Senate Estimates – Opening Statement
Australia Post – Group CEO & Managing Director
4 April 2019

Thank you.

First, I would like to acknowledge the recent conclusions from the Safety Rehabilitation and Compensation Commission (SRCC), the regulator who oversees our self-insurance licence.

In 2016, a former Australia Post Manager alleged that Australia Post had deliberately misreported safety compensation claims in the 2013 & 2014 financial years to achieve targets, which would then enable them to secure financial bonuses.

Last December the SRCC Chair asked me to conduct a further investigation.

This identified evidence that there were delays in approving some workers' compensation claims in the 2013 and 2014 financial years.

The investigation did not identify that the delays had materially impacted any manager's bonus or resulted in any employee being financially disadvantaged. Those employees who required treatment did obtain the requisite care.

We have recently completed a detailed audit of our facilities and this has given me confidence this issue is not systematically ongoing.

We have informed the former manager and let him know the outcome of our investigation.

We have been notified of additional conditions to our licence for a period of 3 years. I have written to the SRCC and accepted all of their conditions and given them my personal commitment we will make every effort to conform.

In February, we announced our Half-Year results, earning a revenue of $3.6 billion, flat with last year. Our profit was $136 million, down 36% year-on-year, but masking some significant changes in our business.

In the first half Group Parcels had strong growth of 9%, adding $35m to our profits.

Our domestic parcel business is growing at an enviable rate of 10%, twice the rate of our closest competitor, and 5 times the rate of GDP.

But this is not enough to sustain our losses in letters.

For the first time in our 210 year history we are now facing a period of double digit volume and revenue declines in letters. Letter revenues were down 10%, or $120m, in the first half, and Letter profits went down $101m. This loss is expected to increase to almost $150m by year end, compared to a $5m loss last financial year.

This loss is after the benefit of 45% of our parcels being carried by our posties, up from about 35% a year ago. The transfer of more parcel delivery to our posties resulted in a further $50m benefit this year alone.

Letter service costs creep up by $50m each year reflecting EBA wage increases and delivering to 200,000 new homes each year. Yet our volumes and revenues go down. This year the decline in letters volumes alone causes a $180m profit fall, which means we need to cover a $230m gap on letters, alone, to stand still.

The cost of providing our CSO cost us $400m last year and we estimate this will be $450m this year. Included in this are the losses on receiving inbound letters and packets from overseas; this was $100m last year, we are hoping this will be reduced to a $60m loss this year.

We are actively trying to reshape our cost base whilst protecting and building important services and we are still forecasting that we will be reporting a small profit when we announce our full-year results.

On the positive side, we have now secured 56 financial institutions to our new Bank@Post service signing for 3- or 5-year commitments. I remain very appreciative of the support of CBA, Westpac and NAB.

Their help has enabled us to rollout new technology across the Post Office network, which very soon will enable us to open and close accounts for them as well as withdraw, deposit and pay.

In February we concluded our new agreement for our Licensed Post Office partners, the first in 26 years, reflecting the changing role of the post office. The agreement includes increased rates for handling parcels, financial transactions and our minimum payment is up 25%.

We have also concluded in the period both transactions in connection to our Middle-East partner Aramex. The first involved taking back over 100% control of AGS, this will become our international commercial arm. We have also successfully sold our 10% stake in the parent Aramex, putting $230m cash back in our bank and reducing our debt. Together, the transactions make a small profit.

We have invested significantly in our infrastructure, enabling us to process 44,000 more parcels an hour in peak, trial 500 more postcodes for Express Post and, of course, our new facility in Redbank, Queensland, which will be ready in November. It is the size of 10 rugby league pitches, and it will create new jobs and support continued, important growth.

Finally, our people. I would like to thank and recognise them for their nothing-short-of-heroic actions as they delivered through hail storms, floods and bushfires. I would also like to recognise our Union leaders for both enabling our employees from different sites and unions to work together in the interest of serving these communities in crisis and for working with management to trial our One Network program.

Thank you.