into Franchising Code of Conduct

The LPO Group wish to provide a submission to this review in regard to the largest Franchisor in Australia,

Australia Post

The LPO Group is a recently formed association of Licensees of Licensed Post Offices. We are currently undertaking the necessary steps to have our association registered as a legal entity. Once that process has been completed it is the LPO Group's intention to represent our members in robust negotiations with Australia Post to improve the outcomes for member Licensees, and to seek remedy for the power imbalance and the complete lack of good faith inherent in the ongoing administration by Australia Post of the Licensed Post Office Agreement. Our goal will be to restore the principals of profitability and commercial viability for Licensees, with a fair and reasonable reward for effort based on a commercial return for the investment that Licensees have made, in good faith, in this government owned business enterprise.

As a government-owned business enterprise, Australia Post is required (under the Australian Postal Corporation Act 1989) to balance its commercial responsibilities with its community service obligations. The Act specifically states that Australia Post has a commercial obligation to manage the performance of all of its functions "in a manner consistent with sound commercial practice".

The LPO Group will shortly engage in action in an endeavour to force Australia Post to recognise the rights, both stated and implied, of the Licenseesthat have entered into the Licensed Post Office Agreement, inAustralia Post's"soundcommercial practices".

Owing to the serious threat to Licensees that are prepared to voice their concerns for our Industry we respectfully request that the membership of our Association remain confidential at this point in your review. Our members are prepared to identify themselves if requested, however it is with extreme caution as we have no protection from the implied and actual threats and or actions that Australia Post is able to bring to bear on Licensees who dare to question the status quo.

LPO Group submission to the Franchising Code of Conduct Review 2013

Executive Summary

The LPO Group submission will address the 3 main topics under review:

- **The question of good faith and the subsequent lack of good faith in the administration of the Licensed Post Office Agreement once this document has been signed by both parties.**

The majority of Australia Post Licensees are ordinary 'Mum and Dad' small business people who enter into agreement with Australia Post to operate a Licensed Post Office. Without exception, the intention of the purchaser is to obtain a fair and reasonable return for the effort and financial investment involved. Most, if not all, prospective Licensees are required to invest significant personal funds, often financed, to purchase a License. The Licensed Post Office Agreement includes clause 11d, which states that Australia Post will maximise the sale of products and services for the mutual benefit of both parties. This clause alone provides a foundation of implied good faith. Especially when added to the fact that most Licensees feel that they are entering into agreement with the Government, which generally implies a further measure of reasonable and conscionable behaviour. It is overwhelming when the Licensee begins to see the complete and utter lack of good faith,and ongoing unconscionable behaviour once the contract has been signed. In almost every aspect of the operations of the Licensed Post Office in 2013, the Licensee must face the very real erosion of any benefit for the Licensee. It is certainly not disclosed at purchase that the element of good faith will last only until the last page of the Agreement is signed.

- **The rights of Licensees at the sale of their License by assignment, and the complete lack of recognition for the effort and contribution made by most Licensees to the success of Australia Post overall, and their individual Licenses.**

The Licensed Post Office Agreement is an indefinite Agreement. As such, it is the Licensees right to assign the License to another party, with the approval of Australia Post. The Agreement gives the right for the License to be assigned as per the existing terms and conditions of the vendor. The Agreement also prohibits Australia Post from unreasonably withholding consent to assignment. During the course of the previous 6 – 8 years, it has become increasingly difficult to sell a Licensed Post Office. The very real erosion of our income, combined with the draconian and discriminatory practices of Australia Post, has led to a staggering decline in the market and value of the Licensed Post Office. Often, in 2013, Licensees face a substantial loss of capital value from the sale of the asset, combined with the ongoing decline in trading results experienced by most Licensees during the last 6 – 8 years. Australia Post is also taking advantage of the assignment process to make amendments to individual License Agreements. Consent to assignment is withheld until the purchasers agree to changes to the existing Licence, in breach of the original Agreement. Vendors are informed by Australia Post that they have no say in this process as the Agreement is between the purchaser and Australia Post and does not extend to the vendor. This effectively means an existing Licensee has no right to sell the business they own and operate, and the means to realise the return on the capital investment has been greatly diminished, if not extinguished.

