

# DON'T WRITE OFF LETTERS JUST YET

**Mail delivery** Australia Post says it can't afford to handle the humble envelope any more, but it's unlikely to become a dead letter office overnight, and the postie beat could go on, writes Patrick Durkin.

**T**ony Smulders has seen a thing or two in his 39 years as a postman. Part first responder, part social worker, part confidant, translator, demographer, Casanova and financial adviser, delivering the mail around St Kilda in Melbourne was often the least of his worries. "There is a real social side to being a postman. The key was trying not to get stuck anywhere too long, so I could actually deliver the mail," he recounts to *AFR Weekend* about the 1900 mail boxes he serviced daily before retiring.

The postie fondly remembers the Greek lady who would ask him to read her the mail, and the letters he took to one old man's door who struggled to get down his steps. He would check on his welfare and explain the meaning of notices from his bank or insurance company.

He has helped people break back into their houses and discovered the deceased. He has had an enticing invitation from a lady – and of course, been chased by dogs.

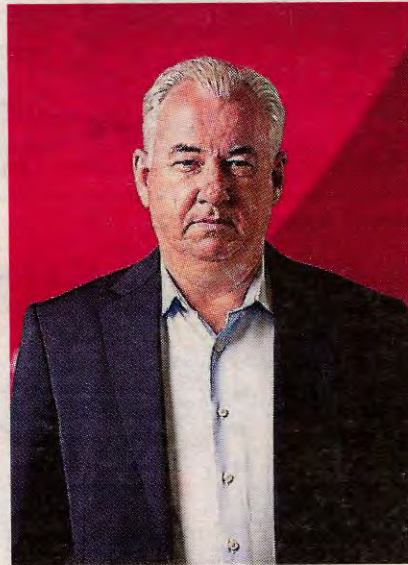
"There were certain dogs you knew you had to watch for," he says, recalling a certain blue heeler which came very close to taking out a chunk of his leg.

And he vividly recalls helping rescue a man, he estimates in his 40s, who was unconscious in his crashed car.

"He had hit a gate and was unconscious. I couldn't open the door but I had seen the fire brigade three or four streets away."

"I rode and found them but I couldn't explain exactly where it was. I said: 'follow me'. I was whipping through the streets, pedalling like a mad man, as they followed me with their sirens wailing.

"Luckily, they saved him."



Post CEO Paul Graham and chair Siobhan McKenna. PHOTOS: JEFF ANDERSON, ARSINEH HOUSPIAN

He shakes his head sadly when asked about Australia Post's ugly financial results this week and predictions for the death of the letter, with obvious flow-on effects on the country's 10,000 posties.

"The mail levels go up and down, but it never ever stops," he says. "There should always be letters because there are still so many people who don't use computers."

The death of the letter has been heralded before. Mail veterans point to the predictions of former CEO Ahmed Favour back in 2014 that letters would be dead within 10 years. Last year, a remarkable 1.6 billion letters were still sent across Australia. It was the same number the year before.

But Australia Post's CEO Paul Graham



a full-year loss of more than \$100 million, the first loss for the business since 2015.

Graham says the loss in 2015 – the first for the business in over 30 years – was mainly because of one-off costs.

This will be the first underlying structural loss in almost 40 years, and the losses will climb.

He says that makes the letters business unsustainable, and radical change is needed. That includes moving to mail only every two or three days, and more than doubling the price of stamps that recently increased to \$1.20.

"The feedback we've got from customers is they don't see the value of delivering mail five days a week, so that's really an area of focus," Graham said earlier in the week.

"We'll deliver mail till the last letter is delivered, but how we do that is a discussion we are having with the government, the union and other stakeholders."

This time, the federal Labor government, which faces being lumped with the growing multimillion-dollar losses, is listening. Emergency changes brought in by the government under COVID-19, which included dropping daily delivery of mail (in favour of every second day) and deploying 2000 posties as parcel delivery drivers, expired last July.

Any talk of making it permanent was

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said this week that households receive just one and a half letters per week, and that the letters business is now in an "unstoppable decline".

Letter losses rose to \$190 million, leaving Australia Post to scrape to a half-year profit of just \$23 million, as letter losses overwhelmed the growing parcel arm.

