

ASHCROFT 2017

REFLECTIONS & INSIGHT

DO YOUR HOME WORK BEFORE
DOING BUSINESS IN 2013

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WHAT COULD THE FUTURE OF AUSTRALIA POST BE?

Australia Post is a unique business, trusted by millions of Australians and accessible to all through 722 Corporate and 2886 Licensed Post Offices. It plays a critical role in connecting all communities across Australia on many levels. Its most valuable asset is its Network, skilled staff and LPO Licensees. But what sets it apart from its competitors is its Network of 3608 full service retail Post Offices and their skilled and trusted staff.

SO WHAT COULD ITS FUTURE BE?

This year I want to start a discussion on what the future may hold for Australia Post and its Licensed Post Office Network. Every LPO Licensee needs to involve themselves in this discussion because your input can influence the future direction of Australia Post, its and your prosperity and the future survival of your business and in fact Australia Post. Let me make this clear Australia Post is no basket case but given the uncertainty over Australia Posts traditional income (Small Letters and Bill Pay) it needs to innovate and grow in new areas.

AUSTRALIA POSTS CURRENT POSITION

1. Currently overall profitable with retail currently subsidizing losses in Startrack (Delivery).
2. Small Letter volumes are falling (but not as fast as predicted).
3. Bill Pay is falling.
4. Facing increased competition in its parcels business.

5. Its parcels business is growing.
6. A small business by world standards.
7. Has the largest retail Network in Australia.
8. Has very skilled and dedicated staff the majority being LPO Licensees.
9. Has acquired in recent times a 75% interest in Mails Plus for \$28 million.
10. Australia Post and Aramex will enter into an Asian-based joint venture, targeting the global eCommerce market, with a particular focus on Asia and this involve AP's purchase of another courier business being Mail Call with its 7000 customer base mainly in Sydney and Melbourne. This joint venture with Aramex will help Australia Post grow its e-commerce footprint especially into Asia with other possible joint ventures possible in the near future.
11. Australia Post has not yet disclosed proposed plans to Purchase back approximately 300 plus Licensed & Corporate Post Offices that are considered too small, unviable and or very close to other better located LPO's. Main area of focus is inner city areas of Australia's major cities where in some cases there are 5 Post Offices within 1.5 km of each other. I am assured that compensation will be more than fair and that as a result the AP retail network will be much more viable as a result with much better economies of scale and subsequent profitability. I understand that the rural network does not face a significant number of closures through the buy back.
12. Australia Post has announced a deal with Woolworth's, with 500 Australia Post 24/7 parcel lockers to be installed at Woolworth's

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stores around the country. Australia Post CEO Ahmed Fahour advises “This landmark partnership with Woolworth’s will provide our customers with more choice and convenience for parcel delivery than ever before.”

13. From 14th November 2016, Australia Post will allow the supply of an extended range of postal products direct to the MailPlus business, to allow the MailPlus franchisees to sell and deliver direct to customers.

14. Australia Post has failed to pass on the BPR increase of 42.86% to carded article fees as required under the LPO Agreement.

15. Is proposing possible further reductions in the number of middle management positions and support staff by way of redundancy as early as February 2017.

16. Looking at pushing for a further increase in the Base Postage Rate in 2017.

17. AP are continuing to engage with Government to expand the range of services on behalf Government Departments, despite meeting political reluctance due to the Labour oppositions focus on the Medicare campaign. Reality is though Government of any flavour Labour or Liberal has to address the growing budget deficit and more services of this type with AP is a win, win, win for Government the Australian people and all of the Australia Post family

18. Most within Australia Post realize that Startrack or delivery is being prepared by AP with a view of its sale within the reasonable foreseeable future and this believe me is a very good thing for AP, LPO Licensees, the Government and the Australian people. It can be said that if Australia Post floats and privatizes Startrack its not selling Australia Post it is fact selling Star Track a business it purchased in 2010. It might be forgotten that the junior business was Startrack and this integrated with the much large asset being Post logistics or Australia Post Delivery. I can hear the politicians now saying we not selling or privatizing Australia Post we are selling Startrack. Interesting illusion. Startrack does not have the same brand recognition or image of integrity that Australia Post has but this is a trade off in order to get a sale done with both sides of politics potentially looking

forward to the revenue proceeds. Please note the Sale of Startrack in my opinion is as good thing with many potential benefits to LPO licensees and AP’s retail business. Another potential win for everyone.

18. Australia Post is seriously underestimating the value, potential, capacity, capability and opportunities for its Retail Network of 3608 Post Offices.

19. AP appears to be at a senior level to be losing connectivity and understanding as to problems, management issues and practical business operational improvement opportunities that are currently impacting the business. In many cases it can be seen that money has and is being spent in unproductive areas and at the same time critical replacement technology and hardware purchases for mail hubs has been delayed or ignored. Bad ill informed decision making leads to poor performance and loses within the business. It should be mandatory for the CEO down to spend a week in a retail outlet and a Business hub every year to enable them to get a coal face view of the business. This will and can deliver much better decision outcomes for Australia Post.

20. It appears that at this time Express Post Service standards and performance are under threat due to AP’s failure to update and improve equipment and facilities at a number of critical delivery facilities throughout Australia. Having dozens of trucks waiting up to 2 hours at times yo unload due to lack of capacity and facility is just stupid business. These inefficiencies and bottlenecks are known but remain unaddressed and unfunded so where is AP’s priorities and business sense. If you see a problem fix it but if you are blind to the truth or lack understanding or experience of the issues then you have no ability to do your job!

21 Australia Post continues to be a Trusted Brand and this Trusted Brand is very valuable and has to be preserved. The main reason for this trust and recognition is due to the skill and performance of its staff and to a greater extent LPO Licensees and their Staff. Brand recognition and trust association are important for the future and should never be diluted by short cuts and perhaps cheaper option for service like Community

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Postal Agencies. Knowledge, training and customer skills are the way forward and it must be remembered that the maintenance and endeavour to grow your financial investment in your LPO is in fact a powerful incentive to perform on all levels and indeed a bond that insures Licensee performance, honesty, customer consideration and integrity. Doing the best job possible is in the financial interest of all LPO licensees because they have a major investment as skin in the game so to speak. Other contractor's and staff do not have as much skin in the game and therefore have no incentive to be loyal and do the best job they can. Australia Posts recognition as a trusted brand has a lot to do with the dedication and performance of LPO Licensees.

22. AP's super stores are proving to be duds with the self service stations being under utilised and very costly on cost per transaction basis. Customers want to be served by a person in most cases rather than a machine. The costs associated with these machines as well as likely service lives mean that they are probably uneconomic and a potential loss maker.

23. Parcel lockers are useful but far more expensive than counter delivery through a retail outlet when depreciation, work life, vandalism, malfunction and theft are taken into account but can offer increased service to the customer who is not available to pick up during working hours. Site location, security, parking and customer convenience being the main concerns.

24. Customer uptake of My Post has been very disappointing with LPO Licensees not getting behind this potentially great innovation. You cannot blame LPO Licensees as they do not trust AP not to steal their customers with direct offers and online bombardment and to date AP's promise of trailing commissions has not materialised.

THE BIG PICTURE BY WORLD STANDARDS IS THAT AP IS NOT DOING ALL THAT BAD!

To put it in perspective the US Postal service has over \$125 billion in debt and lost just over \$5.6 billion in 2016. Canada Post is a loss making basket case down to 3 deliveries

of mail a week with community delivery stations and the proposal of a base letter rate increase to \$1.50 Canadian eminent. NZ Post makes a profit mostly from its Kiwi Bank and the UK Post office is modernizing and underpinned by its bank profits looking to the future with a broader offering of financial services as well as insurance and increased telco business. The French German and Dutch Post are all stars but are facing increased loses in their small letters business with their performance areas being parcels and distribution logistics. The above facts and perspective are not meant to alarm LPO Licensees, but Australia Post is very much underperforming and through lack of understanding of the basic grass roots business and management problems & opportunities are making mistakes and more importantly missing the opportunity to pursue valuable business options. AP is also failing to recognize that some of their recent business decisions have the potential of undermining the business models of most retail outlets both LPO & Corporate. The probable outcome being negative to the future profitability of AP's overall business and the loss from the business of valuable experienced staff on all levels.

THE CURRENT POSITION OF LPO LICENSEES.

1. Thanks to the Senate Inquiry and the subsequent increase in the Base Postage Rate LPO Licensees have had a much better year in general with an average increase in gross profit of over \$25,000 p.a on average for AP's 2886 LPO's with on average more upside overall ahead in financial year 2016/2017 when a full years impact of increased payment is realized.

