



Licensed Post Office Group Limited (LPOG)

Australia Post Inquiry

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VERSION – FINAL

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1. Introduction

LPOGroup is a Franchisees Association, established by Australia Post Licensees advocating for a profitable and sustainable community Post Office network. We are devastated to once again be appealing to the Senate Committee to intervene and remedy damaging management decisions that will again have dire consequences for the community Post Office network. We are grateful for the opportunity to be addressing our grave concerns now before the damage is beyond repair, instead of struggling on, for more years of decline, taking us again to crisis point.

LPOGroup represents many of Australia Post's Licensees of Community Post Offices, and the collective interests of all users of Community Post Offices across Australia, now and for the future generations of Australians to come.

Australia Post is an essential national icon, delivering Australia's postal services for our nation. The quality of the outcomes for the nation are very much dependent on quality management of Australia Post. It is essential for Australian communities to have a profitable, viable, sustainable, fit for purpose postal service, and it is also essential for the viability of our Community Post Offices, which are, in turn, so essential to our communities.

Additionally, it is also paramount for the 2,850 Licensees, predominantly Mum and Dad small business operators, who have a combined investment of an estimated \$3 billion being used by Australia Post to provide the infrastructure and accommodation for postal services to 80% of the nation's footprint. Since accepting the position of CEO in 2017, Christine Holgate has turned Australia Post from a marginalized and underperforming Organization, towards that much sought-after future, and we cannot afford, not should anyone expect, or accept that we must forgo that potential future. Under her direction it has been absolutely proven that with quality leadership Australia Post can successfully, and profitably serve, the nation, now and for the long-term future.

Licensees are the most heavily invested stakeholder group in this Corporation, and yet they have no formal, direct channel to have any meaningful input into any critical decision-making processes of the Board of Directors, or the Executive management teams of Australia Post.

Licensees have discovered to their historical peril, that relying on the advocacy of the Corporation's successive Shareholder Ministers, Board Members and Executive Management teams for their financial outcomes is the pathway to financial devastation.

In 2017, the day before Christine Holgate joined Australia Post, she accepted an invitation as Guest speaker to the LPOGroup AGM in Sydney, where she shared her vision for our shared future with over 150 Licensees. It was the first time Licensees had heard any Executive member of Australia Post genuinely express their belief that the Community Post Office network was one of the most valuable assets of the Organisation.

Christine Holgate received a standing ovation, with many tears from Licensees who dared to hope against hope that she might deliver on that vision. She shared a future that made sense to the group, the only reservation generally "if it sounds too good to be true, it probably is".

Christine Holgate was accessible, responsive, and solution driven. Her email contact and mobile phone number were listed in the contact details for Australia Post, and she is highly regarded for her commitment and follow through for Licensees, employees and customers and community members who contacted her directly, seeking her help with their issues.

Well within the first year, Licensees, employees, customers, and community members had been delivered of solid proof that “she said she would do it, and she did it!”.

One of the most important aspects of her management for Licensees, and especially for LPOGroup in our consultative processes, was the breaking down of the entrenched silo management strategy. The Organisation began a journey to a whole of business structure. It did not appear a solid directive, rather it seemed the perspective of the Organisation, from the top down, was encompassing all perspectives in moving forward. With the benefit of hindsight, this was probably the single most powerful change for Australia Post, and resulted in a strong and united workforce, manning the frontlines through the range of challenges across Australia, during the past most challenging 15 months.

Christine Holgate made us whole again. She gave us hope and confidence in our future.

It is yet another travesty of this sorry saga that within days of the CEO being stood down, the silos were being restored, albeit with a few back doors at present. Lines of effective communications, previously well used, have all but closed again, and despair and uncertainty have returned as a part of our everyday. It seems that our fears that the vision for our future might be “too good to be true” were well founded. It would have been disappointing for Licensees, but not altogether unexpected, if Christine Holgate’s expectations were overstated and she had failed to deliver.

Licensees are outrage over the potential loss of this exceptional CEO because, if anything, the past 3 years of her leadership have proven she understated her expectations. Licensees have been delivered of results, not ever envisaged under best case scenarios.