- **The ongoing breaches and refusal to comply with the provisions of the Competition and Consumer Act 2010 as they relate to enforcement of the Franchising Code.**

The ongoing operations of the Licensed Post Office see Licensees faced almost daily with blatant breaches of this Act. As a government business enterprise, it appears that Australia Post considers their business to be above the law and completely without accountability. Almost daily, the terms and conditions of our Agreement are flouted with the sole purpose of increasing work performed by Licensees and reducing payments to Licensees. It has been estimated that Licensees are underpaid by up to $50 Million dollars each year, when compared to the ratios for payments in 1993, for the work performed by 2800+ Licensed Post Offices, nearly 80% of the Australia Post network.

The retail environment run by Australia Post disregards any suggestion of mutual benefit for Licensees. We constantly face unconscionable conduct, abuse of market power, third line forcing, misleading and deceptive conduct, cannibalistic and predatory behaviour, intimidation, threatening, harassing and bullying by Australia Post employees, and a raft of other serious breaches of this Act. There are untold documented examples of all of these situations.

It is imperative that the Licensed Post Office Agreement is reviewed and modernised. There must be provision for the inclusion of fair and reasonable remuneration for the Licensees for products and services that will be developed in the future. There must be reasonable payment increases that reflect the current economic environment, such as CPI increases or links to price increases in other products and services. There must be stated good faith so that a Licensees entering into an Agreement can rely on the sustainable component of this aspect of the business and rely on the disclosed payment ratios. There must be penalties for breaches by the Franchisor.

It is also imperative that an independent umpire is established to hold a corporate giant, such as Australia Post to account. It is reprehensible that Australia Post has huge financial resources at its disposable to cripple any litigation brought about by an individual Licensee to protect their rights under their Agreement.

In our situation, we are 2800 small business owners, predominately “Mum and Dad” structures, effectively investing in Australian infrastructure, looking to provide ourselves with a secure and sustainable financial future by entering into Agreement to provide a shop front for and on behalf of Australia Post to service the local Australian population. This process allows Australia Post to fulfil the community service obligations of the Australian Postal Corporation Act 1989, as nearly 80% of the regional, rural and remote locations are operated by Licensees. Without Licensees, Australia Post has a network, slightly larger than KFC. No network of that size could adequately service the Australia population, as the Act requires.

Australia Post is an appalling corporate citizen and continually seeks to degrade and destroy the essence of the network necessary for the service of the Australia population, for the benefit of a small number of senior employees because no authority will stop them. Once this network has been decimated, the current senior executives of Australia Post will have taken their corporate bonuses and their redundancy packages, and headed for the hills, leaving the Australian population to deal with the consequences of their actions.

We beseech you to stop this happening.

Background

The LPO Agreement was negotiated between POAAL (Post Offices Agents Association Limited) and Australia Post between 1991 and 1993, and introduced in April 1993. The Agreement was designed for the Postal Service Industry as it was conducted in 1992.

The Australia Post network is the largest Franchisor in Australia. Australia Post has some 4,000+ retail positions, 2800+ of these being privately owned and operated licensed Post Offices (LPOs). The Licensee of a LPO is granted a license to use the Australia Post structure to operate a Licensed Post Office in the approved location. There is a small range of mandatory products and services that must be offered from the LPO. The majority of the outlets have historically supplemented their revenue streams with sundry and or complementary products and or services at the behest of Australia Post. Many of these complementary products or services have now been introduced to the Australia Post range, and Australia Post now demands that most independent LPOs trade exclusively with Australia Post products and services at vastly reduced margins to a normal commercial return. Unfortunately for Licensees, Australia Post retains 800+ corporate outlets including retail outlets and business centres. Australia Post runs these outlets in direct competition with surrounding Licensed Post Offices. These corporate outlets receive priority in all aspects of the day-to-day operations of an outlet. Australia Post actively poaches customers both large and small with incentives and inducements, to gain the custom to the corporate outlets. It is standard practice of which there are countless examples. Licensees are also now facing the advent of Australia Post's online shop, which also impinges on the Licensed Post Office business. Australia Post refuses to consider any type of compensation, be it trailing commissions or profit sharing once they have captured an established LPO customer.

