



# **Logistics Industries ENVIRONMENTAL SCAN**

**November 2011**

**Postal**



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## Overview

Australia Post is the major organisation in the Australian postal industry. Within the private sector, the Major Mail Users of Australia is the peak industry body and represents major mail generators and mailing houses in Australia.<sup>1</sup>

Australia Post is one of Australia's largest employers and has operations encompassing road, rail, air and sea. Australia Post is also a joint venture partner with Qantas in two express delivery businesses: Australian Air Express and Star Track Express. Other companies involved in this sector are captured under the transport and logistics sectors, eg DHL, Toll IPEC, and Australian Air Express.

Although digital substitution has continued to cause a steady decline in general mail, postal/courier companies continue to make profits.<sup>2</sup> This can be attributed to the level of restructuring that companies have undertaken in an effort to remain responsive to consumer preferences. Whilst some look at alternative ways of re-engaging with their client base, others continue to strengthen ties in the niche market areas in which they operate. It should also be noted that not all operators in this space prefer to be identified as postal companies.

As a result of the structural adjustments other elements within the postal sector are evolving. The range of services offered has been expanded and processes such as recruitment are no longer conforming to traditional methods. Contrary to the notion that this is a dying sector, recent market conditions have indicated that the opposite is true. As well as continued involvement in domestic and international letter delivery and on-time international, domestic and express parcel delivery services, Australia Post offers financial, government and identity services; data and customer acquisition services; document management and processing; cross-town courier services and a secure business-to-business and business-to-customer payment gateway.<sup>3</sup>

Australia Post has embraced the electronic age and developed a dynamic workforce which relies more heavily on new technologies to assist with the movement of goods. Most of their training is done in-house to meet the unique operational requirements of the company. Private companies predominantly train on the job, utilising training across logistics, road and warehousing.

## Trends Analysis

With Australia Post's strong dominance in this sector, some industry stakeholders have aligned themselves more with couriers and freight forwarding rather than being associated with post.<sup>4</sup> One of the causes for this is the drop off system used by postal delivery officers. The mail they deliver does not require a signature unlike the deliveries made by couriers. Though Australia Post has been privatised, it is still regarded as government owned and run. The privately owned companies have high regard for being independently owned hence the strong push to differentiate between the two.

Through consultation with employers in this sector, it was noted that job roles had changed to match the new organisational structures. It is becoming increasingly hard to find job roles such as sorting clerks and mail distribution coordinators. Employers have decided to cross-train employees under the banner 'postal worker.' This enables them to be multi-skilled, to job share and work more effectively as a team whilst reducing boredom in the workplace.<sup>5</sup>

There is also an emerging trend whereby company recruiting patterns have evolved over time. Firms source employees from other States, and in some cases international branches, to fill vacant positions. This assists with maintaining company ethos and creates more opportunities for career progression.<sup>6</sup>

## Regulatory Requirements

The Department of Broadband, Communications and the Digital Economy provides advice to the Australian Government on postal policy and legislation and on issues affecting the postal industry. This includes setting the broad strategic policy framework and goals for Australia Post and consultations with industry, consumer groups and other government agencies and stakeholders.<sup>7</sup>

Generally, all goods imported into Australia are subject to customs duty and GST and are assessed for community protection risks. They are also subject to the Australian Quarantine and Inspection Services (AQIS).<sup>8</sup>

The Postal Industry Ombudsman (PIO) investigates complaints about the provision of a postal or similar service. The PIO is a function of the Commonwealth Ombudsman and is independent of both complainant and postal agency.<sup>9</sup>

Due to the close proximity to airports in which some companies operate, there is a high level of mandatory security checks which need to be undertaken by employees. In other cases, the handling of dangerous goods requires a certificate and needs to be renewed every two years.<sup>10</sup>

As companies deal with both small and large parcels, it is imperative that workers are familiar with the occupational health and safety regulations as this impacts on how they handle materials without injuring themselves in the process. Like many businesses in warehousing and logistics, the postal sector uses vehicles that require licences to operate.

## Demographics

- There are approximately 6,850 postal and courier pick-up and delivery service workers in WA<sup>11</sup>
- Approximately 4,910 of these are full-time workers and 1,950 are part-time, with average weekly hours being 38.6.<sup>12</sup>
- National figures indicate that 70.4% of these full time workers and 14% of part-time workers are male.<sup>13</sup>
- Nationally, the median age for postal and courier pick-up and delivery service workers is 45 years.
- The industry appears to have better rapport with mature workers, particularly those between the ages of 30 and 54.

