

10 December 2024

Communications Policy Team
Building, Resources and Markets
Ministry of Business, Innovation and Employment
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The Communications Policy Team,

Submission To Ministry Of Business, Innovation And Employment regarding potential changes to NZ Post Mail Service Obligations

The Visual Media Association welcomes the opportunity to contribute to the Ministry's consideration of proposed changes to NZ Post's minimum obligations under the Postal Deed of Understanding. Being an active promoter of paper-based communication mediums, the Visual Media Association and our members are concerned with the proposed changes as outlined in the Ministry's related Discussion paper.

The proposed changes, and scope of those changes, to the Deed of Understanding between the New Zealand Government and NZ Post represents a significant departure from the longstanding commitment to a universal and accessible mail service. As detailed within this submission, while acknowledging the challenges faced by NZ Post, as a representative body of the mailing industry, we firmly believe that the proposed changes would have detrimental effects on businesses, communities, and individuals who rely on a robust and reliable mail network.

Additionally, given the scope of the proposed changes, we hold the view that any related transitioning as a result of the review needs to be undertaken with the participation and input of industry. The VMA is eager and willing to engage further with Government and NZ Post to explore viable alternative options than those proposed in the Discussion paper.

Further, and as detailed within this submission, in addition to the negative impacts of the proposed changes, we have strong concerns over the format, function, content and timeframe of the consultation process that has been applied to this significant issue.

We also wish to express our support for the views and concerns articulated by PrintNZ, Rural Women New Zealand, and the Postal Workers Union of Aotearoa. Their perspectives complement our own in many respects and reflect the shared interests and priorities of those invested in a financially sustainable and equitable New Zealand mail service.

ABOUT US

The Visual Media Association ("VMA") is the peak Australasian body representing a diverse corporate membership spanning all subsectors of the paper, print, mail, packaging, publishing, and distribution sectors.

Our membership includes printers, desktop publishers, graphic designers, prepress houses, publishers, mail houses, software and hardware manufacturers and distributors, paper and paper board manufacturers, paper merchants, ink manufacturers, manufacturers and suppliers of printing

equipment and consumables, packaging and flexible packaging, paper converting, binding and finishing, communication and media services.

Our membership, and in alliance with fellow New Zealand industry Associations such as PrintNZ, as the peak industry body across New Zealand for the print industry, and the broader industries we represent, play a pivotal role in providing essential services to our community. From delivering crucial news, media, and information services to producing printed medical labels and packaging, Government notices and communications, magazine publications for in-home media and community notices, signage for public health advisories, food labels and packaging, transactional mail and postal services, finance and insurance notices, and much more.

As an industry, and particularly as it relates to this submission, our members have significant business related interests across all Business Mail products including, but not limited to; Print Post, Pre-Sort, Promo Post, Addressed and Unaddressed Mail, Charity Mail, Reply Paid, Imprint/Metered Mail, Sample Mail, Clean Mail, and Acquisition Mail.

ECONOMIC AND EMPLOYMENT IMPACT ON BUSINESSES AND ORGANISATIONS

Many businesses depend, and will continue to depend on mail for essential communications with their customers and stakeholders. Reducing delivery frequency risks disrupting established business processes, potentially delaying critical information and negatively impacting customer service. While acknowledging the growth in digital connectivity, many factors, including customer preference and demand, and the need to reach a broad customer base, necessitate the continued use of mail. The proposed changes fail to adequately consider the diverse needs of the business community and could stifle economic growth.

Impact on Employment and Industry Stability

From an industry specific perspective, our industry comprises over 1,000 businesses and employs over 20,000 New Zealanders across skilled, semi-skilled and unskilled roles nationally. The media and publishing sector is one of the largest employers within the New Zealand print and distribution industries, encompassing roles such as media contributors, printers, designers, advertisers, and logistics personnel.

The proposed changes to NZ Post's operations, along with the ongoing and escalating costs of postal services, would have direct and far-reaching viability related consequences for these businesses and their employees. Threats to job security and economic stability are particularly concerning, as they could undermine the viability of many organisations within the sector. A reduction in postal services risks cascading effects, destabilising an ecosystem that relies on reliable distribution networks to support its operations.

It is crucial that any changes to NZ Post's operations are carefully evaluated to balance operational efficiencies with the needs of businesses and their employees. Collaborative engagement with stakeholders can help identify solutions that sustain both economic growth and employment opportunities while preserving the accessibility and reliability of postal services.

