

# Department of Finance

## Response to Question on Notice

### SENATE ENVIRONMENT AND COMMUNICATIONS REFERENCES COMMITTEE

#### Inquiry into Australia Post

Hearing of 27 April 2021

#### Written Question on Notice 1

The Department of Finance submission, page 3, states “The BCG review was used to inform Government’s consideration of Australia Post’s request for temporary regulatory relief in response to COVID-19’, and that this relief allowed for:

- a. alternate day letter delivery model in metro areas without changes to delivery frequency in rural, regional and remote Australia;
- b. suspension of the regulated priority letter service;
- c. extensions to maximum delivery times for regular intrastate letters, and
- d. for post office closures, if required.

If the BCG review informed Government’s decisions, does that mean that these cuts to services were being considered by Australia Post and the Government prior to COVID-19?

- a. What would be the effects of these measures on rural and regional Australia, even though these areas were to have their services protected, if metropolitan areas were being affected by these reductions in services? Surely there would have been flow-on consequences for the regions.
- b. Did either the Minister for Finance or the Communications Minister ever receive a Ministerial briefing, either verbally or written, on the secret BCG review? If so, when?

#### Response

The *Review of Australia Post* by the Boston Consulting Group (BCG) was focussed on enabling Australia Post to operate as a sustainable and fit-for-purpose service provider, in anticipation of trends that were expected to continue over many years. COVID-19 however resulted in a sudden and significant impact on Australia Post’s operations. The sustainability of the business during this time was a key focus for Australia Post and for the Government. The consumer and business behavioural changes observed at the start of the COVID-19 pandemic accelerated the pace of change, at a magnitude equivalent to several years of change. While this was consistent with some of the trends that were anticipated by BCG, COVID-19 entailed additional unanticipated impacts such as severe disruptions to air and road freight networks.

The BCG report considered reform options, with a view to preserving Australia Post’s services in regional and rural Australia. Reform options relevant to the temporary regulatory relief decision only, involved geographically targeted setting changes that would affect metropolitan operations, specifically temporary amendments to letter delivery frequency only in metropolitan areas. Efficiencies achieved in metropolitan areas have helped sustain Australia Post’s ability to maintain services in regional and rural Australia.

One consequence from shifting resources from the metropolitan letter network into the nationwide parcel network, is that Australia Post has invested in a number of new sorting and processing facilities in regional Australia. This investment has created jobs and local business opportunities. Regional areas are benefiting from a stronger parcel network that is keeping pace with demand for online sales.

The Minister for Finance and the Minister for Communications received written and verbal briefings throughout the period of the *Review of Australia Post*, from November 2019 to February 2020.

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## Response to Question on Notice

### SENATE ENVIRONMENT AND COMMUNICATIONS REFERENCES COMMITTEE

#### Inquiry into Australia Post

Hearing of 27 April 2021

#### Written Question on Notice 2

Did the BCG review make any recommendations or suggestions relative to services, post offices, or employees in regional and rural Australia? If so, what were these?

- a. Does the Department support these recommendations or suggestions?

#### Response

The BCG report considered reform options, with a view to preserving Australia Post's services in regional and rural Australia. Reform options relevant to the temporary regulatory relief decision only, involved geographically targeted setting changes that would affect metropolitan operations, specifically temporary amendments to letter delivery frequency only in metropolitan areas. Efficiencies achieved in metropolitan areas have helped sustain Australia Post's ability to maintain services in regional and rural Australia.

In relation to any further detail, on 20 July 2020, the then Minister for Finance made a claim for Public Interest Immunity regarding the *Review of Australia Post* by the Boston Consulting Group. The Review was undertaken to inform considerations of government and formed part of Cabinet deliberations. It is a longstanding practice not to disclose information about the operation and business of the Cabinet, as to do so would potentially reveal the deliberations of the Cabinet which are confidential.