

Mr Paul Graham
Group Chief Executive Officer and Managing Director
Australia Post

Opening Statement
Budget Estimates 25 May 2023
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Thank you Chair and Senators.

My name is Paul Graham, I am the Group Chief Executive Officer and Managing Director of Australia Post, and I am joined today by Tanny Mangos, Executive General Manager Community, Sustainability and Stakeholder Engagement and Nick Macdonald, our Group Corporate Secretary.

I would like to start by acknowledging the traditional custodians of the Canberra region, the Ngunawal and Ngamberi peoples and pay my respects to their elders past and present.

I thank the Committee for the opportunity to provide this opening statement.

A great deal has happened since I last addressed this committee, with the Government announcing a consultation and discussion paper on the modernisation of postal services.

We welcomed this initiative, as Australia Post has been in decline for the past decade, and we cannot allow this to continue – a message you have heard many times from me.

As you know Australia Post will record a financial loss for the first time since 2015. Our letters business has already posted a \$189.7 million loss for the first six months of this financial year.

The business is spending more and more money to deliver fewer and fewer letters. The average household today receives around two letters per week, and collectively, households send less than three per cent of all mail and that is mainly greeting cards.

We are also seeing declining foot traffic across our Post Office network as digital services replace over the counter transactions and more and more people choose to use flexible collection options such as our parcel lockers.

Digitisation is being driven not only by corporate entities but also by every state and federal government actively encouraging people to move to digital platforms – and away from the over-the-counter services that Australia Post provides.

It's a stark message, but without change to the way we operate, Australia Post's long-term viability is at risk.

The imperative for change is clear. We are currently governed by the *Australian Postal Corporation Act 1989* - an instrument legislated before the internet boom and the creation of smart phones – when letters were the dominant form of communication, online shopping was a concept yet to be discovered and digital service-provision largely did not exist.

The performance standards, issued a quarter of a century ago, are no longer fit for purpose for Australia Post or for the customers and communities we serve each and every day.

We now operate in a fiercely competitive environment with the vast majority of our revenue open to foreign, private equity and other forms of intense competition with deep pockets for investment.

Our financial viability is important because, unlike our competitors, Australia Post is owned by the Australian taxpayer – but not financed by taxpayers. We are entirely self-funded. When our business is profitable, we return a dividend to Government and continue to invest in the country. However, when we run at a loss there is a risk of needing taxpayer support.

We're proud to be a self-funded public enterprise and we want to – and can – remain that way.

We have seen the ramifications play out overseas when postal operators don't get the reform they need. Just look to Royal Mail's recent \$2-billion loss announced last week and Canada Post's losses of more than \$500 million.

This should not be our story. But it could be without the change required.

We want to keep delivering essential public services to Australian communities and businesses – without taking a cent from consolidated revenue. That is funding that should go to schools and hospitals, not Australia Post.

There have been many reviews of Australia Post over the past 10-years. And we do not need any more to repeat the same fundamental message - we must change, or we will become a significant drain on the public purse.

However, it will take the commitment and goodwill from the parliament to support the changes necessary to deliver a sustainable future.

We want to keep Australia Post strong for all Australians, especially communities in rural and regional Australia. We want to continue to deliver and see our posties in their neighbourhoods, but with much needed flexibility in what and how we deliver.

We are not sitting on our hands as the unstoppable forces of digitisation and eCommerce change the way we operate.

We are adapting the shape of our business while continuing to invest in our infrastructure and services, so we can keep meeting the changing needs of our customers and the community.

We have invested more than \$1 billion over the past three financial years in new delivery infrastructure and systems to delight our customers. We want to keep investing but to do so we must remain financially viable.

We have developed and are implementing our new Post26 strategy, designed to set us up for long-term success as a modern, eCommerce, digital, retail and mail business. We are making good progress readying our business for the future. But given the scale of change required, we cannot do it on our own.

Australia Post is one Australia's most trusted brands and is – and always will be – an essential part of our community. This is especially true in regional and rural Australia.

Our Post Offices cover every corner of this great country and our workforce of more than 65,000 direct and indirect team members reach out and literally touch every household in every city, suburb, and town.

We deliver countless services – via our Corporate and Licenced Post Offices and Postal Agents.

Often, we are the last outpost in many communities for everything from banking and insurance to money transfers, applying for passports and tax-file numbers and a myriad of other essential services.

Australia Post's submission to the *Bank closures in regional Australia* Inquiry, highlighted the critical role we play in regional and rural Australia, servicing around 1,150 regional communities that have a Post Office, but no nearby bank branch. We recognise the opportunity to work more closely with banks exiting communities to provide a better customer experience and are working to do just that. Bank@Post is now available to customers of 81 financial institutions nationally.

We are the backbone of the digital economy – especially Australia's \$67 billion online retail industry, delivering over 500 million parcels in FY22.

And we give back to the country through initiatives and partnerships such as the Indigenous Literacy Foundation, Foodbank, Beyond Blue, DeadlyScience, the Australian Red Cross, the Big Issue and WWF Australia. Additionally, Australia Post's Local Business Heroes program recognises and rewards 100 small businesses across Australia.

Australia Post also supports numerous other local and national programs that matter to us, and matter to you, through our community grants program, which earlier this month saw 438 community groups and not-for-profits sharing in over \$400,000 in grants. And just last week, Australia Post issued its first-ever sustainability bond, raising \$100 million to help deliver on a range of environmental and social initiatives.

Make no mistake, Australia Post is an essential service, for the community, for businesses and for every Australian. That is why we need to change now to guarantee our future.

As a self-funded Government Business Enterprise, we remain focused on strengthening the business so that we can continue delivering for the community, and this means adapting to meet the challenges facing us. We look forward to continuing to serve and help deliver a better tomorrow.

I would now like to table this opening statement. Thank you.