

The NBN makes Australia Post's privatisation inevitable and desirable

Written by Australian Business

Australia Post, and its predecessors, go back over 200 years. The first Australian postmaster began work in the colony of [New South Wales in 1809](#). At federation, the colonial post offices were combined into the Post Master's General department, and in 1975 the name 'Australia Post' was born.

So with such a long history of government ownership, why should Australia Post be privatized?

Australia Post is a parcel and delivery company, like DHL, UPS, FedEx and TNT Express. And Australia Post is pretty successful in competing against these private competitors. It owns [Star Track Express](#) (a company that began as a privately-owned distribution service) and in [2012/13](#) made a group profit of \$312m for its taxpayer-owners.

But, unlike its private competitors, Australia Post has community service obligations. It must provide accessible and affordable letter services to all Australians, regardless of where they reside. And for more than a century, Australia Post has helped link the city and the bush.

In recognition of its community service obligations (CSOs), and to avoid private entrants from 'cream skimming' letter profits in the cities while neglecting the bush, Australia Post has an effective legislated monopoly over 'standard' letters up to 250 grams. The problem, however, for Australia Post is that standard mail volumes are falling, raising the cost of the CSOs. And the issue for the Australian Government is that the Postal CSOs will soon be redundant, replaced by the CSOs on the National Broadband Network (NBN).

In 2012/13, regulated mail volumes dropped 5.4%. Indeed, they have been falling at 3% or more per year for the last six years. Australia Post's loss on regulated mail was \$91.3m in [2010/11](#), \$148m in [2011/12](#) and \$312m in 2012/13. And this is despite increasing the price for a stamp: from 50c to 55c in 2008, to 60c in 2010, and with a [proposal](#) for the price to rise to 70c this year.

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The reason is the internet. As more people move on-line, standard mail volumes drop. Every electronic bill, on-line payment or e-mail puts another nail in the standard letter's coffin. And this trend will accelerate, not decline.

Australia Post is not alone in facing this problem. It is faced by postal services worldwide. Most recently, the government-owned Canada Post [decided to stop](#) all home mail deliveries. [Rathe](#)
[r](#):

“every person ... will now have to traipse to a community “super-box” to pick up their mail.”

Australia Post could try similar cost saving innovations, such as reducing the number of home deliveries each week or setting different prices depending on the speed of delivery. And if it doesn't do this then the taxpayer burden will just keep on rising. Every dollar of loss on the standard mail service is a dollar less federal government revenue to spend on other things.

Fortunately, in Australia, the NBN means that Australia Post's CSOs will be redundant – replaced by the [NBN's CSOs](#) .

“[T]he NBN will provide the necessary infrastructure for every premises in Australia to be able to have broadband access to the internet ...”

The NBN will [also have uniform pricing](#) Australia wide and, as with post, private competition to the NBN has been legally restricted to prevent ‘cream skimming’ by private entrants in urban areas.

Now, you may or may not think these restrictions are a good idea. But one thing is clear. Once the NBN is rolled out to the bush, we do not need BOTH the Australia Post CSOs and the NBN CSOs. One set will do. Just as the internet is making standard mail redundant, the obligations on the NBN make Australia Post's CSOs redundant.

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Without its CSOs, however, Australia Post is just another delivery company. So there are two sets of questions for the federal government:

First, how is the government working to transition the 'standard mail' obligation from paper (with Australia Post) to e-mail (with the NBN)? And if not, why not, given the growing burden on taxpayers from the standard letter?

Second, once Australia Post's CSOs are gone, what justification is there for the federal government to own a parcel company that would be underwritten by taxpayers while competing against numerous private businesses? And if this means Australia Post should be privatised once the NBN is up and running, how is the government planning the transition towards a private Australia Post?

Partial and full privatization of postal services is not new. Examples include Germany, Holland, Austria and, more recently, the UK. But the key driver is that technology has changed the way Australians communicate. The NBN will link all Australians. For the small number who need special assistance, that should be available, as it is for the current mail service. As the internet, via the NBN, takes over the CSO under government ownership, it makes sense to remove the CSO from Australia Post. And once that occurs, privatization of a profit-maximizing parcel company makes sense.

Read more <http://theconversation.com/the-nbn-makes-australia-posts-privatisation-inevitable-and-desirable-22439>