Australia Post implemented the Licensed Post Office concept in 1993 by converting many community postal agents and non-profitable corporate outlets to Licensed Post Offices. The Agreement provided for the Licensee to be fully renumerated for the expense of providing a representation and offering Australia Post services where it was not cost effective for Australia Post to do so at a corporate level. The intention of the LPO Agreement was for the Licensee to gain a fair and reasonable profit (intended to be around 25%) and recovery of the costs of running the LPO. Many Licensees, who agreed to convert their Community Postal Agencies, received a 'Top Up' payment to ensure the correct level of remuneration on conversion to an LPO. As part of the Agreement in 1993, every task undertaken by a Licensee for and on behalf of Australia Post had a specific payment based on the work involved and the time taken to perform the task. Other payments had a site-specific component and remunerated the Licensee for work required at one office, but not necessarily required at another office. It is important to note that the terms and payments for the site specific components of the Agreement were generic for all LPOs across Australia, but were implemented only as required at each location. In 2013, Licensees increasingly face the reduction or total removal of these payments. Quite often, an entire state network is denied payment for work performed that sees a Licensee in another state fully renumerated, as per the Agreement, for the performance of the same task. Australia Post refuses to discuss the issue of inconsistency, with threats that the payment will also be removed in the situation where it is being paid. Many Licensees are facing this outcome at present, where Australia Post has decided that the Mail service payment (for mail service work outside set hours) is being systematically removed. The Licensee is advised that the payment will be removed, and they are required to employ additional staff to meet the stated service times for mail delivery or face a breach of contract notice. The result is a reduction in income and an increase in expenses for the Licensee, while Australia Post is ABLE TO EXPRESS THIS RESULT AS AN INCREASE TO THEIR PROFIT as they have reduced their costs by not doing the work and not paying the Licensee to do the work.

The Licensed Post Office Agreement is supposed to be administered in consultation with the Post Office Agents Association Limited, (POAAL). It is the opinionand experience of the LPO Group members [redacted] POAAL is party to the consultative agreement with Australia Post and has a duty to oversee the terms and conditions of Licensed Post Office Agreement. [redacted]

POAAL states that the Agreement has stood the test of time. Licensees who actually own and operate Licensed Post office are quite sure the Agreement is flawed, outdated, unfair, unjust and badly administered.

[redacted] It has long been held that as POAAL is actually named as the only recognised association, Licensees were powerless to act outside this alliance between POAAL and Australia Post. Fortunately that is no longer the case. As a result of this change the LPO Group has been formed to furnish Licensees with remedies for the continuing and ongoing multiple breaches we perceive Australia Post is committing in regard to our contractual Agreement with Australia Post, [redacted]

There are many examples of papers being produced by POAAL 10 – 15 years ago supporting the requirement for Licensees to be paid for certain tasks, [redacted] Absolutely nothing has change in the Agreement or the work required, so Licensees are at a loss to understand [redacted]

It is our contention that if the Agreement was adequately supervised, and Licensees were fairly renumerated, the formation of an alternative association would not be necessary, and a group such as ours would not be required.

We are not renegade or rogue Licensees, rather a group of small business owners who are passionate about our industry, but can see no other way to protect our investments and realise a fair and reasonable return for our efforts, and provide a benefit for the risk and responsibility we have agreed to undertake.

Every day Licensees are facing further erosion of their income and the degradation of the terms of trade Licensees relied upon when entering into the Agreement with Australia Post. When one enters into an Agreement with a Government Business Enterprise, one understandably expects that the other party would act in good faith to provide the mutual benefit, which is a standard clause of our Agreement, Clause 11d. Most Licensees have relied on the mutual benefit clause as a foundation stone of their decision to purchase an LPO. So many aspects of the modern day workings of a Licensed Post Office manifestly do not reflect any good faith, let alone mutual benefit.

Australia Post has been inundated with complaints, over many years, with regard to the lack of mutual benefit in many of the decisions they make, all to no avail. Every week Licensees are advised by Australia Post of new terms or products that further erode the good faith and mutual benefit for Licenses. At best Licensees submissions to Australia Post are ignored, at worst, Licensees find themselves faced with serious legal issues as Australia Post brings the full might of the enormous corporate bullying tactics that they use very often, in most instances of dispute, or to any group of Licensee that try to challenge decisions made by Australia Post. There is absolutely no doubt Australia Post is very aware of the serious lack of good faith in most of their dealings with their Licensees, however the might and belligerence of the corporate giant means they are seldom called to account and there is no easy remedy for individual Licensees, hence the formation of the LPO Group.