The loss of this exceptional CEO is all the more painful, not just for Licensees but for all stakeholders, because it was orchestrated, and enabled, by the very people charged to support this exceptional CEO, the Australia Post Board members. It is damning they did not stand and support her to continue to lead this Organisation into our highly desired future.

The lack of effective management beginning with the standing down of the CEO by Board Chair, and the Shareholder Ministers, have evidenced the total disregard for the overall stakeholder outcomes of the Corporation, and have confirmed Licensees’ very grave fears. It is essential that as a minimum result of this inquiry, independent and accredited Board representation, including for each significant stakeholder group, must be established to ensure events such as have occurred, cannot be repeated so easily.

LPOGroup is extremely concerned that without Christine Holgate returning as CEO, with her passion and commitment to Australia Post, we will again flounder. Likewise, LPOGroup fears that without her support and advocacy for the Community Post Office network, Licensees will again be disenfranchised, or at worst, disregarded again as we have historically been, since the inception of the LPO network in 1993.

We thank the Committee for the opportunity to make our submission to this inquiry.

2. What is Australia Post's Retail Network?

The Australia Post retail network has a number of distinct arms, including a separation between licensed Community Post Offices and their corporate counterparts. Currently, there are 3,550 Community Post Offices around Australia. Of these, 2,850 are family owned and operated by Licensees - 80 per cent of the network, predominantly in outer metro, regional, rural, or remote locations.

Community Post Offices range from very small sole trader operators, through to 6 terminal outlets servicing upwards of 1,000 customers per day, in busy metropolitan areas. Very small outlets are often in communities with populations ranging from 100 – 500 residents.

Many of these small outlets rely on the annual top up payment to reach the minimum payment arrangements under the LPO Agreement. The amount of annual top up payment is calculated to ensure, in addition to any earned income the Licensee will meet the minimum payment threshold of (currently) \$40,000 per annum. When a community Post Offices reaches an earned income greater than \$40,000 (including stock discounts) all top up payments cease, and the outlet is reliant solely on commissions and fees from customers using the outlet.

Community Post Offices owned by Licensees may be run solely as a standalone post office or in conjunction with another business such as a news agency, dry cleaners or convenience store. The products and services available from these outlets are generally the same as offered at corporately owned and operated outlets.

Licensees of Community Post Offices must provide the accommodation as required by Australia Post in which to operate the Post Office. The Licensees is responsible for accommodation costs, operating costs including all overheads and staffing cost.

Corporate post offices are owned and operated by Australia Post, staffed by employees of the Organisation. Australia Post is responsible for all accommodation, operating, overhead and staffing costs. Corporate Post Offices are usually located in major retail and CBD locations, and make up 20 per cent of the post office network (718 outlets).

There are also community postal agents (780) usually in very small, or isolated areas, usually sited in an existing building or established business. The CPA provides limited mail related services, including in many cases reduced hours of service. CPAs are included as postal outlets for the purposes of meeting the Community service Obligations.

A licensee is granted a license to use the Australia Post systems, manuals, trademarks and images in the operation of a community Post Office, at the nominated premises.

3. How Licensed Community Post Office Evolved

The Post Master's General department (telephony and post services) was established in 1809.

In 1975 it was split into Australia Post and Telecom (now Telstra), as telephone exchanges in Australia were increasingly automated.

Most communities had an official central Post Office, with smaller sub locations also staffed by employees of the PMG, known as non-official post offices. Operators of non-official post offices became 'Post Office Agents' (POAs) to reflect that they were now agents operating under an agency agreement of the principal, Australia Post. The non-official management process by Australia Post involved a cumbersome mechanism to calculate all work at a POA into "units" that represented one minute of work. For example, the sale of a postage stamp may represent half a "unit" while a passbook banking transaction 10 units. The total number of "units" over a year then forming the basis of payment to the POA, as well as Australia Post also providing paid assistants and accommodation/outgoings payments.

In 1989, under the Hawke Government, Australia Post became a statutory corporation or a government business enterprise.

Under the Australian Postal Corporation Act 1989, as advised by the Shareholder Ministers, Australia Post must operate as an independent Government Business Enterprise, both legally and financially separate from the Australian Government. The Corporation is responsible for the day-to-day running of the organization. As far as practicable, Australia Post is required to perform its functions in a manner consistent with sound commercial practice.