Note: Due to the nature of the industry, the LTC believes that national trends are reflected within the State.

## Impact of Globalisation

The strong Australian dollar has benefitted traders. Not only are fuel prices relatively cheaper but online shoppers are benefiting as well. For Australia Post, having the widest reaching network across Australia, it has been a period of sustained economic growth which counteracts the poorer performance of the general mail arm of the business. International parcel volumes boomed in the 2010-11 financial year, but recorded a loss on small packets, as the cost to deliver was greater than the payment received.<sup>14</sup>

The short-term future of parcels and logistics around the world depends on the health of the economy, as consumer spending directly affects demand for the movement of goods. After rapid growth in recent years Australia Post's parcels and logistics portfolio has continued to consolidate its position in readiness for an upturn.<sup>15</sup>

## Technological

Australia Post has upgraded its major IT platforms, from HR systems to mail production and article-tracking systems. It has also introduced new mail processing equipment and improvements to its transport fleet, as well as upgrading its point-of-sale system and online services.

Other systems used by industry include mobile data terminals (MDTs) to collect and transmit data directly from the point of pick up or delivery; electronic despatch systems which produce compliant bar-coded labels; and automated sort systems.<sup>16</sup> E-con notes enable customers to create and email consignment notes to their sender.

The introduction of new scanning equipment has numerous long term benefits, however the challenge faced by industry is the timing and rollout of this very useful technology.<sup>17</sup> It is important that there is minimal impact on operational functions of the business as a result of the upgrades. The cost of the expensive equipment tends to leave the smaller operators vulnerable as they do not have access to the shareholder funds of the larger companies.

Australia Post now uses no sorting equipment that is older than 10 years. The mechanisation that has taken place has resulted in a massive restructure of the organisation in terms of the number of team members and job roles. In addition to this further steps have been taken by the company to ensure that practices conform to its green policy. There has been a module especially designed for the drivers of the Australia Post fleet, which basically entails the details of how the drivers are to reduce carbon emissions from the manner in which they operate their vehicles. Furthermore, details have emerged of how Australia Post is purchasing electric cycles to replace the existing ones. It is still at trial run stage but inevitably saves on the fuel bill.

Vast amounts of progress have been made regarding the track and trace technology currently used by industry players. Not only do they offer a one-stop shopping experience for customers but the 24 hour access to tracking the location of a parcel that has been sent has become more common place. Some companies have made a significant digital imprints with the unveiling of applications for handheld devices which heightens the 'convenience' factor for customers.<sup>18</sup>

Scanners being used for parcels, which also have GPS and better capabilities, eg software can be upgraded as required, and eliminate the need for radios in delivery vans.

## Economic Drivers

According to the 2011 DHL Export Barometer, there has been a positive side effect to the rising value of the Australian dollar that peaked at approximately 110 cents to the US dollar. Companies have taken the opportunity to upgrade machinery and equipment due to the higher purchasing power of the Australian dollar.<sup>19</sup>

Recently Australia Post lodged a letter requesting the review of international charges on parcels less than 2 kg. In order to remain economically viable the costing approach for handling fees on international parcels in Australia needed to match that of other players in the sector.

## Size and Distribution

Australia Post is one of the nation's largest employers, for the year ending 30 June 2011 employing 33,472 people, 3,114 of which were in WA.<sup>20</sup> These include 23,369 full-time and 10,103 part-time postal workers. Of these 15.6% are in retail, 43.5% delivery, 25.7% processing and transport and 15% business support. In WA there are 3,114 workers. It also employs a total of more than 8,000 nationally as licensees, franchisees, community postal agents and mail contractors.

Due to the nature of the industry, it has been difficult to access data relating to the other postal and courier companies.

## Regional Focus

Australia Post has seized the opportunity to source alternative revenue streams. It has expanded its number of services to include banking services to regional customers due to a new partnership with the Rural Bank. The 130 remote outlets will service regional organisations such as agribusiness offering greater flexibility through the extensive network Australia Post has established across the country.<sup>21</sup>

As Western Australia is vast in size, it has been noted that there are a number of regional depots for postal companies where a particular company dominates the area. It would not be economically viable for a company to duplicate the infrastructure of another company in an effort to service a small population. As a result, companies tend to outsource or onsell courier services to a company with existing well established links in that particular area.