The ongoing results of the erosion of our real income and the continual degradation of our terms of trade are being reflected in the difficulties that Licensees are having when trying to sell their Licensed Post Offices under the current batch of Australia Post conditions. Prior to 2005, when a Licensed Post Office was put to market for sale, the market was robust and extremely healthy. Licensees quite often realised sales of 4 – 6 times their net profit (a sale multiple of 4 – 6). Most often there was robust competition for the purchase. The Licensed Post Office Agreement is an indefinite Agreement, and gives the Licensee the right to sell the office with the same terms and conditions assignable to the purchaser. The terms of our Agreement state that Australia Post does not have the right to unreasonably withhold consent to the assignment. From 2005 onwards, Licensees have increasingly experienced Australia Post refusing to allow assignment unless the purchaser accepts changes to the terms and conditions of the License they are intending to purchase. Many of the changes would see dramatic reductions in payments, with increased workloads or removal of Licensees rights or negotiated payments under the Agreement being assigned. Increasingly these sales have not proceeded. There are numerous examples of this practice that could be provided as evidence if required. Often the vendor is in a position where they cannot fight Australia Post over the issues due to financial or health issues, or in the case of retirement, feel run down and so dispirited that they take what they can in order to stop the pain. Most incoming Licensees will not be fully aware of the long term results in the changes to the agreement, as they expect that good faith is a vital component of the assignment process. Australia Post takes full advantage of both the vendor’s position and the naivety of the purchaser to force changes to the agreement under the assignment process.

Lately, Australia Post has instigated rigorous testing and assignment processes to deter some sections of the population, or indeed, actual persons, from owning a Licensed Post office. Australia Post is demanding production of financial data far in excess of the understanding and qualifications of the Australia Post employees who are given the task of reviewing the data. Many prospective Licensees have business plan prepared for them by skilled professionals, and have had financial institutions assess the merits of the purchase for finance, only to have these opinions rejected by a very junior member of the Australia Post assignment team. These Australia Post employees have limited experience of the real word, and virtually no experience of running or operating a small business, yet are placed in a position of rejecting professional data provided by skilled and qualified professionals. This generally results in the sale not proceeding. Again, many examples of this situation can be provided if required.

In 2013, the market for Licensed Post Office is very depressed if non –existent, especially in NSW. Recently, most financial institutions have questioned the long-term sustainability of the Licensed Post Office. This perceived question of the sustainability has led to the refusal of many institutions to provide finance for the purchase of a Licensed Post Office. In 2013 there are only 2 banks that will consider part funding of a purchase, but it is virtually impossible to secure the funds. 6 years ago, most banks and several 2nd tier lenders would consider 50 % funding for the purchase of a Licensed Post Office. This lack of funding has escalated the decline of the market for Licensed Post Offices. It is in direct contravention of the published spruiking of the Management of Australia Post that the business is growing and diversifying, dynamic and robust, and meeting the future needs of the community. Thesale multiple that can be easily achieved in 2013 is well below 3, and a Licensee under pressure to sell will have to settle for much less than that sale multiple. Licensees who purchased in the last 5 years at a reasonable purchase price for the time find they have lost 25% – 50% of the capital they invested.

Many Licensees who have planned to sell to retire now find they are unable to sell, and if they do accept a sale, have lost most or all of the value that they viewed as the superannuation they would receive for the years of work provided for Australia Post. Many Licensees have closed their businesses and walked away, simply to stop the pain, or can no longer keep introducing personal funds to prop up the business so eventually go bankrupt, while Australia Post watches. The cost of providing the community service obligation for Australia Post have escalated far beyond the payment received and Australia Post refuses to remedy the payment because no one holds them to account. Licensees are simply not paid enough to represent Australia Post in today’s world and many cannot subsidise their income by other means to survive with the level of competition and reduction of income introduced by Australia Post.

The LPO Group has bought together a large number of Licensees from all states in Australia with the sole purpose of restoring our businesses to be commercially viable and profitable as our Agreement intended.We intend to take action against Australia Post.