2. Bill pay continues to fall, not helped by the likes of service providers such as Origin Energy not accepting cheques as payment at Post.

3. Small letter volumes are falling but in city areas at least, not at the rate predicted. This may be offset to some extent in cities like Sydney where population growth mainly through higher density housing developments are increasing local area populations increasing the number of potential

customers.

4. Licensees biggest and most aggressive competitor continues to be Australia Post who are direct marketing to Licensees customer base with offers that can only be seen as potentially unfair competition under the Australian Consumers Legislation and the updated franchise code of conduct. Contractually this does not sit well with AP's obligation to act in good faith and to the mutual benefit of the LPO Licensee and Australia Post. I can assure Licensees the ACCC today will not see AP's actions here in a favourable light.

5. Overall Licensees are experiencing increased parcel business but see AP potentially sizing up ways in order to cut in and cut the licensee out.

6. The LPO network provides AP with its greatest strength being the biggest best trained retail network in Australia. It also adds to AP's credibility and brand recognition. It provides Australia Post with its most credible cost effective way of meeting AP's community service obligation.

7. Australia Posts LPO Licensee Network are 2886 strong and represents just under 78% of Australia Post credible Retail Network. Please note that CPA's are not Post Offices in the true sense just stamp product resellers and parcel pick up points. Now it is estimated that LPO's account for approximately over 65% of Australia Post's shop front retail business and provide AP with its essential economy of scale.

8. With AP having acquired Mail Plus and now Mail Call licensees are now potentially facing competition from mobile Australia Post retailers with AP providing product to its owned travelling retailers Mail Plus and potentially in the future Mail Call. So can AP do this under the franchise code of conduct and Australian Consumer Legislation. Can AP create a franchise network and knowingly put that new franchise network in a position that can undermined its existing LPO Licensees business model. The answer is no and LPO's need to be very much involved in the debate and pursuit of fairness. Off to the ACCC. Or are we all over reacting to this possible threat? Seems a short sighted move by AP but the solution to this issue is that stock

sold by Mail Plus and possibly Mail Call should be purchased through the nearest Post Office to the customer or a rebate to the effected Postal outlets based on the sale of the LPO profit on that sale. Problem solved with an equitable outcome. Watch this space and get involved in the debate. We need parallel incentive here if business is to be grown. Not incentives to steal each others customers. AP Business Centre managers please take note.

9. Another potential problem has loomed for LPO Licensees being AP's announcement of a deal with Woolworth's, with 500 Australia Post 24/7 parcel lockers to be installed at Woolworth's stores around the country. Ahmed Fahour advises "This landmark partnership with Woolworth's will provide our customers with more choice and convenience for parcel delivery than ever before." But this really is not the problem it appears to be for licensees as a similar deal with 7eleven basically having been a flop. Issues for Australia Post being, security, service costs, changing technology, service life and most importantly availability of the lockers as I understand that there is a shortage and that the usual supplier might not be able to supply the volume required. Issues that Woolworth's need to face are security, accessibility as well as critical parking issues with the potential of taking parking spots away from Woolworth's paying customers. This deal could face similar issues to the 7eleven one.

10. Flagged but not on the table yet is the proposed buy back by AP for closure or amalgamation of approximately 300 plus Post Office's throughout Australia mostly LPO's but possibly corporate shops mainly in inner city areas where in some cases you have up to five Post Offices within 1.5 kilometres of each other. This will be done by way of pay out under clause 22d and I am assured that compensation will be more than fair. This is a good thing as it will take out unproductive outlets and boost the economies and profitability of the remaining. Displaced licensees will I understand be given preference if AP offer an outlet by way of tender. We have areas in Sydney for example where a Post Office is only 400 metres from another.

11. Most licensees continue to fear the promotion of My Post believing that AP will steal their customers by way of special offers and direct marketing. Promises made by AP of trailing commissions's on product sold direct to LPO My Post customers have not materialised and this fact has made LPO licensees back off promoting My Post to their customers. My Post has significant potential benefit for Australia Post but LPO licensees need to have their financial interests protected and AP needs to honour the commitment made of trailing commissions by providing worthwhile incentives or otherwise see the take up of My Post fail or at the very least stall. .

12. For the majority of LPO licensees Street Addressed Carded Article numbers are still growing and at a payment currently of \$1.6064 each at least costs are covered with a small profit. Most of you are disappointed that AP has not honoured its obligation to pass on the BPR increase to this fee. Now AP's decision not to pass on the BPR rise is very questionable and will be subject to review either through legal challenge or referral to the ACCC for review.

13. Changes to the Franchise Code of Conduct now make Australia Post much more accountable for their actions so licensees need to keep AP to its obligation to act in good faith and in mutual benefit.

14. The growth in the number of Community Postal Agencies has slowed increasing in 2015/2015 from 779 to 784 an increase of only

5. Corporate offices reduced from 728 in 2015 to 722 in 2016 a loss of 6 and LPO numbers fell 2899 in 2015 to 2886 in 2016 a loss of 13. We need to wait now in order to see what the proposed buy out will bring in 2017.

15. Bill Shorton's Medicare campaign has put off for the time being at least the possibility of Medicare and Centre Link agency work for Australia Post. But budget repair needs to happen for Australia to balance its budget and no matter what flavour government is in power cost cutting by way of outsourcing service can save the Government tens of millions of dollars and see its government owned business of Australia Post more profitable returning

profit to the government by way of dividends.

The added bonus will be that these government services will be available more conveniently to the public through AP's 3608 outlets servicing every corner of Australia.

16. LPO Licensees today are increasing becoming the true face of Australia Post as corporate outlet number continue to fall as well LPO's bring credit to Australia Post and help maintain Australia Post image as a trusted Brand.

SO WHAT IS THE FUTURE OF AUSTRALIA POST?

Its time to pause and reflect for a moment on the past year and what the future might bring.

Last year was again a tough year for retail but consumer confidence seems to be picking up towards the end of the year. From a license perspective, there was a welcome increase in the BPR and other increases in payments that eased the burden of reducing revenue but unfortunately, there is still a way to go before it can be considered as adequate for the work done. Australia Post, mainly due to its Parcel business, made a small profit and this is good news compared to the year before.

As I gaze into my crystal ball for the future, then the integration of Startrack and Australia Post will continue on the parcel side of the business. Although this creates challenges around customer retention, particularly as competitor activity intensifies as companies like Toll push for a greater market share, there is no indication that customers are not going to continue buying items on-line so the growth in parcel volume should continue, probably at a slower rate than previously.

Like all business large and small, cost pressures mean that restructuring or other ways to cut costs will continue to be explored. Australia Post is no different, undergoing continual changes to its operating model so, within the corporate side of the business, this may lead to even less support for licensees. This should not happen but is being considered with little foresight shown by AP management.

What does this all mean for licensees?

The picture for Licensees is far from doom and gloom if Australia Post can take

advantage of the environment. As competitors move to centralized networks trying to reduce their costs, an increase in parcel volumes and the competitive advantage of having the largest network in Australia for posting and collection points means customers will still have a preference for using Australia Post. At the same time, having a vast network of post offices means that there is still a great opportunity to gain extra services such as insurance, government work such as Medicare payments and the like. All this depends on the Government and how serious it is in cutting its expenditure and there is only one company around with an excellent reputation and a network that can service all areas.

It is also likely that there could be another application for an increase in the BPR and if granted, will lead to a further increase in Licensee payments. While this would be some welcome news initially, there could be a downside in a further decline in social mail and most likely bulk mail as well.

NOW LET US EXAMINE WHAT COULD THE FUTURE BE?

Australia Post needs a clear vision for the future and leaders that can make this vision materialise. It must look to grow as we are at least a half glass full enterprise (AP is in relative good shape and not going broke) not a half glass empty one and by the way we need a much bigger glass. Australia Post must have new Business as the digital world continues to undermine the profitability of its small letters and Bill Pay business and it cannot think small. AP's clear point of difference to its potential competitors is its skilled & trusted Retail Network being the biggest in Australia. It needs to capitalise on this not just maintain it. We need to get back to fundamentals in that to be profitable AP needs to give incentive to this network as well as give value to its customers. I have set out my view of the opportunities that Australia Post should pursue. This will not be easy to achieve but we need to engage in debate and have a go at making at least some of these opportunities become reality.