There has been a shift in the type of activity occurring in the delivery of services in regional centres where more on-line purchasing of goods is occurring, requiring more deliveries direct to homes. This trend was first identified in Kalgoorlie through the regional Chamber of Commerce.

## Sustainability

The postal industry is committed to conserving resources, reducing waste and minimising the environmental impact of its business. Initiatives include degradable satchels, carbon emissions programs, projects to reduce waste and increase recycling, and reduction of energy consumption. Australia Post has achieved a significant reduction in greenhouse gas

emissions to a level on par with those produced in 2000. It is also on track to meet its board-endorsed carbon reduction target of 25% by 2020.

Australia Post has a fleet of over 10,000 vehicles including motorcycles, cars, vans, small and large trucks and prime movers and generates approximately 28% of Australia Post's greenhouse gas emissions. It has committed to reducing its fuel consumption through a number of initiatives including the introduction of hybrid trucks and upgrading the fleet with more emission-efficient vehicles.<sup>22</sup>

In addition to this further steps have been taken by the company to ensure that practices conform to its green policy. There has been a module especially designed for the drivers of the Australia Post fleet, which basically entails the details for how drivers are to reduce carbon emissions by the manner in which they operate their vehicles. Furthermore, details have emerged of how Australia Post is purchasing electric cycles to replace the existing ones. It is still at trial run stage but would inevitably save on fuel bills.

There are a number of ways in which companies are looking to reduce their carbon footprint. The postal sector has overlapping synergies with road transport and aviation; hence a considerable amount of expenditure is allocated to the aspects of the businesses that are regarded to be part of the bigger contributors to carbon emissions.

## Qualification Profile of Workforce

Many of the qualifications in this sector are aligned to warehousing and road transport, as the activities involved deal with handling of letters and parcels. However there appears to be a shift in the classification of job roles which would in turn affect the type and delivery of training. The traditional job titles such as sorting clerks and distribution coordinators are quickly becoming a rarity. This is attributed to an evolving ethos in how employees are trained. Instead of training a worker for one specific task, the worker is trained across a range of tasks within the operating cycle of a business. This creates a lot more flexibility in the way staff can be more effectively utilised, with the added benefit of less boredom due to a wider variety of duties to be carried out.

As the training is mostly catered to customise organisational equipment and systems, in-house training is preferred. There is little interest placed on outsourcing training for nationally recognised qualifications apart from a few warehousing units, some relating to occupational health and safety as well as qualified forklift operators.

## Critical Skills Shortage Occupations

Courier Driver

## Reference - Endnotes

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- <sup>1</sup> Australian Government website <http://australia.gov.au/topics/it-and-communications/postal-services>
- <sup>2</sup> Australia Post Annual Report 2010-11
- <sup>3</sup> Australia Post website – [www.australiapost.com.au](http://www.australiapost.com.au)
- <sup>4</sup> Industry stakeholder consultation
- <sup>5</sup> Industry stakeholder consultation
- <sup>6</sup> Industry stakeholder consultation
- <sup>7</sup> Australian Government website <http://australia.gov.au/topics/it-and-communications/postal-services>
- <sup>8</sup> Australian Government website – Australian Customs and Border Protection Service
- <sup>9</sup> Australian Government website <http://australia.gov.au/topics/it-and-communications/postal-services>
- <sup>10</sup> Industry stakeholder consultation
- <sup>11</sup> Department of Commerce, Transport, Postal and Warehousing in WA: 2011 labour market overview
- <sup>12</sup> Department of Commerce, Transport, Postal and Warehousing in WA 2011 labour market overview
- <sup>13</sup> Australian Government (2010) Job Outlook – [www.joboutlook.gov.au](http://www.joboutlook.gov.au)
- <sup>14</sup> Australia Post Annual report 2010-11
- <sup>15</sup> Australia Post Annual Report 2008-09, Australia Post 2009
- <sup>16</sup> Toll IPEC website
- <sup>17</sup> The new look track and trace has arrived - <http://www.aae.com.au/about/news/214/>
- <sup>18</sup> Australia Post Annual report 2010-11
- <sup>19</sup> DHL Export Barometer survey for August 2011
- <sup>20</sup> Australia Post Annual report 2010-11
- <sup>21</sup> Kudouh, F. 'Australia post, rural bank to give bush new service', West Australian 03/08/11
- <sup>22</sup> Australia Post Website