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Relieving online parcel pain

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The Productivity Commission, forever a fan of design by committee, has recommended the government establish a taskforce to investigate more efficient ways of low value parcel handling.

The recommendation, first flagged in the draft report back in August, is the latest in the ongoing wrangle between government and the retailers who want the low value threshold exemption for GST on imported goods to be dropped.

The parcel handling issue was first raised when the Commission found that lowering the threshold to \$20 would raise in excess of \$500 million in tax revenues, but the cost of parcel processing using the current system would jump by almost \$1.6 billion - three times the additional revenue collected.

It seems the majority of parcels that flow through the international mail stream into Australia are subject to manual, labour intensive processes.

But ultimately the Productivity Commission's recommendation could prove fruitless given the situation has arisen in part due to the tax exemption. Other countries with lower thresholds have had to deal with more tax assessable items, and as a result have invested in better systems.

Regardless of the contentious issue of thresholds, Customs and Australia Post were always going to have to step up their act on parcel processing, since the Commission also found that Australia's current parcel handling and logistics processes are not up to the task of handling the future demands of the online retail sector.

Without the threshold coming down, there's no incentive to invest on that basis, so it's future growth in parcel volumes, driven by a growing online retail sector, that will be the real motivation for an overhaul.

It's often overlooked that online retail only represents about three per cent of total consumer spending in Australia. Analysts are predicting double digit growth in the next three years, but given the complaints of traditional retailers, you'd think the threat was much larger already.

In fact, now is the best time for traditional retailers to be investing, and lobbying for improved parcel handling.

Australia Post chief Ahmed Fahour continues to rebut speculation the group is about to turn into a fully fledged bank or telecommunications provider. Actually, it's parcels that are the short-term solution to Post's declining letters business, and Fahour knows it. The bigger issue for Post will be cultural change.

There's plenty of more nimble operators stepping up to serve online retailers, such as same-day courier service Want It Now, which integrates with an online retailer's shopping cart.

Or the Mark Bouris-led TZ Limited. While Post has finally moved to offer "to the door ticketing" so shoppers don't miss parcels when they are at home, and has big ambitions for its electronic parcel locker service, TZ wants to turn every letterbox into a smart device with its ourPAD, a parcel receiving letterbox that can be opened remotely with an iPhone app.

The logistics of parcel delivery have remained static for too long, and if there's one good thing to come out of the Productivity Commission's review it will be an improvement in parcel delivery that actually helps to boost the online retail sector.

Tagged with: Australia Post, Productivity Commission, Ahmed Fahour, Mark Bouris, TZ Limited

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