AUSTRALIA POST NEEDS TO BECOME A BANK!

AP desperately needs to become the 5th major bank in Australia this will require changes to AP's enabling legislation and profits from banking can subsidise AP's community Service obligations. UK's Post Office and NZ Post would not survive without profits from banking and continued growth in financial services. Now this is a very hard political ask but it can be done as the majority of Australians would welcome more competition in banking. Bank share holders might not like the idea but the vast majority of Australians would. Now all politicians are afraid of the banks but in our current political world it may be possible with the help of the independents to see AP become a Bank. Now at the very least AP should look to grow financial services and there is the potential if AP cannot be a bank it could host the largest Mortgage Broking Business in Australia. Not say "Aussie Home Loans" but say Aussie Post Home Loans. Most Licensees could be trained and up to speed in very little time. AP's cut would be good but the trailing commission on loans could become a significant part of your LPO income. Other credit services are possible like an AP Visa card. But the prize here for AP would be to become a full Bank with the biggest branch network in Australia.

AUSTRALIA POST NEEDS TO BE A TELCO!

The Italian Post Office Post and UK Post are Telco's and make good money from it so this could provide a growing income stream for both AP and LPO licensees. Again this would require changes to AP's enabling legislation. So why not, its profitable. The Trusted Australia Post brand would give the AP Telco certain acceptance in the market and would be a clear winner again for AP and its LPO Network. Again this would require changes to AP's enabling legislation
**AP NEEDS TO BE AN INSURANCE
PROVIDER!**

Now does anyone know of a poor or unprofitable insurance company! This could be big for AP so again why cant AP be an insurance company or at least a broker. AP does some insurance now but what about

house, contents and business insurances.

OVERSIZED FREIGHT IS POSSIBLE

It is possible that some LPO's could set up to handle bulky goods and oversized freight subject to reasonable weight restrictions and equipment provision as long as fair payment for service was paid. This prospect would mainly relate to rural locations where in the most part premises are much larger and equipment like forklifts could be easily used. This option would be a money spinner for those LPO's involved.

AUSTRALIA POST COULD BE AUSTRALIA BIGGEST TICKETING AGENCY

It would need vastly improved technology but AP retail is the ideal place to purchase tickets to the opera, football, cricket, soccer and even rock concerts. You sell Royal show tickets now so lets expand the range or perhaps even travel, cruises, holidays packages etc

AUSTRALIA POST WILL HAVE TO IN TIME GO TO THREE DAYS A WEEK STREET MAIL DELIVERY.

We need to face facts that in the not so distant future household letter delivery will have to go to three days a week from five. Rural Australia in many places has never had five day delivery and with the two speed mail products is 5 days really necessary on the basis of lower mail volumes. There has to be economies of scale here if we have falling volumes. Many rural communities, whole towns do not have a street delivery service and pick their mail up from the Post Office or from a PO Box at the Post Office. Effective and cheap. Now the upside here is that three day delivery adds value to PO Boxes which will have a premium five day service and that can reinvigorate the Post Office as a daily destination with many possible spin off effects including a much higher demand for PO Boxes. The public will not like it for a while but neither did they like the \$1 stamp but they are use to it now.

AUSTRALIA POST NEEDS TO LEAD & FACILITATE THE GROWTH OF COMPLEMENTARY RETAIL PRODUCT SALES IN ALL RETAIL OUTLETS.

AP has been in the past a poor supplier of profitable retail complementary products. Its

wholesaling costs took profit away from LPO licensees any reasonable profit based on fair retail pricing. Now licensees need a 50% profit margin on these good so they have to buy at the lowest cost price to be competitive. Newsagencies are disappearing from the high street and the Post Office needs to fill the gap but must compete. SOLUTION AP should scrap the idea of being a wholesale distributor instead it should engage with both LPO Licensees as well as manufactures distributors and supplier's. AP can be a major buyer by representing LPO Licensees and corporate outlets collectively. The deal would be that Australia Post would not purchase the goods but guarantee payment to a supplier for goods Licensees buy direct from suppliers. If a licensee failed to pay an account AP would pay and recover from the Licensee. On this basis AP could negotiate some great deals on lower volume purchases. Supplier pricing drops if there is payment certainty but minimum economic order quantities must be sustained. AP might offer pricing on transport for orders if daily volume sales to Licensees were established. AP would have no warehouse or distribution costs. Licensees might have to pay a small guarantee fee of say .5% but discounts offered or negotiated would be very large. Risk to AP none as they hold right of direct debt on you bank account anyhow and ultimately control your business in default. Such a system has to have strict rules and penalties for slow or non payers to maintain favoured buying status with suppliers. Such a system would rely on product leads from LPO licensees and involve little cost to AP. Benefit to AP would be that AP would have significantly more buying power with suppliers for their own stores if licensees were on board. Generic branded goods could also be possible under this scheme with willing manufactures if the potential volume was there. Cut out the expensive middleman costs and go direct to the source. Again licensees would have to purchase in viable discountable quantities to get the best price. Small licensees could be encouraged to form economic buying cells with each other in an area in order to achieve the lowest unit landed cost. Collectively AP and Licensees

are a powerful buying block and very desirable if payment to suppliers is assured.

NOW THE BIG ONE SO PLEASE DON'T SHOOT ME BUT STARTRACK (DELIVERY) SHOULD BE SOLD AS AP RETAIL WOULD BE MUCH MORE

PROFITABLE WITHOUT IT

Interestingly, have no illusions Australia Post is working to make Startrack a separate saleable business. Guess what, the Australian government will not be selling or privatising Australia Post but Australia Post will sell Startrack which is a business it purchased in 2010 that as it happens has absorbed into AP's vast and valuable delivery logistics network. Politicians say that Australia Post will not be privatised but Startrack is not called Australia Post and Australia Post is a government owned business entity that needs to manage its assets, Neat hey!

WHY WOULD AP RETAIL NETWORK BE BETTER OFF WITHOUT STARTRACK (DELIVERY)

Startrack would be floated and sold like its counterpart in the UK Royal Mail. The majority of shares will be sold to individuals and superannuation funds like what happened with the Commonwealth Bank and Telstra and after it is listed strategic shareholders will come from everywhere to buy shares, Fedex, Toll TNT, DHL, Aramex and even Japan Post, etc will all look for a stake. I see an opportunity for Startrack (AP Delivery) to integrate with all these potential share suitors in a most profitable and productive way increasing the economies of delivery and distribution, lowering costs that will fuel on line business. If this happens we will see Startrack as a business integrate on a global scale offering vastly improved service and lower costs to its Australian customers.

SO HOW DOES THAT EFFECT AUSTRALIA POST RETAIL AND ITS NETWORK.

AP's 3608 Post office NETWORK are valuable to a privatised Startrack. The network provides the lowest cost first mile collection and payment and last mile

delivery. 3608 collection and delivery outlets with trained trusted staff covering the total habited areas of Australia. Now I believe that retail can and will become a one stop shop for parcels mail and a much broader range of services. Startrack can become a universal or multi channel carrier with increased economies if sold. You may or you should in the future if this happens be the retailer or provider of many more postal and parcel services, Fedex Toll TNT DHL and others. Will such a monopoly as the New Startrack squeeze AP retail margins on their services and products? Not likely as the balance is that AP retail cannot be duplicated on the basis of network, brand, security, trust & image as well as skilled knowledgeable staff. AP Retail has no real competitor and would be free to deal with small fledgling logistic businesses independent to Startrack. Big benefits being economies and a one stop shop. This may be a dream at the moment but it is possible and makes commercial sense. Integrated delivery systems can provide big economies and so can localised receiving and delivery points that only AP's retail network can provide. Do not be fooled LPO's currently deliver street addressed carded articles for \$1.6064 each should be \$2.29 with the BPR increase. Corporate outlets cost this out at \$2.60 each. Parcel contractors are paid between \$2.40 and \$3 each and parcel lockers cost over \$4 when you take into account depreciation, service life and service costs. So with My Post AP's retail outlets are the most cost effective point of delivery and the only credible network for lodgement and payment.