Australia Post would be entirely self-funding and use its assets and resources to earn profits, which can be reinvested into the business or returned as dividends to its sole shareholder, the Commonwealth Government. Under the ACT, Australia Post is required to meet its community service obligation by providing an accessible and affordable letter service across Australia.

In 1993, as part of a major change program called Retail Post implemented by Australia Post, the Licensed Post Office (LPO) Agreement replaced the former Post Office Agency Agreement.

The primary objective of the Retail Post program was to stem the losses of the Retail network. The program involved an expansion of the number of post offices and post office outlets, the conversion of many Corporate Post Offices into Community Post Offices, with the sale by Australia Post of the License to privately operate the Community Post Office as a Licensee under the LPO Agreement. The Retail Post program included the relocation of delivery services from high-cost Corporate Post Office retail locations in metropolitan and large provincial areas, to purpose-built Delivery Centers in lower cost locations.

It was a major factor in bringing the retail sector of the postal industry into modern business practices, including the sale of non-traditional postal products such as greeting cards, copy paper and other ranges of complementary products.

In 1996-97 Australia Post achieved a key five-year objective: its retail business became profitable for the first time - with a relatively small profit of \$18 million. This was mostly achieved by the increase in Billpay services, maintenance of Letter volume hence stamp sales and the downsizing and subsequent reduction in the high-cost workforce employed at corporate retail locations, in favour of the outsourcing of the outlets to Licensees, operating as small business owners with the subsequent reduction in direct costs to Australia Post.

4. Why Community Post Offices are Essential for Australia Post

The evolution of the licensed Community Post Office network has resulted in significant private funds, over the past 30 years, being invested by small business operators to provide the infrastructure for the Australia Post retail network. This allows Australia Post to meet its community service obligations, while maintaining the cost saving advantages of the Retail Post program established some 30 years ago, requiring minimal ongoing investment levels from the Corporation for the provision of infrastructure used for the retail footprint, and to generate profits for Australia Post, and dividends for the Governments of the day.

It is a travesty that Australia Post does not view the current payments to the Community Post Office network as a reflection of the cost savings made possible by the most cost-effective part of its Retail arm but continues to seek ways to minimise this perceived “expense”, while continuing to ignore its loss-making corporate retail outlets and the drain of its loss-making Letters business.

There is no doubt that many communities rely heavily on the Community Post Office for a large range of services, essential for the economic and social viability of their community. The past year alone has showcased the economic value of this network for the economy at so many levels. It has been a challenging time, with unprecedented bushfires, widespread flooding and now COVID.

Many of our communities’ members, and not just our elderly and vulnerable, are being isolated and left behind by the speed of the digital age when it isn’t part of their everyday life. Many people are being stripped of tens of millions of dollars by sophisticated and elaborate scams, by a range of approaches. The more businesses and service providers, both private and government, demand exclusive online interactions, where significant portions of our populations do not have the skill sets, the resources, or the ability to use that option, we are increasing that digital divide. Every Community Post Office, every day, is providing more and more guidance and support to our disengaged community members who have nowhere else to turn to for support. We are often the last service provider left.

It is imperative for all communities that we are maintained. The failure of the Post Office is a very real fear in most rural communities. Without a sustainable Post Office as the central hub for most communities, the communities most often fail to survive, and the subsequent economic impacts will eventually reach deep into all sectors of the social fabric of the communities.

It is not just the Licensees who lose their livelihoods.

5. The Historical Flaws in the Remuneration Arrangements for Community Post Offices

The 1993 LPO Agreement includes an annexure that is the generic payment schedule.

The document was drafted between 1990-1993 and sets out the Licensee payments for the range work and services provided by the Licensees. The payment methods fell broadly into 3 categories:

- flat rate annual fees for most mail related products and services,
- payments per transaction for most customer Over the Counter (OTC) products and services,
- % commissions on sale of goods and services.

In 1993, the backbone of the Licensees' income was generated by management of mail and delivery services, such as provision of PO Boxes, inbound mail for delivery to the PO Boxes, and outbound mail from the community into the mail stream. Non mail related OTC transactions and product sales were minimal in the traditional Post Office model, especially in 1993, as was the case in the infancy of the LPO network.

