

SE Opinion - Opinion

HD **Too late for Australia Post to go private now**

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The Coalition believes the political cost of selling the postal service is just too high.

In the 20 decades that Australia Post has been running Australia's mail service it has never seen a challenge on the scale of the one it is now facing. Its announcement of 900 job losses on Monday is likely to be only the first wave of massive job-shedding for the 205-year-old government-owned postal business.

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The experience of government-owned mail businesses internationally provides a sobering indication of the impact of the unrelenting transformational force of technological change.

The once mighty US Postal Service has shed more than 70,000 jobs in the past two years and more than 170,000 since 2006, while Britain's Royal Mail has cut more than 50,000 jobs since 2003. Australia Post insiders estimate the organisation could cut its workforce by 10,000 in the next three years, slashing its workforce from 32,000 to something close to 20,000.

The reality is people do not send paper-based letters in the way they once did, instead they send emails or text messages or make online payments. In the past five years a **billion** fewer letters have been sent in Australia than were sent in the five years before. As a result, Australia Post will this year lose more than \$200 **million** from its mail business and chief executive Ahmed Fahour says this could rise to a **billion** in losses within in years.

At the same time, Australia Post's parcel business is facing intense competition. While this part of the business continues to grow, it is losing market share as online retailers give consumers a choice of price and service provider.

In early May, the Commission of Audit recommended the privatisation of Australia Post. But judging by the comments of senior Abbott government ministers at the weekend it seems this is not going to happen any time soon. The Abbott government has clearly run a financial and political evaluation of privatisation and concluded it does not add up.

The **sale** of Australia Post would be likely to earn the government from \$2.5 **billion** to \$4 **billion**, small change when compared to its annual budget expenditure of \$412 **billion**. It has judged the political cost of selling the organisation to be much higher.

Privatisations are always difficult, the public view them as the equivalent of the government selling off the family silver - and likely to **lead** to higher costs and lower levels of service. Even a policy no-brainer like privatising Medibank - let alone a trusted name like Australia Post - is really hard.

With its political stocks sorely depleted since the recent budget the Abbott government would stand no chance of gaining public approval for such a move.

Since 2007 the Japanese government has repeatedly scheduled and then cancelled the privatisation of Japan Post. The latest **sale** date is 2015, but don't hold your breath.

Deutsche PostDHL was the first major postal service to be privatised, in 2000. The experience is often held up as an example of a successful privatisation. Postal services improved as a result, even when compared with other publicly owned mail services. The German mail giant rapidly expanded its parcel business and moved into new markets like eastern Europe and **China** just as the internet boom started to take off - now it is the world's biggest logistics **company**.

But in other countries, the results of privatising the mail service have been mixed. The **sale** of Royal Mail last year has attracted criticism for being "sold on the cheap".

In some respects, Australia Post has missed the boat when it comes to privatisation. If it had been floated five or even 15 years ago, it had a profit-making mail business and a booming parcel business with lots of blue sky potential given the early trajectory of online commerce. Now the window of opportunity has closed and the government is left with a big policy, political and financial headache.

The government-legislated Community Service Obligations require Australia Post to deliver mail door to door, five days a week, for 98 per cent of the population. It also sets a uniform rate for letter delivery and requires the maintenance of about 10,000 mailboxes.

Last year, the New Zealand government announced its mail service would be cut to three days a week in urban areas from July 2015. Deputy Prime Minister Warren Truss has basically conceded that the Australian government is open to this so long as regional services are protected.

If this occurs it may well be offset by an increase in (profitable) parcel delivery services from five to six or seven days a week. Uniform mail prices will be the next change to follow.

For its part Australia Post is trying to branch out into new areas such as the digital mailbox: an online mail box that is certified and secure. It remains to be seen whether consumers will see value in such a service given most email services are free and most data storage services are free.

The other option is to build Australia Post as a trusted provider of services such as insurance, basic deposit-taking banking or a one-stop shop for government services such as Medicare, Centrelink, ID checks and so on. Post offices in other advanced economies have all moved into these areas in differing degrees as a way to offset the collapse of their mail businesses.

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