THE AUSTRALIA POST FAMILY

Let us reflect on the fact that LPO Licensees are a major part of the Australia Post Family and are collectively the biggest stake holder in this Australia Post Business after the Federal Government on behalf of all the Australian people. Like all family's we have fights and disagreements. Strong, clever, caring families pull together, work together and achieve amazing things and sometimes the impossible. You are part of this family so please get involved and have a say in the future, your future. Support is needed from

our whole family to achieve amazing things & the impossible for Australia Post, an Australia Post Bank, Aussie Post Home Loans, Australia Post Telco, AP Insurance, more Government Services, value for money products that sell for a good profit. These goals are possible not impossible and can be achieved quickly if we all pull together and actively engage. Government has to be convinced and brought on side in order to change AP's enabling legislation. This is not easy! So how you can help is easy join LPOG and get involved in the debate or join POAAL and help change their view of the future to a positive one and remember nothing is achieved if we sit on our arse and do nothing. Your world is changing and there are exciting opportunities out there for our business but only if we collectively take advantage of them. So far a small group of LPO licensees have done amazing things for the benefit of all LPO licensees but a great many licensees have done nothing, contributed nothing and sat back and let others do their share of the work. The benefits of the work done so far has given all LPO licensees great advantage & reward and its time for those who have not contributed to step up and lend assistance because the LPO world can change faster with far greater rewards if all licensees pull together and get involved. Please do not sit back and let others do the work. Get involved! You would not let a blind man drive a bus so take notice of AP's management decision's to make sure they are not blind to opportunity or problems that can be solved. None of us can afford to be mice if we are to profitably embrace the future.

REFLECTIONS & INSIGHT A LETTER FROM LPOG

The LPO Group has been invited to contribute to this annual newsletter this year, and it is surely ironic, as the seeds that finally set the LPO Group into action, were mostly sown in these annual newsletters.

This year has been one of the most positive for Licensees in more than a decade. The financial relief bought about by the range of

payment increases, introduced over the last 3 years, is finally showing all across the country.

Along with the reduction in our financial stress levels, the ability via our digital world to share information and experiences, and support and network with other Licensees, has contributed to the establishing of long overdue changes and improvements to our Industry. It is probably safe to say that we are a fairly conservative lot, so bucking the establish way of LPO life was difficult, and still is for many, but the most desperate or determined Licensees.

Many LPOG members, from all over the country, have been working on improving our lot in this industry since March 2013, when we agreed we could ignore our problems no more. It was the time we realized that if we don't change the direction we were headed, we would end up where we were going, and we were going to the wall. Both Australia Post and POAAL were refusing to deal with the very serious viability issues, along with many licensees who felt the business problems they were facing were personal failures, isolated just to themselves.

Since those early times, we have travelled along our rocky path, with the benefit of knowing that we are no longer alone and isolated. We can, and do work together, we pull together, we support each other, and we encourage each other to stay the path. That path is now heading towards our fair financial share of this business, the business that we have so heavily invested in.

We have had successes, and many of us may actually have ended this Christmas season with money in the banks after meeting our financial obligations with Australia Post, the ATO, our banks, and our other creditors. We are by no means where we should be, but we are a lot better off than where we were when we decided we needed to change our direction.

10 DO YOUR HOME WORK BEFORE DOING BUSINESS IN 2017

Our future will be what we are determined to achieve. Make no mistake, this was never going to be a walk in the park. The past 12 months has been a watershed for Australia Post and LPO Group. Our business environment, as part of the whole Postal Industry, has changed and we must adapt to meet these changes. There is no other option, and we should not be looking to hold back the tide. We need to work out the best way for us to run with it. The digital world is here to stay. Many of us no longer remember how we functioned without digital, it is such an intrinsic part our everyday lives, and we need to position ourselves with a foot in the digital world while providing options for those that have not, or are not able to embrace the digital world. As the postal business moves on into the new era, we need to keep pace with that movement, and constantly refresh our role in this future.

During the past few years most of us have celebrated in a range of introduced, or increased payments, that have changed the landscape of the LPO.

- elimination of the shortfall fees for smaller offices that did not meet the minimum transaction counts for EPOS equipment,
- increased minimum LIPOMs payment to smaller LPOs
- EPOS equipment provided for manual LPOs to improve their business offerings
- long overdue introduction of scanning fees, and the eventual increase to a more reasonable payment for scans including for POB carded articles
- POB advance payments for the last few years greatly assisting LPO cash flows
- increase from 22c to \$1.60 for delivery of street carded articles
- 2 rises in the BPR which has seen many of our payments return to the equivalent 1993 LPO payments rates with CPI additions
- Introduction of the POMs payment platform to replace the archaic

LIPOMs platform giving Licensees a powerful business analysis tool

The introduction of mail reform on the 4th January 2016 saw 2 speed mail delivery introduced for all letters. Mail reform is another change that was always going to happen one way or another. Since the peak in 2008, when virtually every telco and credit card provider used the mail service like emails today, mail volumes have declined. Probably back to the level of the nineties or the naughties. Use of Email and txt and social media will continue to increase for consumers until the level of digital interaction stabilises. It is prudent for AP to take affirmative action and prepare for the inevitable rebalancing of our communication needs. We are a very long way from the end of the post, but we are at the beginning of the change to our future, yet no one really knows what is up ahead.

The management of Australia Post must position the business to adapt and respond and we need that to happen. However, we also need management to accept that we are the most heavily invested stakeholders after the government, we are down at the coal face and we know what is happening. For the future to be successful for all stakeholders, and that includes our customers and our communities, our input needs to be considered and valued and embraced. This can only happen if engaged and interested Licensees continue to contribute to building the shared future.

The big winner for most LPOs during the last year was the rise in the BPR in Jan this year. A 43% pay rise on a range of our payments was a great sugar hit for most LPOs. A sugar hit does not last sadly, and the vital issue of the restructure of the Retail network is fast becoming urgent as we face the future. The restructure is set to change the look and spread of the LPO network, and the retail network in general. Some Licensees will exit the industry, leaving a greater share of the pie for those that stay. Corporates and LPOs will be in that change, it will provide the most preferred outcomes for compromise

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between the postal network that exists today, and what is expected to be required in the future. It is a time of opportunity for those Licensees who do not wish to continue in the industry. Many hundreds of Licensees will be offered a commercial exit, while leaving those that do stay with a much-improved potential future.

Australia Post is on the cusp of change, and Licensees are standing right beside the management facing this unknown future. Neither party can survive alone, we need to work together to bring about our shared future. Traditionally Licensees have expected Australia Post to provide all the answers, yet that may not be the best way forward in the future. It may well be very necessary for Licensees to contribute to the future we would all wish to have. There is not a community in the country that would readily give up their Post Office because it is the central hub of most communities. Our business is vital and necessary to the viability of most communities. We are the trusted face of the government and we supply many essential services that no longer exist as standalone services in our communities.

History is full of success stories about people who saw the change coming and rose to meet the needs, or fill the gaps. Equally there are many stories of the ones who failed to see the writing on the walls, and continued on as they had always done, while the world moved on past them.

Opportunities abound in changing times and this is a time of opportunity for many to move our LPOs into the future. We need to be agile and dynamic and look to see where we can fill the needs that have been left void by others leaving the space.

That is the best way to ensure our viability and our long-term survival.

Angela Cramp
Chair LPO Group

CHANGES TO THE FRANCHISE CODE OF CONDUCT

YOUR LPO IS A FRANCHISE!

Of Australia Posts 4392 retail Post outlets, 2886 are now described as Licensed Post Offices including the 26 franchises converted to LPO's, 784 are Community Postal Agencies and the balance 722 are corporate outlets.

Commenced on 1st January 2015 the franchising code of conduct, a statutory code originally brought into existence under the Trade Practices Act 1974 (Commonwealth) has been significantly amended. The code is now part of the statutory regime which operates under the Competition and Consumer Act 2010 (Commonwealth) which replaced the Trade Practices Act.

In its publication styled "the Franchisee Manual: December 2014" the Australian Competition and Consumer commission (ACCC) described the new code as applying to: "franchise agreements entered into, transferred, renewed or extended on or after 1 October 1998

A 'franchise agreement' is an agreement that satisfies the following four conditions:

- 1. There is an agreement between the parties, which may be written, or implied.**
- 2. One party (the franchisor) grants the other party (the franchisee) the right to carry on a business under a system or marketing plan substantially determined, controlled or suggested by the franchisor.**
- 3. The business is substantially or materially associated with the specified trademark, advertising or commercial symbol.**
- 4. Before starting the business the franchisee must pay, or agree to pay, an amount to the franchisor or its associate."**

Whilst not described as such a LPO is by reference to those descriptions, a franchise.

From 1 January 2015, the current Franchising Code will be repealed and replaced with a new Code which will apply to

all franchise system operating in Australia from that date.

