



**Boston Consulting Group (BCG) Opening Statement to the
Senate Standing Committee on Environment and Communications
(Australia Post Inquiry)**

Chair, Senators, thank you for the opportunity to attend and contribute to your Inquiry.

My name is Trish Clancy and I led the BCG team that undertook the review of Australia Post.

I am here today with my colleagues:

- Miguel Carrasco, who leads BCG's work with the Commonwealth; and
- Mark Watters, who heads our Public Sector Practice in Australia.

Can I say, first of all, we recognise that Australia Post plays a very, very important role in the lives of Australian communities, individuals and businesses, and we are committed to ensuring the long-term sustainability of Australia Post as a government business enterprise. BCG has always stated this, including in the Review, and we would like to re-state that again for the Senate today.

BCG has supported our clients in the public sector for many years under both Labor and Coalition Governments. In November 2019, the Commonwealth, through the Shareholder Departments of Australia Post, engaged BCG through a competitive tender process to undertake an independent strategic review. The review was publicly announced by the Minister for Communications, and concluded in February 2020, prior to the start of the COVID-19 pandemic or any knowledge of what effect it might have.

The Report that BCG produced through this Review is the property of the Shareholder Departments, and we understand remains subject to a public interest immunity claim. We are therefore only able to discuss today the Executive Summary that is already on the public record. As we noted in that summary, the Departments and Australia Post were aligned on a commitment to ensuring the business' ongoing, sustainable, self-funding delivery of relevant services to the Australian community.

BCG's report looked at the overall economics of the business, the trajectory of letter volumes, potential growth in parcels, ecommerce, retail and financial services, competitive dynamics in Australia Post's core markets, and more. We drew on the knowledge of our extensive network of local and global subject matter experts. We laid out detailed analysis of many aspects of the business. We canvassed a wide range of ideas and options for growth and efficiency and the related implications. We developed four potential reform paths, including some that we did not



recommend. We did this so that the Commonwealth and Australia Post would have the analysis to consider, should they choose to, in their ongoing efforts to strengthen the business.

Our report **did express a view** on some specific actions. These included that the Commonwealth and Australia Post should:

- Continue to invest in growing the parcels business to support eCommerce growth;
- Continue to invest in additional services and revenue growth, including growing financial, identity and other in-person services;
- Maintain the size of the Licensed Post Office network and arrangements with licensees;
- Maintain the size of the Post Office network in all regional and remote communities;
- Maintain regulated post office service levels in metropolitan areas, but within that consider closing *only* loss-making Corporate Post Office outlets that overlapped with other post offices, which would also improve the viability of Licensed Post Offices in those areas;
- Maintain a level of service for the Letters business that is fit-for-purpose, and begin a multi-year process to consider reforms that could assist the loss-making Letters business, though we did not specify what those should be; and
- Make some head office and other cost reductions that would not impact service levels.

Importantly, and for the avoidance of doubt:

- BCG did **not** recommend the privatisation of Australia Post as a whole, nor of its Letters, Parcels or Retail operations;
- BCG did **not** recommend the closure of any Licensed Post Offices, nor changes to Australia Post's arrangements with its licensees; and
- BCG did **not** recommend the closure of any post offices in regional and remote Australia.



Our review was broad in its focus and did not start with any preconceived answers in mind; and we were not directed to explore or reach any predetermined conclusions. We analysed and modelled the data we were provided by Australia Post, together with market data, Department data, and international experience. We extensively explored growth opportunities, including expansion of existing and new products and services, including financial services, and including in regional and remote communities across Australia. We also quantified potential cost efficiency opportunities, without saying how resources should be redeployed, as well as quantifying a range of potential regulatory reforms seen internationally. All of our work had the purpose that the Commonwealth and Australia Post might have a wide range of analyses to consider, to ensure a balanced path to long-term sustainability for Australia Post as a government business enterprise.

The BCG team received significant input from Australia Post executives, including the CEO, the Executive Leadership Team, and operational leaders within Australia Post. BCG also received input from the Departments of Finance and Infrastructure. Input took the form of workshops, conversations, data and working sessions. As I said earlier, BCG also analysed data and commercially confidential information provided formally by Australia Post through the process.

The BCG team met with Australia Post's Chairman once on 4 February 2020, and presented to the Board of Directors once on 20 February 2020.

All feedback was considered by the BCG review team, but the report remains the product of an independent review by the BCG team.

As I said at the start, Australia Post plays a very, very important role in the lives of all Australian communities, individuals and businesses. BCG has always been, and remains, deeply committed to supporting the long-term sustainability of Australia Post as a Government Business Enterprise, so that it may continue to play this important role into the future.

Thank you.