Specific Examples of Issues that Expose the Licensed Post Agreement as Unfair and Unjust:

Over the last 20 years the Postal Industry has grown and developed and includes a far broader range of services and products today than it did in 1993. Many of these tasks were not included in the Agreement in 1992, but have been introduced over the last 20 years. Other aspects of the daily working of a Licensed Post Office have changed so dramatically that the product or service is manifestly different in 2013 to that covered by the Agreement in 1993. Due to the fact that there is no designated payment for newly developed products or services, not included in the original payment scheme,and no adequate provision for changes to products or services, Australia Post has refused to pay Licensees for the performance of these tasks, yet threatens Licensees with the full measure of penalties under our contract, if the Licensee refuses to provide the services.

20 Years on from the implementation of the Licensed Post Office Agreement, the Agreement, the payments and the terms of trade are manifestly inadequate, ignored, unjust and out-dated. Many of the basic postal service payments, and the representation components were linked at the inception of the Agreement to the basic postal rate (BPR). As such a vast majority of the LPO payments have not even increased in line with the CPI. The BPR has increased 33.3% since 1992, while the CPI has increased 70.3%. This leaves Licensees with a real erosion of their income and substantial decline in the recovery of costs at more than 35% based on the CPI alone. Over the last 20 years wages have increased more than 100% and rents, electricity, superannuation and other ongoing business costs continue to rise far in excess of the CPI every year. The last 10 years has seen staggering erosion in the profitability and viability of the Licensed Post Office due principally to the refusal of Australia Post to adhere or even try to meet the intention of the Agreement that expected a Licensee to be rewarded for effort and performance.

Specific examples presented in this submission are:

1. The explosion of the parcels business (Part A& B) and the requirement to electronically deal with delivery of postal articles (Part C)
2. The introduction of amendments to the Agreement to avoid payments
3. The failure of the payment scheme to keep in line with fair pay outcomes
4. The introduction of the new Windows-based operating system CE-POS which has added up to 50% additional processing time to each transaction with no compensation for the additional work load for Licensees

1. The Explosion of the parcels business and how it affects Licensees

Example One -Part A:

Every LPO in Australia will be affected in some way by the explosion of the parcels business, due largely to the rapid growth of on-line shopping. Every LPO will be affected in different ways, and some by all examples provided, but the effect will be crippling most LPOs in Australia. Australia Post refuses to address the issue because refusing to address the issue allows Australia Post to continue to receive the massive profits that this growth provides, while not sharing the pie with the majority of the workforce that are providing the service. It is a win for Australia Post - and the straw that has broken the camels back for Licensees.

These parcels will be arriving into LPOs by way of:

- failure to deliver to the street address for various reasons by contractor
- inability to deliver to road side mail box by rural contractors
- Inability of contractor to deliver as addressed so article is carded in the first instance
- Delivery addressed to PO Box located at LPO

The LPO Agreement allowed for an annual payment for offices to deliver Street Carded Articles on behalf of Australia Post. Delivery of these articles has been attempted by contractors working for Australia Post, however if delivery is not successful then the item is carded back to an Australia Post outlet and the householder is advised to collect the item from the nominated office.

In 1992 it was a rare occurrence that an item was carded to any office. The standard office could be expected to handle between 1 and 25 articles per week. Payment for this task was covered in the agreement as an annual payment, and provision was made for a negotiable rate should any office deliver more than 25, or less than 25 per week.In 1993 the majority of parcels carded back to any outlet consisted of 80% ordinary items of small to medium size. To fulfil the delivery of these items the office exchanged the card produced by the customer for the correct parcel. There was no written or electronic record of the delivery of these items. 20% of the carded articles in 1993 required the office to record the delivery of the item in a hand written journal and check ID on delivery and record the signature of the customer taking delivery.

Today, the average office would handle up to 100 items per day, with some offices handling up to 1000 articles per week, with the majority of those articles now being signature items. The size and the weight of incoming parcels have also exploded in line with the growth of parcels. In 2013, these items required the office to capture an electronic lodgement of the item as awaiting collection at their office. When the customer collects the item, the office is required to, again, capture an electronic delivery event, record the unique identification of the item which may require manual entry of up to 25 numbers and letters if the barcode does not read, (which is very common) advise the type of delivery, advise the name of the person collecting the item and capture the signature of the person taking delivery and then record the item as delivered. Added to this most LPOs now see parcels up to 32Kg in their office for delivery. Multiple boxes of wine delivered as 1 item for 1 payment. 25 parcels per week in 1993 could fit on a small shelf in most LPOs and required minimal resources to manage.