The ACCC website at www.ACCC.gov.au/franchisingcode is particularly helpful in attaching as it does an updated Franchisee Manual and Franchisor Compliance Manual. The Code, as with the previous Code, is a statutory code giving guidance and determining protocols and franchising in Australia. Submissions to the various state and federal parliamentary reviews into franchising raised a recurrent issue, namely that the Code was considered to be an *enforceable* code not an *enforced* code. The Code as amended renders the new Code *enforceable*. Its principle features include:

Rendering certain the obligation on franchisors and franchisees to act in good faith towards one another. This obligation includes the duty of good faith being owed to prospective franchisees.

Infringement notices for breach of the code of: \$3,500 for a company; \$1,700 for an individual and pecuniary penalties of up to \$51,000 dollars for breaches of the penalty provisions of the code.

Obligations on franchisors to provide prospective franchisees with materials outlining the risks and rewards of the franchised system.

Creation of separate accounting for marketing and advertising funds and reporting obligations to render expenditures more transparent.

Additional disclosure obligations regarding the ability of the franchisor and franchisees to sell goods and services online. Important now with AP increasing its on line presents.

Limits on post-agreement restraint of trade clauses in certain circumstances

An obligation to carefully define any *special circumstances* claimed to relate to the termination of a franchise agreement.

There is much which can be said, in considerable detail, about the benefits of the new Code. The insertion of the obligation of good faith into the code puts beyond doubt the judge made law which concludes that franchising relationships are relationships based upon the implied duty on the parties to act in *good faith*. In consequence of the introduction of the new Code it is beyond doubt the duty of good faith is now owed.

The adoption of a penalty regime supports the contention the Code will now be enforceable as a regime sanctioned and imposed by statute. In other words in any particular litigated franchise dispute an aggrieved party can seek penalty orders on establishing that the offending party is guilty of a breach of the Code. This is the regime as operates in the industrial law under the *Fair Work Act 2010*. Essentially it is a regime whereby a fine or penalty, over and above any other civil law consequence, can be imposed on an offending party. This reform is designed not only to assist the ACCC in prosecuting offenders for breach of the Code but importantly is to designed change behaviours under the threat of fine and penalty for breach of the Code.

The Code also supports the notion that the best franchise systems are those which enable franchisees, as a collective, to meet and caucus in order to promote their shared interests and discuss improvements to the franchised system. Clause 33 of the Code contains the following provisions

"Association of franchisees or prospective franchisees" A franchisor must not engage in conduct that would restrict or impair: a franchisee or prospective franchisee's freedom to form an association; or a franchisee or prospective franchisee's ability to associate with other franchisees or prospective franchisees for a lawful purpose.

"Civil Penalty: 300 Penalty Units"

A penalty unit is \$170; as such the maximum fine is \$51,000 for 300 penalty units.

This should encourage Licensees to join the grouping or association which best represents

their interests. In my biased opinion Licensees should be quick to join the Licensed Post Office Group, which Group in turn is associated with the Franchisee's Association of Australia, Inc.

In so saying, it is important for Licensees (as franchisees) to appreciate that the obligations of good faith as reinforced under the new Code, also oblige Licensees to act in good faith. That obligation includes not disparaging the franchisor or not causing damage to the brand or franchised system. This, in order not only to avoid the risk of prosecution for a breach of the Code, but importantly to maintain, in the collective interest, brand value.

Bryan Belling

Bryan Belling is on the advisory board of the Franchisee's Association of Australia, Inc. He is a partner of K&L Gates: Lawyers and acts for the licensed Post Office Group.

I have repeated again this year Bryans article as it is an important read for all Licensees to know what rights they now have under this more enforceable and robust legislation.

THE LPO GROUP IS NOW THE LEADING LPO LICENSEE REPRESENTATIVE BODY

On the 23rd March 2013 the LPO Group was formally born as a LPO Licensee representative body and as of June 2015 the LPO Group has now been written into the LPO Agreement as a named association registered and acknowledged by AP as an important Licensee representation body. It has achieved miracles in getting Licensee issues on the table and addressed. The Senate Inquiry and its positive recommendations

and outcomes are largely due to the efforts of this new vital LPO representative body. Now coming up to its forth birthday in 2017 the LPO Group is here to stay with over 800 members and offers all Licensees membership with the absolute promise to fight for Licensees rights and payments with all fair means available. LPOG is aggressive in its defence of Licensees and will do what is necessary to achieve fair and just outcomes for its members. The LPOG website is a must visit for all Licensees with over 600 visits recorded each day and growing.

Australia Post acknowledges that without the assistance of LPOG and its Licensee members AP would have been unlikely to gain government and ACCC approval for its mail reforms and the increase in the BPR to \$1. LPOG is on the front foot in 2017 looking to help grow your business and protect your financial interests so please add your support

www.lpogroup.com.au

THE LPO GROUP NEEDS YOUR INPUT AND CONTRIBUTION AS A MEMBER SO JOIN NOW!

Get with the strength join now, all are welcome and members access great Insurance deals direct with the LPOG's Insurer WILLIS. WILLIS PROMISE TO EITHER BEAT OR MATCH ANY COMPETITORS QUOTE LIKE FOR LIKE! GET A QUOTE BEFORE YOU RENEW YOUR POLICY THIS YEAR AND SAVE \$ \$ \$ \$ \$ on line follow the links on www.lpogroup.com.au or Contact:

WILLIS INSURANCE

Call 1300 733 873 FOR A COMPETITIVE QUOTE: Attn Brett Batson email

batsonb@willis.com

TIPS & REMINDERS FOR 2017

Again the best tip I can give Licensee's is to get involved in the discussion with regards to your future and the future of Australia Post, join and support the representation body of your choice. Voice your opinion, offer your ideas for new potential business and join the effort with Australia Post to make what seems impossible possible. Australia Post needs a new vision and with issues like an AP Bank, Telco or even Medicare & Centrelink we should all be asking our National

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Government why not and if the AP enabling legislation needs changing then change it. Licensee's do not realise their collective political power! Our 2886 LPO's in Australia have contact and personal repour with approximately 60% of the Australian people and you, one on one with your customer base can portray the case for change and as to the freedoms needed in order to grow the services to those communities. Think about what can de done to induce change if we just explain the options to them and get their support. Collectively Licensees can assist it forcing change for the common good but you need to get involved, work together and have a common goal as mountains and road blocks can be moved and the result will be that every one is a winner including AP, the government as share holder and most importantly the Australian people your customers. So do not ask why, but why not.

Reinforced rights under the updated Franchise Code of Conduct now makes addressing problems like underpayment and the future of your business very much easier giving the ACCC a greater ability to enforce fairness. This will be tested in the year ahead and we all look forward to a positive result. Look to grow retail, and get out in the front shop area and merchandise your shop. Newsagency's are slowly disappearing and LPO's are in businesses that will pick up the stationery, card and gift trade as these businesses decline. So go hard for this growth area and retail sales will increasingly become a most important growing part of your income into the future as bill pay declines. If you have staff give them incentive in promoting your retail sales. Product knowledge and incentive go hand in hand.

Review your POMs payments (Learn how to read them first) and if need be get help to make sure you are being paid fully for what you are doing. Keep watch and updated because AP seldom point out that they are underpaying you. If selling remember that you must:

1. Have your 2016 tax return available and showing at least close to your real Gross Profit.
2. Your lease is very important and if possible a purchaser would like a 5 year lease and five year option otherwise he has problems with bank

finance. If you have less than 5 years on your lease left and no option its very hard as you will basically need a cash buyer.

