

**Senate Environment and Communications References Committee
Australia Post inquiry**

Responses to written questions from Committee Chair

Question	Response
<p>Please specify the recent work that KordaMentha has undertaken regarding Australia Post (from 2017) including:</p> <ul style="list-style-type: none"> - whether this work was commissioned by Australia Post, shareholder ministers and/or departments; - terms of reference; - timeframes for projects; - costs—including whether these were paid by shareholder departments or Australia Post; - a list of products provided to shareholders and/or Australia Post from any projects undertaken, and copies of these products; - the key findings, reform options and/or recommendations. 	<p>In the time available an internal review of files has identified the following engagement –</p> <p>Australia Post engaged KordaMentha from March to May 2019 to assist in transformation of the cost base and identification and implementation of sustainable savings focused on the corporate centre. The terms of reference for that work were as follows:</p> <p>Phase 1</p> <ol style="list-style-type: none"> 1. Participate in the development of material for the 2019 Board Strategy Day relating to the scope, process and turnaround principles to be applied in transforming Australia Post’s cost base 2. Corporate Centre: Following the 2019 Board Strategy Day, a rapid eight-week program, focussed on the Corporate Centre, to identify sustainable cash savings of \$20 million p.a. annualised for FY20. This will include: <ol style="list-style-type: none"> a. Undertaking a current state stocktake – review of current and past Company analyses and financial reporting to inform and expedite the workstreams necessary for the sustainable cash focussed transformation of the cost base. b. Review of Australia Post’s profitability model and cost allocation model on both a full cost (the Enterprise profit model) and margin basis. 3. Corporate Centre: Following the rapid eight-week program, by 30 June 2019, support the Company to implement the action plans to achieve the annualised sustainable cash savings of \$20 million p.a. <p>Phase 2</p> <ol style="list-style-type: none"> 1. Further workstreams (as agreed with the Company) to achieve the subsequent sustainable transformation of the cost base. <p>The work involved a number of collaborative discussions over a series of weeks and key products provided, which documented key outcomes and findings from the work, were a jointly-produced summary report on corporate centre savings initiatives and an overview report on profit reporting models. The cost of the work was approximately \$965,000 excluding GST, paid by Australia Post.</p> <p>Australia Post engaged KordaMentha from April to June 2018 to assist with commercial advice on out-of-home advertising opportunities. The scope for that work was to undertake a comprehensive commercial assessment of available assets and provide advice to Australia Post on the likely value and saleability for out-of-home advertising (eg digital media screens and on-vehicle advertising). The work involved an initial identification of the universe of assets; asset specific considerations; and recommendations and next steps. The key product provided was a report, which identified some immediately addressable opportunities and other opportunities requiring further concept and operational development. The cost of the work was approximately \$85,000 excluding GST, paid by Australia Post.</p> <p>Australia Post engaged KordaMentha from December 2018 to May 2019 to assist with considering the merits of establishing a property trust. The terms of reference for the work included consideration of establishing a property fund, including: available structures; legal and operational frameworks; ownership and control options; process; market conditions; and analysis of advantages and disadvantages. The key product provided was a report, which identified that Australia should resolve its future demands of a fit for purpose postal network (in the context of the context of increasing parcel volumes and declining letter volumes) given changing community expectations, and address the legacy regulatory framework, before determining the most appropriate way to manage its real estate portfolio. The cost of the work was approximately \$44,000 excluding GST, paid by Australia Post.</p>

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	<p>Australia Post has also identified three other engagements of KordaMentha in recent years (summarised below) but, in the time available, has been yet unable to collate documentation to confirm the particular terms of reference, products provided, or any key findings, options or recommendations of the engagements. The below summary information is provided in the interests of assisting the Committee, and Australia Post would be happy to undertake further inquiries at a later stage if the Committee considers doing so would assist with its inquiry.</p> <ul style="list-style-type: none"> • work undertaken between November 2018 and May 2019 relating to Australia Post’s property strategy, of approximately \$87,000 cost excluding GST, paid by Australia Post; • work undertaken between January 2019 and April 2019 relating to Brisbane GPO redevelopment considerations, of approximately \$31,000 cost excluding GST, paid by Australia Post; and • work undertaken between March 2019 and September 2019 relating to a review of retail assets, of approximately \$50,000 cost excluding GST, paid by Australia Post. <p>The products provided in relation to these engagements contain a significant amount of commercially sensitive information. Disclosure of that information could cause commercial harm or disadvantage to Australia Post by impacting on its ability to compete in highly competitive markets. Australia Post would prefer the products not be tabled unless the Committee considers doing so absolutely necessary for the purposes of the inquiry. In that situation, Australia Post also proposes that content that is commercially sensitive be redacted and/or any content that is tabled not be published by the Committee.</p> <p>Questions about any engagements undertaken by any third parties should be raised with those parties.</p>
<p>Regarding secondments. Have there been any Australia Post secondments to work with third-party consultancies on structural reviews or other projects (particularly those discussed in evidence: BCG, PwC, McKinsey and KordaMentha)? What officers, level and time seconded? Similarly, have there been employees of these companies seconded or embedded in the department/Australia Post over this time?</p>	<p>On secondments of Australia Post personnel – in the limited time available Australia Post has not been able to identify employees being seconded to work with third party consulting services providers on structural reviews or other projects (particularly those referred to in the Chair’s question).</p> <p>On secondments of personnel to Australia Post – Andrew Parker, of PwC Australia, was seconded temporarily to the role of Acting Executive General Manager International Services between January 2018 and July 2018 while recruitment for a permanent incumbent took place. This secondment is recorded in prior Australia Post annual reports, as follows:</p> <ul style="list-style-type: none"> - Australia Post’s 2018 Annual Report: https://auspost.com.au/content/dam/auspost_corp/media/documents/annual-report-2018.pdf; - Australia Post’s 2019 Annual Report: https://auspost.com.au/content/dam/auspost_corp/media/documents/publications/2019-australia-post-annual-report.pdf; and - Australia Post’s 2020 Annual Report: https://auspost.com.au/content/dam/auspost_corp/media/documents/2020-australia-post-annual-report.pdf. <p>On personnel being embedded in Australia Post – from time-to-time, and in the interests of supporting collaborative work, personnel of consulting services providers spend time working at Australia Post offices – a common occurrence throughout industries. Providing specific information about all such instances would require a substantial diversion of resources.</p>