



## COVERSHEET

<b>Minister</b>	Hon Paul Goldsmith	<b>Portfolio</b>	Media and Communications
<b>Title of Cabinet paper</b>	Moving Towards a Financially Sustainable Mail Service: Release of Discussion Document	<b>Date to be published</b>	26 November 2024

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
30 September 2024	Moving Towards a Financially Sustainable Mail Service: Release of Discussion Document We note this version of the Cabinet paper does not include the discussion document as an appendix, as this has already been released publicly on MBIE's website.	Office of the Minister for Media and Communications
30 September 2024	Moving Towards a Financially Sustainable Mail Service: Release of Discussion Document CBC-24-MIN-0096 Minute	Cabinet Office

### Information redacted

**YES / NO** (please select)

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reasons of Commercial information and Confidential advice to Government.

**Commercial In Confidence**

Office of the Minister for Media and Communications

Cabinet Business Committee

**Release of discussion document – Moving towards a financially sustainable mail service**

**Proposal**

- 1 This paper seeks Cabinet agreement to publicly release a discussion document consulting on proposed changes to the obligations on New Zealand Post (**NZ Post**) as set out in the Deed of Understanding between NZ Post and the Crown.

**Relation to government priorities**

- 2 A priority for this Government is ensuring our economy supports growth and innovation. Updating the settings that underpin NZ Post’s mail service will enable it to keep pace with the changing communication needs of New Zealanders.
- 3 These proposals should also contribute towards our priority of reducing Crown expenditure. **Commercial Information**

**Background**

- 4 The Deed of Understanding (**the Deed**) is an agreement between NZ Post and the Crown. Under the Deed, NZ Post must maintain a nationwide mail service that meets certain minimum requirements.
- 5 The Deed was last reviewed in 2013. Since then, there has been significant decline in the volume of mail being sent and received. As a result, the cost of delivering each letter has increased, in part because the fixed network costs to meet Deed obligations must be spread over a declining number of letters. This is making it difficult for NZ Post to meet minimum requirements under the Deed without compromising its financial sustainability.
- 6 Within this context, and as part of the 2024 Review required in the Deed, the Ministry of Business, Innovation and Employment (**MBIE**) and NZ Post have been in discussions about possible changes to the Deed. These proposed changes aim to provide NZ Post with more operational flexibility, so it can deliver a financially sustainable mail service while still meeting the communication needs of New Zealanders.


- 7 I am seeking Cabinet’s agreement to release a discussion document for public consultation. The discussion document seeks feedback on proposed changes to the Deed.

**Proposed changes for consultation**

- 8 In summary, the proposed changes for consultation, which are set out in full in the discussion document include:
- 8.1 Reducing the minimum frequency of mail delivery to two days in urban areas and three days in rural areas (it is currently at three days and five days respectively);
  - 8.2 Reducing the minimum required number of postal retail outlets from 880 to 500, with a glide-path down to 400 stores in the coming years;
  - 8.3 Specifically allowing NZ Post to meet its requirement to extend its network in the form of delivering to cluster and community boxes, alongside individual letter boxes, for new addresses; and
  - 8.4 Allowing NZ Post to convert existing delivery points into communal points at a rate of up to five per cent per annum.

9 Commercial Information



- 10 I note the Deed only covers the delivery of mail (such as letters and postcards). Larger items such as parcels or newspapers are delivered via NZ Post’s courier network and are not subject to any obligations under the Deed. Confidential advice to Government
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**Risks**

- 11 While mail use has significantly declined over the years, mail delivery is a well-established service. I expect the discussion document may generate public interest, particularly amongst groups that may be more likely to value mail, such as older New Zealanders and those in rural communities.
- 12 To manage the attention these proposals may receive, MBIE will be reaching out to groups with specific Deed interests to ensure they are aware of the opportunity to provide input.

**Customs discussion document**

- 13 The New Zealand Customs Service (Customs) and the Ministry for Primary Industries (MPI) are currently consulting on whether they should charge NZ Post for the checking of international mail as part of a wider consultation on their cost recovery model. These costs are currently funded by the Crown.

- 14 Charging NZ Post is not Customs' preferred option, but it is discussed as a fallback option. Confidential advice to Government

NZ Post does not have the ability to unilaterally adjust the costs it recovers for international mail as these are governed by Universal Postal Union agreements. The Universal Postal Union is a UN agency that coordinates the international mail service.