3. Apply to AP for a current Disclosure Document and have this ready.
4. Update your shop-fit to meet AP standards as a Purchaser will estimate a much higher cost to them to do this work as well the upgrade usually helps increase your sale figures up until sale.
5. Prices are reasonable and reflect returns but be realistic as to not be could see you not sell for quite a while. Overall values are reasonable and improved incomes based on the BPR increase to \$1 and AP improved income prospects as result of mail reform have helped improve sales in 2016 as well as AP's return to profit in 2016.
6. The removal of stamp duty on Business sales did finally eventuate and took effect on the 1st July 2016 as predicted and this has stimulated market interest but has not fully flowed on to LPO pricing yet but is starting to put extra \$'s in your pocket.
6. Join the LPO Group if you want your issues and problems addressed. Get involved and voice your opinion. Your collective future depends on your participation so do not leave your future posterity to other's get involved as the value and future of your LPO depends on what you can do now. Do not let others carry your load. Remember your input and support will translate to dollars in your pocket and a growing sustainable future for Australia Post

2016 LPO MARKET REPORT

First the Good news AP have declared a profit of \$36.4 million in 2016 and this after a loss of over \$50 million in Startrack. The future is not to bad after all! By the way Top AP management pay has gone from \$13,778,063 for the top 9 plus the board in 2015 to \$18,702,653 for the top 8 plus board in 2016 being a 36% increase in a year and for 8 rather than 9. Not bad! In 2016 an increase in the BPR has seen small letter volumes falling along with Bill pay but not as fast as predicted with the public having accepted the 42.86% increase in the BPR well. Banks, Business, accountants and the public are starting to see that there is a future ahead in this business. Now AP has gained from reforms and those to its CSO's with results of:

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1. Introduction of the two speed mail system.
2. Increase in the Base Postal rate from 70 cents to \$1 as of 4th January 2016.
3. Potential for reform of restrictions on AP created by its 1989 enabling legislation in order for AP to compete in other areas of business especially financial services.
4. AP still has a commitment from the Government to assist in gaining new trusted services like Medi Care and Centre Link which looks to be on hold at the moment due to Labours Mediscare campaign.

AP's public statements of late are far more positive with announcements of extended parcel lockers options with the deal with Woolworth's and the purchase of Mail Plus and now Mail Call giving extended capacity into Asia through AMEREX. In other words things are better in AP land in the eyes of the public. Funding of LPO purchases is still tight and difficult compared to two years ago with much more reliance by banks of declared taxable income as a basis of determining debt serviceability due to changes to the banks APRA rules which came into effect in September 2015. WESPAC is back lending but is very conservative while the ANZ is still more accommodating but the trade off is a higher interest rate with both banks now leading 50% of the purchase price if the Licence only is used as security. The big disappointment of late is that loan approval times are getting longer and frustration is increasingly being felt by both Vendors and Purchasers. Funding options are tight and difficult but are easing up on AP's improving financial position. The brakes have been on LPO Prices, and LPO sales with 2016 being another hard year for sales with reduced demand but improved interest in the last quarter.

Good News is that I see a market upturn in demand in 2017 due to BPR based increased income, improving prospect's for Australia Post's business, no stamp duty on Business sales in NSW and more positive news coming from AP's HQ. Higher incomes will continue kicking in and reflecting better returns on capital. Over the coming year AP will reflect an improved positive picture of the future, bank interest in lending will improve further with the only negative being a probable increase in interest rates. All LPO Licensee's have done better this

year but the best LPO licensees have done extremely well especially LPO's in growth population areas or LPO's run by dynamic LPO retailers. Operating costs are up but now the incomes of all LPO's have increase substantially. The truth is still that there are some very talented Licensee's out there doing extremely well leading the pack, but they are the exception not the average and their skill and work ethic is the key to their success.

So in summary sales have been still way down on what I consider normal but things are improving and much more positive. Good fair sales did happen in this difficult market mainly to clear thinking new Licensee's who are focussed on the future not the past and who are looking forward to further reforms and opportunities ahead. Tough year but a very much brighter and an improving picture ahead in 2017.

POST SHOP FRANCHISES WHAT'S HAPPENING?

Post Office Franchises are now LPO's and enjoying a new level of security and opportunity that they did not have as Post Office Franchises. Welcome aboard the LPO ship one and all.

2016 IN REVIEW

1. Australia Post continued to cut costs including staff. But we now have a much better relationship with AP. LPO management have proved to be much more helpful and responsive despite limited experience and knowledge of the LPO Agreement. Licensee's as a whole now have a much better relationship with AP and at least talking about the issues that matter but there are signs at least at a very senior level that AP might be trying to revert to some of their old defiant and deaf eared ways. Let us hope that common interest and perhaps a touch of the ACCC can return us to the co-operative family type relationship LPO licensee's had with AP in the past.

2. Interest rates have fallen to the lowest levels since the late 60's but recent international interest rate rises is putting upward pressure on them with our major banks having put up rates by small margins prior to Christmas citing increased funding costs and more rates hikes are predicted in 2017.

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3. Loan approvals continue to take much longer to obtain with tighter terms and conditions and greater income proof required but at least WESPAC is back and competing.
4. Unemployment rates have improved but un employment may rise by late 2017
5. The Australian dollar has improved on the back of improving commodity prices and lower interest rates but is now coming down against the US dollar based on a strengthening US economy and the election of Donald Trump.
6. Residential Property values have continued to rise to extraordinary levels especially in Sydney but definitely show signs of having peaked with a glut of units likely and signs of buyer default with some off the plan sales. Commercial property sales are improving on the back of improved business demand stimulated by the lower Australian dollar and historically low interest rates. Retail shop rents are still being impacted by on line shopping but are improving.
7. The rural property market has further grown an average increase in value of 20 to 30% this year on the back improved beef prices up another 30% on this time last year. Rural land price increases are expected to continue due to improved seasons in the eastern states especially Queensland. Only down side is low grain prices but these lower grain prices have fuelled livestock values.
8. The share market again has had its ups and downs improving earlier in the year, then fallen on reduced commodity prices and now rallied on better world economic forecasts in December with Trump and an improved US outlook.
9. Self funded retiree's are still feeling the pinch with lower deposit rates forcing many back to work and super returns are mixed.
10. Savings levels are continuing to be high and are being used to pay down debt .
11. Large new residential developments continue to increase in numbers in major cities creating strong interest from developers and investors purchasing the new properties but demand for new investment units is now slowing with the values set to fall.
12. LPO prices have bottomed out but are now stable and even improving on better profits and outlook.
13. Franchising is dead and are now LPO's.
14. The assignment process is increasingly more demanding on the applicant with increased requirements on new prospective Licensees, especially with Business Plans. AP are being far more selective and this has been very noticeable in the second half of 2016.
15. Bill pay in 2016 has continued to fall.
16. Australia Posts on line sales are increasingly eroding LPO's retail sales. As well on line AP competition is being AP promoted and having further impact on LPO retail sales. We now have portable Post Office's on the road in the form of Mail Plus selling pre-paids to your customers.
18. AP continues to want licensees to promote bulk mail so they can pay you less. AP price structures encourage dealing with AP online and this issue needs to be addressed.
19. AP did not pass on the BPR increase to the Street Addressed Carded Article fee and this fee has been linked to the BPR since 1993. Not fair so off to the ACCC.
20. We had an election and Malcolm nearly lost based on Labours Mediscare campaign.
21. AP is buying Mail Call and getting into bed with Aramex.

INSIGHT 2016

1. Interest rates will rise in 2017 on the back of US interest rates rises but the first real impact will not be seen until at least late in the year. This will put downward pressure on the Aussie dollar with a prediction for 2017 being about 70 cents but this will be offset to some extent by the better rates against other world currencies.
2. Oil prices are starting to rise and are likely to increase in 2017 along with other commodities like coal and base metals and gas but I do not think oil prices will rise too high or at a level that cannot be afforded. The world economy is improving on the back of better US performance and an improved Chinese outlook. The Chinese economy is reviving and thank god for China for

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without its trade we would be in real trouble but our export commodity prices are on the rise and could possibly improve further during 2017.

Looks like we are back in the black.

3. Australia's retail economy is and will continue to improve with the lower Australian dollar reducing on-line purchaser's from overseas with a lot of these sales now coming on shore adding to AP's parcel business.

4. Unemployment this year will increase a little latter in the year mainly due to job losses in construction areas with investment in new unit development slowing but on the upside mining related jobs have leveled out and are now look likely to improve on the back of improving commodity prices. The lower Aussie dollar will slow the loss of manufacturing jobs. The NSW economy is the best in Australia with property still selling at record levels with no downside immediately ahead except for a possible unit supply bubble the building industry and building materials suppliers will tick along but need to have a close eye on the horizon with fewer developments commencing, reduced sales, a downturn is within sight. Older people with savings will have slightly better interest returns on cash deposits and could see better dividends from shares. The current lower incomes for retirees though will prompt some to go back to part time work putting further pressure on jobs and unemployment with others even going back into business, perhaps an LPO with its much better outlook and income ahead.

5. Australia's export commodity prices are on the rise and with a weakening of the Australian dollar real returns to produces will improve. Commodity prices will hold the key to the dollars future with lower prices seeing weakening and stronger prices seeing strengthening. But the lower dollar has opened the door to much better prices for agricultural commodities such as beef, lamb, and even sugar with significant price increases of 2016 likely to be stabilised in 2017 despite increasing competition from South America and South Africa. Strong improved stable prices will stimulating increased production and rural land prices. New China and Korea trade deals are reducing duties and improving markets and prices for many of these food products. Lamb and beef in particular have a good year ahead and perhaps better returns for dairy farmers. The

bush will benefit along with some rural communities dependant on mining. Farmers not affected by drought are back in the black but beware on where Trump goes on Trade.