1000 articles per week is a full time job that requires a lot of resources to manage without looking at the floor space required to store these items for up to 2 weeks if collection is delayed.

In 2013 a signature item carded to an LPO requires between 4 to 6 minutes to complete delivery. Each office will have different overhead expenses and labour costs, but on average this 4 – 6 minutes work would cost the Licensee between $2 - $3 per item. Australia Post pays an LPO 29.3c for those 4 to 6 minutes of work. Australia Post refuses to negotiate a commercially viable remuneration for the delivery of this service despite the fact that Australia Post is prepared to publish the massive growth in volumes and profit from the growth of the parcel business. Australia Post has been inundated with request and demands from Licensees for fair payment for this service. Australia Post is prepared to take legal action and has threatened, bullied and intimidated many Licensees who have entered in to the dispute process or withdrawn the service from their offices as Australia Post refuses to adequately remunerate the office for the work involved. Effectively a Licensee is paid less than the dole to provide this service on behalf of Australia Post. Across Australia Licensees are facing financial ruin from this process alone, as the cost to provide this service must come straight from their pockets as Australia Post adheres to a loophole in the payment scheme that is unjust, unfair and manifestly inadequate.

However, if the parcel delivery is the responsibility of a contractor that works from the LPO, the Licensee is paid nothing to deliver the article. The Licensee is paid a portion of the mail management fee for the accommodation of the contractor, and delivery of parcels carded to the LPO is expected to be included for the payment for the accommodation of the contractor.

Again, if the parcel is addressed to a PO Box, there is no payment, as the mail management fee, negotiated and implemented in 1993, pays the Licensee a set rate to manage the mail for each PO Box. This allows Australia Post to cap the payments. Licensees are paid the same rate for 1 letter per year or 1000 parcels per year for each box. There is provision in the Agreement for the Licensee to negotiate a fairer payment; however Australia Post refuses to acknowledge that right.

In summary:

A Licensee can receive a maximum of 29.3c for 4 – 6 minutes work, which could cost the Licensee up to $3.00 to provide. An office delivering 1000 parcels per week, in a large regional shopping centre, with rents of $1000 per sq m per year could expect to incur costs of up to $3000 for the provision of this service. Australia Post will pay the Licensee $293, for the recovery of those costs.

The Licensee has paid $2,707 from their own pocket. On average Licensees are losing between $60 and $150 per day for the provision of this service for Australia Post.

If the LPO is a small regional office, with an owner operator, delivering 100 parcels per day then this Licensee has provide 6 hours free labour and free storage to Australia Post, and has had no recovery of the cost at all.

1.Electronic Data Capture

Part B:

The Agreement was implemented well before the invention of electronic data capture or transmission. Hence there is no payment built into the Agreement, therefore Australia Post refuses to compensate Licensees for this performance, yet demands it be provided by decreeing that the regulations require it to be performed.

Licensees are expected to spend two to three hours per day in 2013, capturing and transmitting data for Australia Post with no remuneration. Refusal to perform this free service elicits continual harassment and bullying tactics, intimidation and ongoing threats to the License. Australia Post implies that failing to provide this service is failing to provide the customer with the standard they expect, so Licensees should provide this service for free because it will help build our business overall, and refusal "lets the side down".

Licensees have been addressing this issue with Australia Post for more than 10 years. We have been assured by Australia Post that it is under review, for more than 7 years. Australia Post charges a retail customer for this service and refuses to provide the Licensee with any portion of that charge. There has been an endless stream of communication to Australia Post in regard to this issue and the lack of payment for the service provided by Licensees.

In all cases, Australia Post refuses to enter into any discussion over the issue.

2. Introduction of Amendments to the Agreement to Avoid Payments

Example Two:

The LPOPayment Scheme has a component for geographical mail sorting, which required Licensees to break up outgoing mail into geographical regions for easier ongoing distribution by Australia Post.

This may have included 3 to 5 different regions in the majority of offices. There were 3 tiers of payments originally intended for this work, depending on the amount of regions to be sorted.

An office clearing a street posting box and sorting the mail for on forwarding by Australia Post, attracted the highest payment of 8%commission on the outward mail processed by that office.

