

10 May 2021

Mr Stephen Palethorpe
Secretary
Senate Environment and Communications Legislation Committee
By email: ec.sen@aph.gov.au

Dear Mr Palethorpe,

Boston Consulting Group (BCG) Inquiry hearing 3 May 2021 – Questions on notice

On 3 May 2021, in my capacity as Managing Director & Senior Partner, I appeared with other BCG representatives as witnesses before the Environment and Communications References Committee (Committee) in connection with the Australia Post inquiry. Please find on the following pages our responses to questions taken on notice during and after the hearing.

Sincerely,

Miguel Carrasco
Managing Director & Senior Partner

- 1. On how many occasions did BCG meet with the board of Australia Post or parts of the board during the course of the review into Australia Post? How long were each of these meetings, on what dates did they take place, and who from Australia Post attended?**

BCG met with the board of Australia Post, including the chair, once during the course of the review. The meeting took place on 20 February 2020 from approximately 4:00-5:30pm and was part of a longer Board meeting that day. Ms Christine Holgate, CEO of Australia Post attended the meeting. This was an Australia Post board meeting and we would refer queries regarding other Australia Post attendees, to Australia Post.

BCG met with the chair of the board of Australia Post, Lucio Di Bartolomeo, on one other occasion. This meeting took place on 4 February 2020 from approximately 9:00-10:00am. Ms Christine Holgate attended from Australia Post.

BCG did not otherwise meet with the board or parts of the board.

2. **On how many occasions and for how long did BCG meet with the chair of the board of Australia Post separate to the wider board?**

BCG met with the chair of the board once separate to the wider Board. This meeting took place on 4 February 2020 from approximately 9:00-10:00am. Ms Christine Holgate attended from Australia Post.

3. On how many occasions did BCG correspond or receive correspondence from the Chair of Australia Post during the course of the review into Australia Post?

There was no correspondence sent or received between BCG and the Chair of Australia Post during the course of the review.

4. **What date was the BCG report into Australia Post finalised, and has BCG shared the final version with the chair or any members of the board of Australia Post? If so, on what date was the final version shared? Alternatively, is BCG aware if either of the shareholder departments shared the final version with any representative of Australia Post.**

The report was finalised on 21 February 2020.

BCG did not share the final version with the Chair or any members of the board of Australia Post.

BCG shared the final version with the Shareholder Departments on 21 February 2020.

The Shareholder Departments gave evidence to the inquiry that the final version of the report was shared by the Department of Finance with the Chair and CEO of Australia Post on 21 February 2020.

5. What were the names of the members of the “working group” with whom BCG worked during the review?

Australia Post mobilised a “working group” consisting of staff who provided Australia Post data and feedback to BCG throughout the review.

Members of the working group visible to BCG during the review were:

- Rodney Boys (then CFO)
- Andrew Smart (Head of Strategic Planning)
- Kristian Imbesi (Head of Board & Shareholder Liaison)
- Jon Bell (Head of Strategy, eCommerce Delivery)
- Makarla Cole (General Manager, Customer Strategy & Portfolio Development)
- Simon Cammell (General Manager, Group Finance)

It is possible that other Australia Post staff were involved by Australia Post in the “working group” of whom BCG were unaware. BCG does not have a formal record of the membership of this group.

6. **Did any BCG staff who previously served as political staffers work on the review of Australia Post?**

No.

7. When did BCG sign the contract for the review in 2019?

25 October 2019.

8. What were the accumulated hours that BCG spent on the review?

BCG does not bill by the hour and so does not have this information. Approximately 25 employees at BCG worked on the Australia Post review over a period of almost four months. This included a core working team of 10 BCG consultants, and a broader supporting team consisting subject matter experts, researchers, knowledge team members and other support staff.

9. What was the profit that BCG made on the Report?

BCG's profit is only calculated at an aggregate level on an annual basis, not per individual review.

10. Do Corporate Post Offices represent 26% of all post offices in Australia?

At the time of BCG's review, Corporate Post Offices represented approximately 16% of all post offices in Australia, and the potential closures of loss-making, overlapping metropolitan Corporate Post Offices that exceeded the regulated service levels represented up to approximately 2-4% of all post offices in Australia, depending on the option taken up, if any.

11. Did BCG receive any emails or other correspondence from government ministers in relation to whether the report would remain confidential or not?

No.

12. Did BCG look at the remuneration payouts made to executives?

BCG looked at many inputs and data sources from Australia Post during the review including more than 500 different sources of information and data related to Australia Post's business and operations. This included the remuneration paid to Australia Post's Executive Leadership Team (CEO and direct reports of the CEO), but not any other executives or staff.

BCG did not look at gifts or other benefits.

13. Did BCG consult with the licensed post office owners, and, if so, did BCG consult with both the LPO Group and POOAL?

No.

BCG did read and take into account the outputs of stakeholder consultation exercises that had been undertaken by Australia Post, Shareholder Departments and others in Australia and abroad, including from prior engagement with licensed post office owners.