6. Gold and silver values have improved . 2017 has to see a further recovery in silver prices.

7. China, India and Asia in general still hold the key to our economic future and we are continuing to become dependent on the strength of the China economy for our continued prosperity. World credit is improving but demand for credit is easing with greater savings levels. Exposure to larger home loan commitments in the face of the likelihood of increased interest rates in late 2017 being the biggest danger area looking ahead especially with the potential fall in unit prices on the cards for Sydney in late 2017 so lock in on lower fixed rates now before any further rises.

8. The falling Aussie dollar against the US dollar will put minor upward pressure on white goods, building materials and imported goods in general but an improving world demand on the back of an improving US economy may fuel inflation along with increased energy and raw material costs and this could stimulate price increases in the short to medium term. I believe increased production levels will keep this possibility low for most of 2017 but inflation could loom as a problem late next year and I think start pushing interest rates up leading into 2018.

9. Licensees need to be involved more in future directions of our AP business as not to be engaged will see you an AP miss out.

10. Keep your floor plan up to date.

11. In 2017 focus on basic's such as pushing more private boxes especially with the increase in identity fraud and be more focussed on increasing complementary product sales.

12. Based on improved LPO incomes and no NSW Business purchase stamp duty we will see LPO's listings increase and demand increase with clearance rates improving with older Licensee's taking the opportunity to retire as long as Tax records and lease terms are good. Quality will sell first and rural LPO's with much better income outcomes will see improved rural LPO sales after a long drought. Unemployment, still low interest rates, the lower Aussie dollar, improved returns and a more favourable public perception of AP's future will see an improving

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market for LPO's this year. This year again small to medium LPO's will be the most sort after particularly under \$800,000.

13. On an investment note it will pay most investors to keep their money liquid until interest rates have increased and share and real estate prices have bottomed most likely only starting by the end 2017. If interested in real estate now look to rural areas close to major cities like Sydney where house prices have not moved much in the last 5 years as they are excellent value and due for price increases in there very near future.

14. Property Values will remain strong in inner Sydney near transport. They defy gravity but with 100,000 new residents moving into Sydney each year and the unit development explosion it's a fair bet that house prices in the inner areas will still remain strong. But with the large number of units being built get ready for a price fall first in unit rentals then in unit values. Inner Sydney LPO's are a good investment bet as increased population's in these areas will lead to improved business as its just a matter of numbers.

15. Getting to know your Area Manager better can be a way to break down barriers. The updated franchising code of conduct put advantage now with licensees. Your Area Manager can be your friend so take the time to advise your position and accept only in writing both good or bad news. Show respect in order to receive respect. Firm yet fair and polite as well. Demand fairness and give respect in return.

16. Stamp Duty in NSW on business purchases was abolished on 1st July 2016, this has started to and will stimulate small business sales and interest in small business which can be an engine room to improve the Australian economy

17. Do not be surprise if AP put forward another increase in the Base Postage Rate latter next year. I know they are working on this and the tip I have it will be \$1.20 Now that could give LPO licensees another boost but we will know either way by late in the year.

**TRADE SHOW&MEETING ON
Sunday 26th MARCH 2017.**

**In conjunction with the LPO Group at
our new venue Greyhound Social Club
140 Rookwood Road Yagoona NSW**

**2189 from 9 am: with Displays & Sale
of products LPOG Meeting starts at 1
pm with News as well as updates on
negotiations with Australia Post in
regards to fairer payments and LPO
Agreement reforms as well as new
opportunities . LPO hero Nick
Xenophon was our guest at our 2016
meeting and I expect a line up of
quality guest speakers this year.
NOT TO BE MISSED!**

**INCENTIVE, RESPECT &
MUTUAL BENEFIT IS THE
BASIS OF THE LPO
AGREEMENT AND INDEED THE
FUTURE OF AUSTRALIA POST!**

Changes to the Franchising code of conduct especially the requirement for all parties to ACT IN GOOD FAITH as well as enforceable penalties for breaches of the code together the upgraded Unfair Contracts Legislation will continue to ensure that INCENTIVE, RESPECT & MUTUAL BENEFIT will return to Australia Post and LPO Licensee's in their future relationship moving forward. In fact it now has. Australia Post and Licensee's returned to the basic principles of the LPO Agreement. We can deal with the problems of today and those of the future. Australia Post is forever changing, adapting and evolving. The new digital world is removing some traditional business but opening up new opportunities to engage the Retail network. It has always been that as one door closes another opens. Focus for all parties engaged within Australia Post must be to grow business and services and adapt to an ever changing world as we have in the past. We need remain relevant and adapt and engage with the positive's of the future and deal with and adapt to the negatives. Our world must now re-engage with the half full glass not the half empty one and indeed we should all be looking for a bigger glass. AP management at senior levels will return to providing incentive for all involved within the AP family but not without a fight. AP has achieved its primary goal of mail reform and the increase to \$1 of the BPR now looking for \$1.20? and now need to share the spoils with

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you and return incentive as the primary driver of the business and not focus on their own short term interest. Return mutual benefit to all and you will recharge the business and create a renewed and more profitable business outcome for all within the Australia Post family. AP in recent times moved back from making the mistakes of the past but need to listen and continue to engage with the stake holders and heed the warnings of their long term experienced management. There is no substitute for wise heads and the hands on experience of those at the coal face. Past experience is more often than not the window into our future. The improved environment and culture of support, consultation and consensus will enrich and enhance future prospects for all and the future endeavours of AP and not to provide fair incentive at the coal face of AP's retail operations will secure failure and decline of Australia Post and as a consequence. Australia Post has been full of unhappy employees and unhappy Licensee's and this unhappiness has reflected on the way we all engage with the customer being the Australian Public. This is changing and has to continue to change because collective co-operation between AP management Licensee's and the Licensee's representative bodies can help drive and guide the business into the future but also can ensure is profitable survival and constant improvement. AP needs new opportunities and it is up to every LPO Licensee to help engage in this process and make the impossible a reality.

REDUCING THE NUMBER OF NETWORK SUPPORT STAFF AND KILLING INCENTIVE IS NO WAY TO RUN AUSTRALIA POST!

The greatest asset Australia Post has is its network with over 4406 outlets through out Australia with the majority of this network being LPO's transacting just on 60% of Australia Posts retail business. Without its network AP has no natural monopoly its vast network gives it strength with options to deal with the many challenges of the future. It gives Australia Post its edge and credibility. With LPO's being 78% of the retail Post Office network its hard to understand why Network Support Staff are still an endangered species as

we look to their possible extinction. There are fewer experienced and knowledgeable network staff left and the new real decision makers in the LPO management group have little real knowledge of your LPO business. The other major asset of AP is its experienced staff and this includes all Licensees as they reflect the image of Australia Post to Australia and the happier they are, the better trained they are, the better they do their jobs and the more profitable Australia Post is. People being AP staff and Licensees respond to incentive, kill incentive and make your people unhappy and this will eventuate into a negative image and portrayal of Australia Post and reduced income and profit for all. There is much more to making a profit than cutting costs! Australia Post is a great business and A P need to recognise that for this business to flourish it must provide incentive to all. Experience and knowledge are still lacking in Australia Post today and staff and Licensees alike with this experience and knowledge are real assets for Australia Posts future.

The future of Australia Post is linked to common incentives and a focus on service and a vibrant retail network. AP's future is aligned with the growth of parcel business, additional services, innovation and better retail products and we all need to engage. With another round of restructure and redundancies coming up in the new year in AP, management needs to pause and reflect on how valuable some of the people they want to let go are to this business and reflect on what is needed to drive Australia Post into the future

HAROLD A ASHCROFT REAL ESTATE & BUSINESS AGENTS HAVE MOVED OUR OFFICE.

