



POAAL

Post Office Agents Association Limited

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Cost recovery for AUSTRAC's regulatory functions

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Introduction

Australia Post has been involved in the provision of financial services to the public since the early part of the 20th Century. The Postmaster General's Department (the forerunner to today's Australia Post) struck an agreement with the Commonwealth Bank to provide banking services through post offices. This agency relationship continues to this day.

The range of financial services available through the post office network was boosted by the introduction of electronic point-of-sale technology Australia-wide in the 1990s. Passbook banking was extended to online card-based transactions.

Since then, Australia Post has entered into agreements with money transfer companies, currency exchange companies and financial institutions to provide services on these companies' behalf in post offices.

Money transfers can be performed via Australia Post Money Orders (for domestic transfers) and Western Union Money Transfer (for international transfers).

A complete list of financial institutions with agreements with Australia Post can be found on the Australia Post website at:
<http://auspost.com.au/personal/participating-financial-institutions.html>

Licensed Post Offices, as part of Australia Post's national post office network, offer these financial services. It is this relationship with Australia Post and the ability to offer certain financial services as an agent for Australia Post that has attracted the attention of AUSTRAC.

POAAL is the independent industry organisation which represents the business interests of the owner/operators of LPOs.

POAAL welcomes the opportunity to submit its comments on the discussion paper "Cost recovery for AUSTRAC's regulatory functions".

Background

1. The Post Office Agents Association Limited (POAAL) represents the nearly 3,000 small business owners of the Licensed Post Office network that comprise almost 80% of the Australia Post retail network. Our members are also drawn from the operators of the approximately 5,000 mail contracts, delivering mail and parcels to Australia Post customers across the country, together with around 630 Community Postal/Mail Agents. (Further information on the background of our organisation may be found on our website www.poaal.com.au.)
2. Our members are all small business owner/operators with an estimated investment of at least one billion dollars in the Postal business alone. They are the front line for the services provided to Australian communities, especially in regional, rural and remote areas of Australia.
3. Licensed Post Offices are operated under licence from Australia Post. Each LPO forms part of Australia Post's retail and delivery network. Licensees are small business people, and their businesses provide the framework for delivery of postal services in their area. The Licensee is responsible for all business expenses, including providing premises, operating overheads such as utilities, and staff costs.
4. About 1000 LPOs have only one serving position.
5. About 500 LPOs have no access to Australia Post's electronic point-of-sale system. These LPOs are small, and are often part of a general store or roadhouse.

Community Service Obligations

6. Australia Post is obliged to meet Community Service Obligations (CSOs) as set out in the *Australian Postal Corporation Act 1989*. These obligations include:
 - a. Providing a letter service for domestic and international mail;
 - b. Providing this service at a uniform rate for domestic standard mail;
 - c. Making the service accessible; and
 - d. Providing a service that, within reason, meets the social, industrial and commercial needs of the community.
7. Specific standards have been set in order for Australia Post to satisfy its CSOs. These standards include servicing at least 98% of all delivery points at least five days per week and 99.7% of all delivery points at least two days per week, as well as ensuring that at least half of all post offices are located in areas considered rural or remote.

8. These are the formal CSOs. There is a community expectation, built up over decades, that Australia Post will provide access to financial services through the post office network.

Previous representations on AML/CTF matters

9. In 2008, AUSTRAC deemed individual LPOs to be reporting entities under the *AML/CTF Act*. This resulted in Licensees being obliged to register with AUSTRAC and lodge annual compliance reports to AUSTRAC.
10. POAAL made strong representations to AUSTRAC and the Minister for Home Affairs regarding Licensees' reporting obligations, noting that the wording of compliance reports has little or no relevance to Licensees because Licensees are agents for Australia Post and follow the procedures put in place by Australia Post.

Cost recovery for AUSTRAC's regulatory functions

11. In May 2010, the Federal Government announced proposed fees to AML/CTF Reporting Entities for cost recovery of AUSTRAC's regulatory functions. LPOs, as reporting entities, would have been subject to these fees.
12. The fees initially proposed were \$500 p.a. per reporting entity plus a \$1.06 fee for sending certain mandatory reports. These proposed fees were excessive and damaged AUSTRAC's standing with post office Licensees.
13. These proposed fees would have added over \$1.25m to Licensees' operating costs. The proposed fees would have exceeded the income derived from money transfer transactions at most LPOs.
14. POAAL proposed that AUSTRAC introduce an alternative per-transaction levy paid by the customer. This would be transparent and easily understood.
15. Licensees do not have the capacity to set up their own AML/CTF programmes or processes. Since all money transfer or financial services are offered in a uniform manner at all post offices, it makes sense for the regulatory burden to be shouldered by a network provider.
16. POAAL supports the proposal that AUSTRAC will interact primarily with registered remittance networks rather than with individual affiliates such as LPOs.
17. POAAL supports the proposal that no LPO will be subject to a direct levy from AUSTRAC.

18. POAAL notes that if the operating costs for a network provider increase as a result of increased regulatory fees (and any associated costs), then network providers may seek to reduce their operating costs or increase customer revenues in order to cover these increased costs.
 - a. The fee to the customer may rise.
 - b. The commission to agents may decrease.
 - c. A combination of (a) and (b).
19. It must be noted that Licensees cannot increase the set fees charged to customers (for services such as Western Union money transfers or purchase of Money Orders). If agent commissions for a service are reduced as noted above, then it may no longer be a profitable service for LPOs.
20. POAAL is of the opinion that a direct per-transaction AUSTRAC fee paid by customers using money transfer services would be a more equitable and transparent fee structure.

Conclusion and recommendations

21. POAAL supports the removal of direct AUSTRAC fees on Licensed Post Offices.
22. POAAL recommends that AUSTRAC consult with network providers regarding funding of AUSTRAC fees.
23. POAAL recommends that AUSTRAC investigates charging the supervisory levy to the customer, with the levy collected on AUSTRAC's behalf at the time of the transaction and disclosed to the customer. This would result in a transparent fee structure.