EQUITY AND SOCIAL IMPACT ON COMMUNITIES AND INDIVIDUALS

The United Nations describes social exclusion as

“a state in which individuals are unable to participate fully in economic, social, political and cultural life, as well as the process leading to and sustaining such a state.” (reference: United Nations. (2016) Leaving no one behind: the imperative of inclusive development. Report on the World Social Situation 2016. Department of Economic and Social Affairs. New York. p.18)

Any consideration for significant changes to NZ Post's operations must be assessed through the lens of equity principles, so as to ensure that fiscal responsibility is balanced with social responsibility. Maintaining a fair, inclusive, and accessible postal service is essential to upholding the principles of equity and ensuring that no one is left behind.

Impact on Vulnerable Populations

The proposed changes, such as reduced delivery frequency, limited access to postal outlets and a shift to communal delivery points, will disproportionately affect vulnerable groups who rely on mail services more heavily. This includes older adults, rural communities, and individuals with limited digital access, those with mobility impairments, as well as Maori and Pacific communities. These changes threaten to further exacerbate existing inequalities and restrict these groups' ability to participate fully in society.

While acknowledging the growth in digital connectivity, it is crucial to recognise that a significant portion of the New Zealand population remains digitally excluded (10% according to the 2023 NZ Census) or prefers physical mail for personal and security reasons. The proposed changes threaten to further marginalise these groups and individuals. Further, the proposed shift towards communal delivery points raises concerns about privacy, security, and accessibility for those with mobility impairments.

By way of example, magazine publications, delivered under subscriptions' provide a vital lifeline for some of New Zealand's most vulnerable citizens, including the elderly, disabled individuals, in-home carers, and those who are economically disadvantaged or digitally excluded. These publications offer equitable access to in-depth media discussions, commentary, and a wide array of topics, ranging from specialised interests to broader societal communications. For many, the regular delivery of magazines ensures access to information and engagement that might otherwise be unattainable.

Any shift by major and specialised publishers toward retail-only distribution models would create additional barriers for individuals who cannot easily access retail outlets, such as those in remote areas or with mobility limitations. This approach risks deepening societal inequalities and isolating those already at a disadvantage. The removal of a standardised, networked distribution framework for magazine subscriptions, without adequate transitional planning, risks destabilising this critical sector. This disruption could jeopardise the provision of essential media content to vulnerable groups while also impacting the broader media and publishing ecosystem as discussed elsewhere.

Governments Commitment to Social Equity

We are strongly concerned the proposed amendments to NZ Post's operations are not in keeping with the Government's commitment to social equity principles and its broader promise of a "fair go". These changes would disproportionately affect Maori and Pacific communities, and other vulnerable cohorts across communications, thereby undermining efforts to reduce inequality. Such a shift would also conflict with the Governments obligations to align with the *Bill of Rights Act* and the *Human Rights Act*, further highlighting the potential for social inequity.

We therefore urge the Government to account for the broader social and economic consequences of the proposed changes. Any revisions to NZ Post's operations must include thoughtful alternatives that mitigate the impact on vulnerable populations. By engaging with stakeholders and developing equitable strategies, the Government can ensure that all New Zealanders continue to have access to essential postal services while supporting innovation and employment within the print, publishing, and mail distribution sectors.