We have been located at Shop 3 South Parade Campsie since 1948 and now after 68 years in South Parade due to the fact that our building is being converted to a Pub (I think our old office will be part of the gaming room) we have moved to new offices being REAR BUILDING 7 Amy Street CAMPSIE 2194. Just around the corner from the old office and next to the National Australia Bank and opposite the Campsie Centre. Three times the space but filling that space quickly. Come and say hello if in Campsie

PLEASE THIS YEAR GET INVOLVED IN THE DEBATE OVER THE FUTURE DIRECTION OF AUSTRALIA POST. YOUR HELP IS NEEDED TO FUND AND INSPIRE CHANGE THAT WILL GROW THE RANGE OF GOVERNMENT SERVICES THROUGH YOUR LPO'S, OFFER MORE TRUSTED SERVICES, ESTABLISH NEW INCOME STREAMS PERHAPS BANKING, TELECOMMUNICATION PRODUCTS, INSURANCE PRODUCTS, BETTER RETAIL MARGINS AND RETAIL PRICE POINTS AND MAY BE A NATIONAL TICKETING SERVICE.

ALL IS POSSIBLE IF WE TRY COLLECTIVELY WITH AUSTRALIA POST TO MAKE THE IMPOSSIBLE POSSIBLE. JOIN THE DEBATE AND COME TO THE ASHCROFT LPO GROUP TRADE SHOW AND MEETING ON SUNDAY 26TH MARCH 2017.

YOU ARE ALL MOST WELCOME!

LOOKING FORWARD TO GREATER PROSPERITY FOR ALL IN 2017.

Terry A Ashcroft Tel: 02 97183137

GROUP BUYING

Enclosed in my News Letter this year are Special Offers and flyers from Suppliers. Please support those who support you!

1. **BARTEL** 36 Ricketty Street, Mascot, NSW, 2020
Attn: Kevin Berry, TEL: 96673999 FAX: 96673452. M: 0413172999
Calendars & Books Products web www.bartelcalendars.com.au
2. **BUYERS PARADISE** Over 1000 high margin products across high growth product areas
www.postofficesupplies.com.au Attn Bob Barot 02 87985392 Woodpark Rd Smithfield 2164
3. **WILLIS INSURANCE BROKERS LPO Insurance packages** Attn: Brett Batson email
batsonb@willis.com 1300733873 Fax 03 86819781 www.willis.com.au
4. **GNS** Attn Stephen Melville TEL: 87083400 or 87083415 smelville@groupnews.com.au **Paper & Office Products Stationery** www.groupnews.com.au
5. **DOWNIES** Top deals on collector coins Attn Matthew Lawler 03 84568452 email
mawler@downies.com www.downies.com with special deals for LPOG members
6. **SUNBIRD DISTRIBUTORS** Full range of Cards Gifts and Stationery Tel 07 32005444
email office @sunbird.com.au www.sunbirdonline.com.au
7. **BUDGET MAILING SERVICES PTY LTD** PO Box 7005 Wetherill Park 2164 Attn: Mr Steven Matas Tel: 97291900 Fax: 97299122 M: 0416090253
FOLDING & INSERTING, PLASTIC WRAPPING, MAIL OUT SERVICES
8. **DIAMOND BAY IMPORTS** Gifts, Accessories Frames/Albums Attn Mel Woods
Tel: 0412258464 www.diamondbayimports.com.au check it out!
9. **EBPAK** (the alterative POST PACK product range) Great Price Quality & Range Attn Jin He M: 0411202168 www.ebpak.com 41 Garema Circuit Kingsgrove NSW 2208.
10. **THE LAST DIARY COMPANY**, Diaries, Compendiums, Stationery Attn David Saleeb
Tel: 0490016383 Great Products Great LPOG Prices. www.lastdiary.com.au
11. **DYNAMIC SUPPLIES NSW's largest supplier of ORIGINAL TONNERS & INK CARTRIDGES** Tel: 02 99380000 Fax: 02 99380099 email nswsales@ds.net.au
12. **FRANK DE MASI TEL: 0408944474 TRAVEL GUARD CREDIT CARD PASSPORT and IDENTITY SECURITY** Good Profit Proven Sellers in LPO's
13. **MILLERS STOCK TAKERS** Attn Keith Miller 02 46473203 or 0408118290
www.millersfillers.com.au LPO Stock Taking specialist
14. **PROLINE INTERIORS** Attn: Anthony Ivanovic M: 0415193409
Fax: 98370552 **SHOP FITTINGS, LPO SHOP FIT OUTS & SUPPLIES**
15. **EJF International Pty Ltd KORJO TRAVEL PRODUCTS** Attn Ken Ford
F20 122-126 Pittwater Road Brookvale Tel: 99050355 Fax: 99050455 www.ejf.com.au
16. **TONER WHAREHOUSE ORIGINAL TONNERS & INK CARTRIDGES** Tel: 02 89774700 M: 0400215874 Website www.tonerwarehouse.com.au
17. **ARNOTTS OF AUSTRALIA PTY LTD** Attn Even Arnott Educational Toys, Stationery, Books & Gifts Tel: 03 93269696 Fax: 03 93269697 www.arnottsgadgetman.com
18. **MORTGAGE CHOICE** Attn: Mr Edmond Balit PO Box 3019 Monash Park 2111 Tel: 98076200 M: 0407600834 (Edmund is an LPO specialist)
19. **CROPPER PARKHILL SOLICITORS** Attn: Mr Pat Champion PO Box 4099 Sydney 2001
Tel: 92325000 Fax: 92322487 Experienced Solicitors in all LPO Matters.
20. **EZYLINE** Australia's Peg-free Clothline! 27 Baldwin Street Gordon Attn Susie Rourke Tel: 0414 520 523 www.ezyline.com.au
21. **Albert Zenere Consulting Architect Access Consultant for LPO's** Tel: 9743 1717 M: 0418 653 176 adzenearchitech@bigpond.com
22. **GECCO** Attn: Nick Grant Tel: 96580600 M: 0418202365 www.gecco.com.au
Quality STATIONERY & LPO GIFTS
22. **Harold A Ashcroft Business Agents** Attn Terry A. Ashcroft Tel 02 97183137

WANTED YOUR POST OFFICE LISTING

HAROLD A. ASHCROFT REAL ESTATE AND BUSINESS AGENTS have been selling Post Offices since 1935 with 2017 being our 82nd YEAR and during that time have sold over 2731 a national record for Post Office Sales.

I became the principal of the agency in 1977 on the death of my father having worked with him since 1972. In 2004 I reached the landmark of 1,000 Post Office Sales and to date I have sold 1,309 Post Offices. Our business has a reputation of being fair and honest in its dealings with all. Our main aim is to do the best by our vendors, yet be fair to our purchasers, because ultimately we would like to be of service in again selling the business.

I spend many hours each week educating, counselling and qualifying potential purchasers of Licensed Post Offices. This work I do without charge and willingly because it gives me my marketplace for the sale of L.P.O. businesses with nearly all serious buyers passing through my door. My income is derived from the commission I earn when I sell an LPO. I will never provide any prospective vendor with an unrealistic assessment of their L.P.O, but I still have achieved record sale Prices for my Vendors. **I do not ask for sole agency's** as this practice only **benefits the selling agent**, restricting exposure and in some cases seeing the Vendor pay an Agent a commission when the office is sold direct to a family member independent of that Agent. **Sole Agency robs you** of the opportunity to sell your office without unnecessary delay, and at the best market price of the day. A successful smooth sale to the satisfaction of both vendor and purchaser is my ultimate aim. With this in view, I sincerely urge you to give me the opportunity to provide your post office with an obligation-free professional and unbiased assessment should you wish to sell, remembering that I have 40 years of direct experience in this area and 1,291 completed Post Office sales to my credit.

You will be pleased to know that when we take a deposit on a Post Office, it is taken with all bases covered ie; lease, finance, intention, training and evidence of income have all been discussed and confirmed with the purchaser so that no impediment stands in the way of the sale proceeding.

Please note that in selling your Licensed Post Office through my Agency you are in the hands of an Agent who has your interests as the first priority and does not and has never **Traded Licensed Post Offices** ie: **Purchasing** a Licensed Post Office **from a client or Australia Post** and then on **selling the LPO for** a substantial **quick profit**.

Please contact me at the office or home if I can be of any assistance.

TERRY A ASHCROFT.

TRADE SHOW & MEETING ON Sunday 26th MARCH 2017 at our new venue Greyhound Social Club 140 Rookwood Road Yagoona NSW 2189 from 9 am: with Displays & Sale of products LPOG meeting starts at 1.30 pm with News and updates on negotiations and opportunities with AP. PLEASE NOTE: That Group Buying has been organised and promoted by Terry A Ashcroft t/as Harold A Ashcroft Real Estate & Business Agents and has absolutely no affiliation with or endorsement by AUSTRALIA POST but last year AP did attend.