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6 November 2020

Hon. Dr David Clark  
Minister for the Digital Economy and Communications  
Parliament Buildings  
Wellington

Dear Minister

We are writing to you following your recent appointment as Minister for the Digital Economy and Communications. I have also separately written to you in your capacity as Minister for State-Owned Enterprises to provide an overview of the key areas that New Zealand Post is focused on. This letter is to brief you on matters specifically relevant to the Digital Economy and Communications portfolio.

Again, I would be happy to meet you with our Chief Executive to brief you further on any of these matters at your convenience.

***New Zealand Post in the digital economy***

New Zealand Post operates at the intersection of the digital economy and the physical economy, and the growth of the digital economy has defined the trajectory of our business over the last decade.

From an economic development perspective, New Zealand Post is an enabler in this space - helping New Zealand businesses get started selling online or boost their online selling power, and offering annual eCommerce reports and regular market updates to help customers grow their online businesses. Our international business provides export services to the full export market, facilitating SME growth, and allowing producers to retain more value onshore by reducing intermediation.

The digital economy has of course also defined the trajectory for our mail and bill payments businesses. The challenges these areas face are canvassed in our letter to you as Minister for State Owned Enterprises. We understand that your digital economy portfolio may also encompass digital inclusion and, as part of this, the need to consider the future of remaining physical services for those who do not have the necessary access or skills to fully participate in the digital economy.

As a point of reference, and by way of context, it may be worth reflecting on the discussion on the long run view of letters at New Zealand Post's last review before the Economic Development, Science and Innovation Committee at which time my introductory comments included:

*...as the new chairman, I keep asking my colleagues, it's worth asking the question of legislators, "Would we have liberalised a postal service in 1998 [which at its subsequent peak had volumes of over 1 billion letters a year] if we ever knew we would deliver as a nation 400 million letters a year?" A sustainable letter service requires us to balance services levels and associated costs and the price.*

### **How New Zealand Post works within the Communications portfolio**

New Zealand Post's letters business, but not its parcels and logistics businesses, is regulated under the Communications portfolio. This encompasses postal legislation (the Postal Services Act, the Postal Services (Information Disclosure) Regulations, the universal services obligation set out in the Deed of Understanding, and arrangements under the Universal Postal Union (UPU).

The original Deed of Understanding was signed in 1989 and set out a universal service obligation for the newly corporatised New Zealand Post. It has been amended several times since then – most recently in 2013.

The 2013 amendments were the most far-reaching and high profile in the Deed's history as they allowed New Zealand Post to move to alternate day delivery (down from six-day delivery) in urban areas. As part of those discussions New Zealand Post had recommended moving to alternate day delivery in rural areas as well, but the decision was made to require 5 day delivery for rural delivery points.

As noted in my letter to you in your capacity as Minister of State-Owned enterprises, MBIE is leading a programme of work alongside Treasury to provide advice and recommendations to the Minister for the Digital Economy and Communications and shareholding Ministers of New Zealand Post on options for the future of mail in New Zealand.

The future of New Zealand Post's obligations under the Deed are a key part of this work. New Zealand Post anticipates that in time this work will also include an update of the Postal Services (Information Disclosure) Regulations. These regulations are now out of date, and still require New Zealand Post to report on metrics that reflect the terms of the pre-2013 Deed.

### **Universal Postal Union**

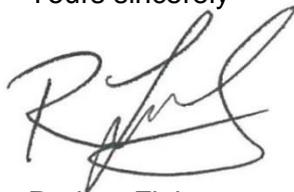
With 192 member countries, the UPU is a UN Specialised Agency and the New Zealand government has obligations as a signatory under the Acts of the Union (International Treaty).

New Zealand Post represents both the New Zealand government, and New Zealand Post as a postal operator, at the UPU. New Zealand Post also represents New Zealand at the Asia Pacific Postal Union (APPU), a "restricted union" of the UPU, headquartered in Bangkok, Thailand and made up of 32 countries from Iran in the west to Japan and Pacific Islands in the East, as well as South Asia, South East Asia, Australia and New Zealand.

The UPU is a slow-moving body, where it can take a 4-year cycle to raise issues and a further 4 years to make change. There are different needs from importers and exporters, requiring diplomatic solutions and deep industry relationships across the globe to manage these outcomes successfully.

Recent changes to UPU pricing arrangements for the international exchange of postal items have meant that postal exchanges under the UPU arrangements are losing their advantage as a lower cost stream. Ecommerce volume that traditionally moved through this channel is over time migrating into commercial alternatives. Nevertheless, it remains an important forum for securing a truly universal international network of up-to-date products and services for New Zealand senders and receivers.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. Finlay', written in a cursive style.

Rodger Finlay  
**Chairman**

cc: Hon. Grant Robertson, Minister of Finance