BCG did advise, that should Government and Post wish to proceed beyond the review, any next step would involve discussion, input and consultation with a wide range of stakeholders, including representatives of licensed post office owners.

14. Which new analyses BCG do that had not been done before by Australia Post or Shareholder Departments?

BCG produced analyses and options that we understand had not been previously undertaken or had not been undertaken with data relevant at the time of the review.

Examples include:

- Detailed analysis of opportunities for Australia Post to partner with Services Australia and other agencies to deliver vital services, particularly in regional and remote communities;
- Detailed analysis of the financial and non-financial implications associated with a broad range of potential reforms to the Letters business and related regulations, informed by analysis and benchmarking of global postal peers;
- Detailed analysis of potential volume decline scenarios for Australia Post's letters business, including multi-variate regression modelling informed by analysis and benchmarking of global postal peers;
- Detailed analysis of potential elasticity of letters volumes to price and service standards, informed by the outputs of prior consumer research;
- Detailed analysis of Australia Post's capital structure, debt obligations, historical and forecast profitability, and return on equity, including benchmarking of these and other performance indicators against global postal peers;
- Detailed geospatial analysis of post office network to enable informed decisions about changes to the size and composition of the network, including opportunities to grow the network in certain areas and opportunities to redistribute revenue to Licensed Post Offices;
- Detailed analysis of threats and opportunities for the Parcels business, including the threats and opportunities posed by Amazon informed by global case studies and expert interviews, and benchmarking of Australia Post's capital investment and unit cost levels to other global parcel operators;
- Detailed analysis of opportunities to reduce corporate centre costs, including granular diagnostic analysis and benchmarking of corporate headquarters costs against relevant benchmarks; and
- Detailed analysis of the opportunity for Australia Post to continue expanding its delivery of in-person financial services in regional and remote communities, including analysis of the regional banking sector and forecasting of the potential decline in bank branch and ATM availability in such communities.

15. How many projects has BCG undertaken for the Australian Government?

Please refer to AusTender for details of BCG's prior projects for the Australian Government.

16. How was BCG approached to undertake the Australia Post review? Did BCG tender for the project?

BCG was invited to respond to Request for Quote FINCD201910 under the Business Advisory Panel SON3305648. The procurement method was a competitive open tender.

17. When negotiating the contract to undertake the review, did BCG have connections with any members of the Australia Post board or executive staff?

No.

18. How many employees at BCG worked on the Australia Post review?

Approximately 25 employees at BCG worked on the Australia Post review. This included a core working team of 10 BCG consultants, and a broader supporting team consisting of subject matter experts, researchers, knowledge team members and other support staff.

- **(a) How many of those employees were former federal or state public servants?**

One BCG team member had previously worked for the Department of Defence.

- **(b) How many of those employees were former political staff?**

None.

19. Were there any terms of reference that applied specifically to services or post offices in regional, rural and remote Australia?

No.

20. Were any instructions outside of the terms of reference given to BCG that may have influenced the options presented in the final report?

No.

21. What level of involvement in informing the review did the following stakeholders have?

(a) The Australia Post Board? Who were the Board members involved?

BCG met with the board of Australia Post, including the chair, once during the course of the review. The meeting took place on 20 February 2020 from approximately 4:00-5:30pm and was part of a longer Australia Post Board meeting that day.

BCG met with Lucio Di Bartolomeo, the chair of the board of Australia Post, on one other occasion. This meeting took place on 4 February 2020 from approximately 9:00-10:00am.

(b) The Australia Post executive staff? Who were the staff involved?

Australia Post executive staff were involved in Steering Committee meetings, working sessions and other discussions throughout the review. These executive staff included Christine Holgate (then CEO), Rodney Boys (then CFO), Ingo Bohlken (EGM Product & Innovation), Susan Davies (EGM People & Culture), Nicole Sheffield (EGM Community & Consumer), Gary Starr (EGM Business, Government & International), Bob Black (then Group COO), Phillip Dalidakis (then EGM Corporate Services) and Rod Barnes (EGM Deliveries).

(c) The Shareholder Ministers?

BCG met with Minister Fletcher (Minister for Communications, Urban Infrastructure, Cities and the Arts) on three occasions. Each meeting was approximately 30 minutes in duration.

BCG did not meet with Minister Cormann (then Minister for Finance).

(d) The Department of Finance and the Department of Infrastructure, Transport, Regional Development and Communications?

Staff from the Shareholder Departments were involved in Steering Committee meetings, working sessions and other discussions throughout the review.

(e) Australia Post stakeholders, including post outlets?

BCG engaged with a range of operational leaders and other staff from Australia Post's delivery, consumer, financial and identity services teams.

To avoid duplication, BCG did not engage directly with post office owners or staff during this review, but rather utilised the outputs of previous stakeholder consultation exercises that had been undertaken by Australia Post, Shareholder Departments and others in Australia and abroad, including from prior engagement with licensed post office owners.