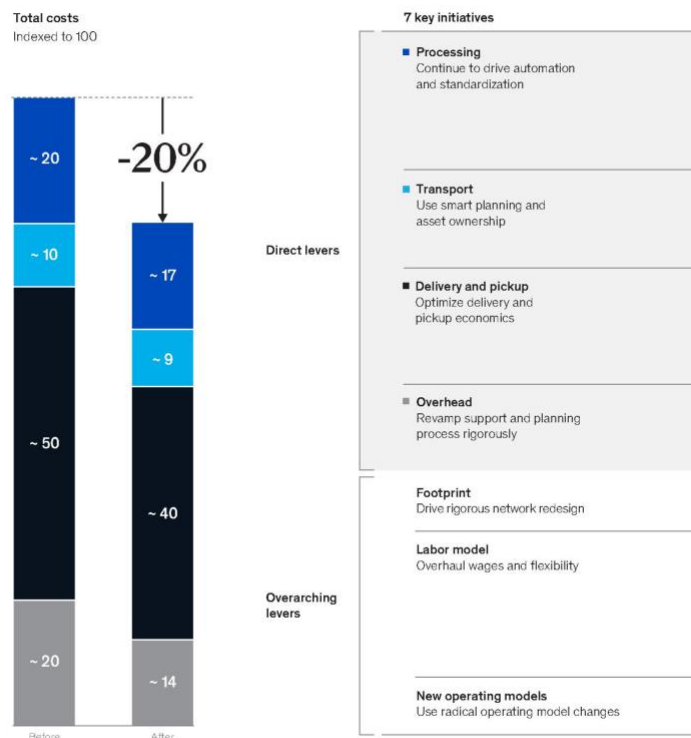


WHY ARE ALTERNATIVE OPTIONS NOT BEING CONSIDERED?

McKinsey & Company Research

Postal services related research undertaken by McKinsey & Company in 2019, and with which we generally agree, found that incumbents in the postal services sector should follow a structured approach if they are to innovate in both products and production systems. They proposed a range of initiatives could result in up to a 20% cost reduction. With both quality enhancements and cost reductions in mind, they hold a view that postal services should first create a consumer-centric strategy.

7 short-term key initiatives in operational excellence can enable up to 20% cost reduction



SOURCE: McKinsey

Further, McKinsey believes postal incumbents need to step up their game by further optimising their current operations, boosting operational excellence in sorting, transport, pickup and delivery, and business support functions. Furthermore, postal services should prioritise understanding customer needs, focus on crucial initiatives that deliver immediate payoffs, and effectively manage all stakeholder relationships.

McKinsey's research identified several potential levers for cost reduction, many of which centre around smarter transportation and optimisation. With delivery and pickup accounting for approximately 60% of operational costs in postal services, incumbents must continuously seek system-led improvements (reference: <https://www.mckinsey.com/industries/travel-logistics-and-infrastructure/our-insights/the-endgame-for-postal-networks-how-to-win-in-the-age-of-e-commerce>).

Failure to Consider Alternatives

It is of significant concern that potential alternative options to those proposals contained in the Discussion document exist but are not being sought or to be considered as part of the overall review process. Further it does not appear that any consideration of the possibility of those proposed changes stifling economic growth has been applied.

Any such negative economic outcome would go against the clear statement of Minister Goldsmith in his April 2024 correspondence to New Zealand Post (reference: “*Shareholding Minister’s Expectation for New Zealand Post Ltd*”, 5 April 2024) wherein he states the Government’s priorities include:

“lifting New Zealand’s productivity and economic growth to increase opportunities and prosperity for all New Zealanders” and “improving the efficiency and effectiveness... of government funded services”.

Further in that correspondence, the Minister states specific expectations for NZ Post, including the expectation that NZ Post should “*adapt and innovate*”, “*focus on driving down costs and seeking improvements wherever it can*” and an expectation that NZ Post will “*investigate and implement viable long-term solutions for its mail service by improving cost efficiency and pricing appropriately, while being cognisant of its commitments set out under the Deed of Understanding*”.

Viable Alternatives Exist

We are dismayed the proposed changes are generic commercial strategy options against such a shareholder requirement, particularly when other possible efficiency options could be considered.

Considering the interconnected nature of the industry, NZ Post, and Government, we believe the industry is in a unique position to collaborate with NZ Post to offer valuable inputs and considerations that can lead to operational efficiencies. These include, but are not limited to, the following:

- > The transport and logistics of Business Mail presents an opportunity for the industry to contribute to potential improvements and efficiencies across NZ Post's operations.
- > The encouragement and incentivisation of mail services, such as business rebates.
- > Investment in public campaigns to promote the value of mail services.
- > Commercial collaboration with stakeholders to leverage shared infrastructure and resources to reduce costs and enhance service delivery.

THE CONSULTATION PROCESS

As stated previously, we have strong concerns over the format, function, content and limited timeframe of the consultation process that has been applied to this significant issue.

It is widely accepted and considered best practice that involving impacted stakeholders in testing assumptions, reviewing operational improvements and integrating beneficial consultation feedback into business plans can significantly improve business-related outcomes. This approach is consistent with sound commercial practices and is uncontroversial. Appropriate stakeholder consultation ensures that a broader range of interests are considered, leading to the inclusion of alternatives and building broad commitment to plans, strategies, and policies.