An office that was only required to place **ALL** mail articles into the onemail bag for on forwarding to Australia Post for distribution attracted 1.65% commission on the outward mail processed.

During the last 10 years Australia Post has systematically withdrawn the payment for geographically sorting, and replaced the term 'geographical sort' by the term 'streaming'. Many offices are required to stream up to 14 different ways, the majority 6 to 10 streams:

small letters, large letters, small parcels, large parcels, express post letters, express post parcels, hand sort, return to sender, bulk mail, etc.

An office performing a 3 way geographical sort, under the original payment scheme, would attract 8% on outward mail processing. Under the new term 'streaming' for up to 14 different streams they receive 1.65%.

This is manifestly unjust and unfair and not as per the intention of the Agreement where a Licensee was provided with adequate compensation for every task performed and time taken to perform the task. Most offices these days provide far more service for Australia Post than the office with the 8% commission, yet Australia Post refuses to pay for the streaming so most offices are finding their payment reduced to 1.65% commission, due to renaming the work performed to streaming instead of sorting, yet demanding far more work be performed by most Licensees.

3. The failure of the payment scheme to keep in line with fair pay outcomes

1. Inflation figures from January 1993 until December 2012, as per the National CPI, show inflation running at **69%** over the 20 years.

2. Payments to Licensees for private boxes, delivery payments, representation allowance and outward mail processing payments have been pegged to the basic postage rate (the BPR). The BPR has increased from 45 cents in 1993, to 60 cents including GST in 2012, but a comparable rate of 54.54 cents (excluding GST) an increase over this period of only **33.34%**, less than half the inflation rate!

3. National Bill payment fees have increased from 60 cents each transaction in 1993, to 83 cents each (excluding GST) in December 2012, an increase of **38%**.

4. Payment for card banking in 1993 was 83 cents per transaction, and 20 years later, it is 99.7 cents net GST, an increase of only **20%** over the 20 years.

5. In1993 the agreed payment to the Licensees for provision and maintenance of the private P O Box was 110% of the retail cost of the Private Post Box. Since 1993, Australia Post has increased the retail cost of the private boxes owned by the Licensees by more than 134%. Australia Post has refused to pass on more than **33.3%** of this increase to the Licensees, despite the fact that the original payment was a far greater ratio of the payment for the Licensee.

6. Street addressed carded articles payment, as per the agreement back in 1993, entitled licensees to be paid an annual fee of $260, for up to 25 articles per week, with the average across most LPOs being around 10 articles per week. In 1993 there was no scanning in or out, with 80% of street addressed carded articles being ordinary items and about 20% being signature items, with most items and parcels being quite small. Today, 20 years on, street addressed carded articles have exploded! Along with the number and the size (they are big), 90% of these carded articles, if not more, are now signature items. Licensees have to scan in and out, and or record and capture customer and article data, with the fee paid today being $381.82 pa, a rise of just **33.4%** since 1993 (excluding GST) based on up to 25 per week. AP is refusing to recognise the extra work involved and is refusing to negotiate a rate per article in excess of their nominated rate of 29.3 cents per article (inclusive of GST). This rate of 29.3c is considered, in most cases, to be $2 per article less than the costs to licensee to provide the service.

4. CE-Pos

The introduction of the new Windows based operating system has been the greatest imposition for Licensees since the advent of scanning; yet again Australia Post has refused to recognise the additional work this new system is requiring for every transaction performed.

Licensees are charge a technology fee for the provision of the Australia Post technology.Licensees have been advised by senior Australia Post employees that the new system has been designed to capture data for Australia Post parcel business. In effect, this means that Licensees are standing in front of the CE-Pos system for 50% extra time to collect data for the Parcels division for no additional remuneration. As more and more transactions are migrated to the new system, Licensees are finding more of their time is spent waiting for the computer to process the transaction in increasingly complex screens. Often a simple transaction has been replaced with a complex and difficult process that often stalls and requires duplication to complete the transaction.

The CE-Pos platform has added up to 50% more processing time for most transactions, and numerous additional keystrokes for every transaction. Most often, an operator has to watch while computer screens try desperately to catch up to the human brain. The platform is cumbersome, inefficient and unreliable.

Australia Post will not respond to any submission from Licensees to improve the platform.