### Cost-of-living Implications

- 15 No cost-of-living implications would arise from the release of the discussion document. Other than preventing NZ Post from introducing a fee for rural delivery of mail (not packages) the Deed does not include obligations relating to pricing of the mail service.

### Financial Implications

- 16 No financial implications for the Crown would arise from releasing the attached discussion document. The proposals contained in the discussion document are intended to provide flexibility for NZ Post to operate in a way that enables it to move towards a financially sustainable mail service. Commercial Information

### Legislative Implications

- 17 No legislative implications would arise from the release of the discussion document.

### Impact Analysis

#### Regulatory Impact Statement

- 18 The Regulatory Impact Analysis requirements do not apply because the proposals do not involve changes to primary or secondary legislation.

#### Climate Implications of Policy Assessment

- 19 Consultation with the Climate Implications of Policy Assessment (CIPA) team is not required for this proposal as it is not expected to result in any significant, direct emissions impacts.

### Population Implications

- 20 The proposals in the discussion document, if taken forward following consultation, may have implications on specific groups for whom the mail service may be of particular importance. NZ Post's data reflects that rural and older New Zealanders often rely more on mail and are more sensitive to potential changes in the service. The

purpose of public consultation on the proposals is to receive feedback from these groups that will inform the development of final proposals.

### Human Rights

- 21 There are no human rights implications associated with releasing this discussion document.

### Use of external Resources

- 22 No external resources such as contractors or consultants were engaged in the preparation of the discussion document or the proposals in this Cabinet paper.

### Consultation

- 23 Officials from the Treasury, the Ministry for Regulation, and the Ministry for Primary Industries have been consulted during the development of the discussion document and Cabinet paper for its release. The Department of the Prime Minister and Cabinet has been informed. NZ Post has been consulted during the development of the discussion document.
- 24 MBIE will engage with other government agencies that may have related portfolio interests, including the Department of Internal Affairs, the Office for Seniors and Te Puni Kōkiri, closer to the consultation period to ensure they are aware of the proposed changes.
- 25 I note that the Deed provides for the Minister for Media and Communications to consider changes to the Deed following a review, in consultation with the Minister for State-Owned Enterprises with responsibility for NZ Post.

### Communications


- 26 Following Cabinet approval, MBIE will release the discussion document for public consultation on its website, for a period of six weeks. Commercial [REDACTED]  
[REDACTED]  
[REDACTED] MBIE will contact community organisations such as Federated Farmers, Grey Power and Rural Women to ensure they are aware of the opportunity to provide feedback.

### Proactive Release

- 27 This Cabinet paper will be proactively released within 30 business days of Cabinet's agreement on the MBIE website, subject to redactions as appropriate. In a situation where the discussion document has not been released in this timeframe, proactive release will occur following the release of the discussion document.

## Recommendations

The Minister for Media and Communications recommends that the Committee:

- 1 **note** that NZ Post and the Crown are party to the postal Deed of Understanding, which sets out minimum requirements that NZ Post must meet relating to the mail service;
- 2 **note** as part of the 2024 Review required in the Deed, the Ministry of Business, Innovation and Employment and NZ Post have been in discussions about possible changes to the Deed that would help NZ Post move towards a financially sustainable mail service, including:
  - 2.1 reducing the minimum levels of delivery frequency in urban and rural areas;
  - 2.2 changing the way that NZ Post can maintain and extend its mail network;
  - 2.3 reducing the minimum number of postal retail outlets.
- 3 Commercial Information  

- 4 **approve** the release of the discussion document entitled *Moving towards a financially sustainable mail service*, attached at **Appendix One**, subject to any minor and technical changes that the Minister for Media and Communications may consider necessary;
- 5 **agree** that the Ministry of Business, Innovation and Employment will proactively release this Cabinet paper on its website, subject to any redactions consistent with the Official Information Act 1982, within 30 business days, or as appropriate following the public release of the discussion document;
- 6 **note** that the Minister for Media and Communications intends to report back to Cabinet on the next steps and final policy decisions on changes to the Deed of Understanding as soon as practicable after consultation closes, and following consultation with the Minister for State-Owned Enterprises with responsibility for NZ Post.

Authorised for lodgement

Hon Paul Goldsmith

Minister for Media and Communications

**Appendix One: Discussion document – Moving towards a financially sustainable mail service**