The benefits of genuine stakeholder consultation are numerous and include:

1. **Informed Decision-Making:** Stakeholder consultation allows decision-makers to gather input, feedback, and insights from various stakeholders who may have diverse perspectives, knowledge, and expertise. This information can help decision-makers make more informed and well-rounded decisions, considering the interests and concerns of all relevant parties.
2. **Increased Acceptance and Support:** Involving stakeholders in decision-making processes through consultation can foster a sense of ownership, inclusivity, and transparency, which can lead to increased acceptance and support for the decisions made. When stakeholders feel that their voices are heard and their concerns are taken into consideration, they are more likely to support and comply with the decisions made, reducing the risk of opposition, conflict, or resistance.
3. **Enhanced Relationships:** Stakeholder consultation can help build and maintain positive relationships with stakeholders. Engaging stakeholders in meaningful and respectful ways can foster trust, understanding, and cooperation, which can be beneficial in the long term. Positive stakeholder relationships can lead to increased collaboration, partnership opportunities, and mutual benefits.
4. **Identification of Risks:** Consultation with stakeholders can help identify potential risks, challenges, or issues early on in the decision-making process. By engaging stakeholders, decision-makers can gain insights into the potential impacts of their decisions and identify potential risks or unintended consequences that may have been overlooked. This allows for proactive mitigation measures and better risk management.
5. **Improved Decision Implementation:** Stakeholder consultation can help with the smooth implementation of decisions. When stakeholders are involved in the decision-making process, they are more likely to understand and accept the decisions made, making it easier to implement and execute them. This can lead to more effective and efficient implementation of decisions, reducing delays, disruptions, or resistance.
6. **Enhanced Reputation and Legitimacy:** Organisations or decision-makers who engage in stakeholder consultation are often viewed as being more transparent, accountable, and legitimate. This can enhance their reputation and credibility in the eyes of stakeholders, the public, and other stakeholders. This positive perception can lead to increased trust, support, and positive reputation in the long term.

Essentially, the process of stakeholder consultation involves the careful consideration of concerns raised by stakeholders, which should be incorporated into any final decision-making process.

It is the industry's position that the Departments approach to consultation on this significant issue is lacking and superficial, rather than genuine consultations where all relevant issues are raised, evaluated, and incorporated into any final decision-making process. There has been a notable lack of attendance by key representatives at industry board and briefing sessions, coupled with a consistent reluctance to engage meaningfully with stakeholders across the publishing and distribution channels we represent. For the limited meetings that have occurred, the dialogue has been minimal and has not led to meaningful change or the development of mutually beneficial commercial outcomes.

Historically, we do not believe NZ Post can truly evidence the inclusion of any previous industry recommendations into its operations for beneficial commercial outcomes. This is especially the case

when compared to the national postal services of other countries that have a far more engaged and beneficial relationship with industry stakeholders and their customers.

As a result, it is our view that:

- > The current consultation process should be extended, the scope of the consultation should be expanded, and genuine consideration of stakeholder inputs should be undertaken.
- > Given our industry is the biggest client base of NZ Post, there should be a commitment to a longer term and formalised approach to industry engagement for the beneficial outcomes of all stakeholders.

CONCLUSIONS

The effect of the proposed changes on New Zealand business and society cannot be underestimated. Due to the impacts on industry and its customers, any decision relating to significant changes to the operation of NZ Post should collaboratively and genuinely address industry concerns prior to any final determination.

As outlined, there are alternative and additional commercial options than just those that are being proposed. However, the Consultation process does not allow for consideration of those potential alternatives. Such a limiting scope of consultation is unacceptable given the nature of the significant proposed changes.

The Consultation process being applied to this significant issue is unedifying. We hold the view that the overall process should be expanded, with an increased timeframe, and with a greater opportunity for genuine consideration of stakeholder inputs should occur.

We strongly urge the Department to carefully consider the concerns and recommendations presented in this submission, and to engage in ongoing and collaborative dialogue with industry to ensure any related reforms are the best options for industry, NZ Post and New Zealand society.

We have had significant success working with Australia Post across its modernisation processes into the postal service which has seen a strong partnership with the Mail Industry Coalition working with Australia Post and Government. We urge the Department to review this process and consider its application across the New Zealand postal service as a comparable and successful model.

We make ourselves available for further discussion and information sharing.

Yours sincerely,



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