

## Opening Statement

**Ms Christine Holgate**  
**Group Chief Executive Officer and Managing Director**  
Australia Post  
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Thank you, Chair.

Yes, I would like to make an opening statement.

As Senators would have heard, last week Australia Post announced its results for the first half of the current financial year.

Performance for the six months to 31 December 2019:

- Group revenue at \$3.8 billion, up four per cent on last year
- Parcels and Services: \$2.7 billion revenue, up 13 per cent, profits rose 12 per cent to \$193 million
- Letters: \$1.1 billion revenue, down nine per cent, losses \$87 million increased 112 per cent
- Group profit before tax at \$83 million, down \$71 million to the previous year and on track to expectations
- The previous period included a \$36m one-off benefit resulting from the Aramex transaction.

Australia Post's parcel & services revenue growth was up almost \$300 million or 13 per cent on the same period last year to \$2.7 Billion, underpinned by strong growth in parcels, financial and international services, supporting both business and consumer customers.

This is the highest revenue growth in over a decade for these services without a major acquisition. The profits from these businesses grew to \$193 million, up 12 per cent. All these business lines operate in highly competitive markets and they now account for over 70 per cent of group revenue.

Pleasingly our Community Post Offices returned to revenue growth, sales up four per cent in the period, reflecting stronger performances in both corporate and licensed stores.

Our strategy to diversify our business and focus on our customers is working well, evidenced by our record revenue performance.

However, although our letters business remains very important and significant to us, contributing \$1.1 bn in revenues, letter revenue was down nine per cent and letter losses rose a further \$46 million or 112 per cent, to a total loss of \$87 million for this half.

Although Australia Post secured an additional \$129 million in efficiencies in the period and has benefited from strong growth in many areas, this still did not fully cover the increasing costs supporting the important Postal service and consequently pressure on Group Profits continued.

The costs to operate the letter business continue to rise, as our people are still required to deliver to every home or business every day, process and collect the mail, whilst letter volumes and revenues fall. The 10 cent letter increase in January will support our letter business going forward, but after four years of no increases, in a period when letters have fallen by almost 1 billion and homes passed increased by over 800,000, this 10c price increase alone will not fully compensate for the losses.

Our Delivery network, which represents approximately 70% of our costs, was originally built for letters and has not had major transformation in 20 years. In this period letter volumes have halved and parcels have multiplied. What worked so well for many years, now needs to change to support our future.

Australia Post and the services we provide are highly regarded in the community, particularly in rural and regional Australia, where often we are the last remaining service provider with a physical presence. In order to ensure we are able to continue to provide these community services, support further growth in ecommerce and remain sustainable, the time has come we must transform our delivery network.

This Christmas was our busiest ever and we delivered over 50 million parcels in Peak including December, with over 3.1 million on our biggest day. Over 190 million letters were delivered, 4600 staff hired across the national network and pleasingly during this time complaints to our customer service teams decreased by 14 per cent.

Ahead of Christmas we opened the largest parcel processing facility in the Southern Hemisphere in Brisbane and invested in new automation capabilities across a number of our large processing facilities to enable us to continue to service our increasing customers' needs.

During this period of exceptional growth, our entire workforce worked through unprecedented weather conditions across the country with drought and an early start to our bushfire season in November.

The fires created significant challenges to our business. The largest challenge was managing the severe smoke pollution including in our major cities of Sydney and Melbourne and redirecting our deliveries as roads closed, airports delayed flights and we had to stop deliveries in extreme circumstances.

Despite all this, we still met all of our service obligations for letter and parcels and ensured deliveries continued to make it through to our customers.

Although we were lucky to not lose any facilities or Post Offices during the bushfire crisis, many of our employees lost homes and property and faced extreme stress as they were evacuated for their safety.

Members of my team and I visited many of the communities impacted by the fires. We witnessed first hand how our People including our Post Offices, posties and drivers were able to play an essential role supporting impacted communities. This included access to critical funds through our Bank@Post services, providing free mail redirection, mail hold services and accepting over the counter donations for Red Cross Disaster Relief Fund, which has raised \$1.4 million to date.

I am incredibly proud of the critical role our people played in these local regional communities assisting those in their time of need.

As you may have seen this morning, a report produced by Deloitte Access Economics highlights the significant contribution Australia Post makes in Regional, Rural and Remote Australia, supporting almost 11,000 jobs, underpinning a \$10.6 billion regional eCommerce market and contributing \$806 million in Gross Regional Product last year.

The report measures and quantifies Australia Post's contribution specifically to non-metropolitan areas for the first time, and reinforces how critical Australia Post is to areas that other service providers cannot reach. Reported as one of the most trusted service providers, only behind our Police and Doctors, Australia Post's contribution is only shadowed by Government. 92% of residents believe that Australia Post is important for equity of access to core services and is trusted for independent advice.

Although our letter volumes have halved in the last five years, the role and importance of the Post Office in these communities has grown. In particular, the research highlights the critical dependency that both Small Businesses and vulnerable residents have on their local Australia Post Services, with small businesses on average using their Post Office every week and vulnerable residents having a significant reliance on rural and remote deliveries.

Nothing highlights this importance better than the stories we heard over summer of fire crews fighting hard to save the local post office as they did in Cobargo – knowing its importance to communities both during and after disaster. Our own Corporate Post Office in Bateman’s Bay was praised by local residents for staying open and providing access to cash as the fires raged nearby, roads closed and local shops and petrol stations could only take cash.

Our people have been amazing and I have never been prouder to work at Australia Post. Such a broad group of people – working together to serve their communities and get the job done.

Thank you, Senators.

We welcome your questions.