Parcel volumes have eased a little after the pandemic boom, too – and, unlike letters, there's a fiercely competitive parcels market.

Australia Post's profit is typically boosted in the six months leading up to Christmas, meaning losses – made worse by high fuel and energy prices – will be even higher in this half of the year. That puts it on track for

dropped following former CEO Christine Holgate's exit saga and the then upcoming enterprise agreement with 30,000 staff to avoid all-out warfare with the union.

But federal Labor knows it must act, even if it means acting against its own inherent fondness for Australia Post and battling the strong union forces within the industry. However, this will require legislative changes to Australia Post's community service obligations that will need to be passed in both houses of parliament.

Labor has appointed News Corp executive and Foxtel and Sky News chairwoman Siobhan McKenna, a former commissioner of the Productivity Commission and McKinsey partner, as Australia Post's new chair.



She, Finance Minister Katy Gallagher and Communications Minister Michelle Rowland are said to be deeply engaged. Much of their focus is believed to be on the fact that 98 per cent of all post is corporate mail: bank statements, interest rate letters, electricity bills and the like.

That means devising a solution to sell the public on the idea that banks and energy and insurance companies will be charged more for mail, while protecting pensioners and low-income earners.

But Labor knows it must tread carefully. "Australia Post is a cherished national institution [but] it cannot stand still or be frozen in time," Rowland says.

"The government will work with Australia Post to examine options to improve pro-

ductivity, while also ensuring Australia Post can meet the needs of the community in relation to the growing demand for parcels delivery."

There are powerful forces that will stand in the way. The first is the \$18.9 billion paper, print, publishing, mail and distribution industry which employs more than 258,000 workers from mills to mailing houses, designers, printers and warehouses.

Luke Pearsall owns and operates a NSW mailing house producing 40 million letters each year for corporate clients that are lodged with Australia Post.

He says some of the biggest clients are charities and not-for-profits – he recently sent 500,000 letters out for the Salvation Army – because they find it one of the best

ways to raise support.

He says most people presume that when they get a letter from the bank, someone is printing it at bank headquarters and sticking it in an envelope.

"People have no idea how letters work," he says, frustrated. "Our industry is huge, humungous." He points out that "promotional letters are actually increasing because of digital clutter". In the United States, direct mail volumes increased to 70 million in 2021 from 67 million a year earlier, data company Statista says.

Kellie Northwood, the new Print & Visual Communications Association CEO, says that when faced with data breaches, companies such as Facebook, Optus, Medibank and VicRoads relied on postal channels to

send out secure information.

Even stronger than industry pressure will be powerful political forces including One Nation's Pauline Hanson, who has taken up the cause of fighting for regional post offices.

She is on a mission to find out whether Australia Post is being duded by the banks, after Holgate secured an extraordinary \$66 million deal in 2018 with three of the big four to provide banking services in regional towns.

**A**ustralian Citizens Party research director Robert Barwick argues the solution to Australia Post's financial pressure is a government post office bank.

He says it makes sense given the spate of recent bank closures, and the group will raise the idea as part of a parliamentary inquiry into 80 bank branches closed or facing closure since last September.

Price rises are another option. Graham says that the price of a stamp in Australia is well below the OECD average, with the price of a stamp in New Zealand ranging from \$1.70 to \$3.

Recently retired Smulders has a simple solution. "If there's a decline in letters, you simply increase the round size of each postie," he says. "You just add more streets. It's not difficult."

He says while more posties could be switched to parcels and vans, the guys in the vans could never deliver the letters. "They can't handle the letters, it would slow them down too much, it can't be done by a guy in a van."

And to him, trying to stop using the postal service simple makes no sense. "Why they want people to stop sending letters, destroy their own business, it just makes no sense to me."

Northwood and others believe the industry needs a sustainable long-term solution.

"If a review delivers reduced regulatory obligations, pricing and employment stability from flexible delivery schedules, improved operational efficiencies, streamlined mail products and more, the industry is open to all discussions."

The government hopes Graham can help in moving away from mail and deliver Australia Post from financial ruin. Former high-profile CEOs Fahour and Holgate had similarly high hopes.

Graham and the Albanese government would be wise not to underestimate the challenge they face. ■



Tony Smulders on his beat in St Kilda. Above: Christine Holgate. MAIN PHOTO: ELKE MEITZEL