There was minimal provision made for the ongoing commerce of the LPO Agreement, and the index that was selected to provide for payment increases was the increase in the basic postage rate (BPR), the cost of the ordinary letter postage stamp. With the benefit of hindsight, this was a crippling decision for Licensees who had no control, or oversight, of this index. The control of the BPR is in the hands of the Board and Executive Team of Australia Post, and subject to the approval, or otherwise, of the ACCC, Shareholder Ministers and the Parliament.

There were no substantial mechanisms included in the terms and conditions, or payment arrangement, within the LPO Agreement to meet or address any significant future changes to the postal business. Yet the postal industry has changed remarkably since 1993. It is this omission that has allowed the ongoing exploitation of Licensees during the past decades, being held to a fixed remuneration for an ever changing and increasing workload.

The flat rate annual fees compounded the issue with no clear definition of what was, or was not, included in the workload for the payments. For example, 1 outlet may have been delivering 25 carded articles per **week** to their community members OTC, while another office may have been delivering 25 per **month**, yet both outlets received the same annual payment for the different workloads. This issue was replicated throughout the day for Licensees, and the more the postal industry evolved, the more inequitable the payments became.

Transactional based payments were based on simple, manual process, that were a small proportion of the workload for Licensees in 1993. By 2000, the Electronic Point Of Sale (EPOS) system had been introduced, and computer technology became the standard. OTC transactional payments increased dramatically. However, the payment per transaction was set to the work effort of the 1993 calculations, with the benefit of CPI index increases for this payment method, but the complexity of the transactions had escalated, the overheads costs associated with small business ownership far outstripped the CPI index increases, so most transactional payments failed to provide any cost recovery.

In 2001, with the pressure building by the oncoming digital disruption, the Board of Australia Post and the Executive Team adopted the business strategy to freeze the BPR in order to extend the life of the mail products. It is impossible to believe that the financial impact of this business strategy on the Licensee network, was not well understood by the Board members, Executive Teams, and the Shareholder Ministers. Yet there was no provision made to compensate Licensees or adjust the payment arrangements, and all appeals to do so were refused, citing the terms of the signed LPO Agreements which included the set 1993 payment arrangements.

The freeze on any increase to the BPR remained in place until 2011 with dire consequences for Licensees. For Australia Post, it was a successful strategy, and it did prolong the use of the mail products to communicate. It was not uncommon for every telco and credit card provider to send

addressed advertising or offers to every known address, every week, during this time. Hence the mail boomed, reaching the historic peak in 2008.

Unfortunately for Licensees, under the 1993 payment schedule annexed to the LPO Agreement, Licensees received a flat rate fee per delivery point (PO Box, counter delivery points) with a provision that a "review" may be conducted by Australia Post if every delivery point received more than 8 letters per day. The average mail per delivery point was 1.5 articles so for every delivery point to receive almost 6 times this average would be virtually impossible except in locations where there were very many businesses and very few private recipients. Again, no achievable provision was made to adjust the payment arrangements where the work had increased substantially but didn't meet the almost impossible criteria set out in the LPO Agreement and Australia Post refused to do so, citing the terms of the signed LPO Agreements which included the 1993 set payment arrangements.

To further compound the dire circumstances during this period, online shopping began to emerge, and many Licensees found themselves overwhelmed with inbound parcels for storage and eventual OTC delivery, and for PO Boxes. It was not unusual for outlets to be delivering 1200 parcels OTC per month, when they were delivering 25 per month only a few years before. Again, the 1993 flat rate fee provided a bonanza for Australia Post with the flat rate annual fee for delivery of carded article keeping the payment below even minimal cost recovery, linked to the BPR increases, so it had not increased since 2001. Adding to the financial stress for Licensees, Australia Post refused to remunerate Licensees for any parcels delivered via a PO Box address, using the annual flat rate fee for management of the delivery point and citing the terms of the signed LPO Agreements which included the set 1993 payment arrangements. This was in spite of the knowledge that Licensee were required to increase their accommodation space at their own cost to be able to store the much bulkier parcels until collection by the customer.

In 2008 the world economy experienced the GFC, and for many Licensees, the failure by Australia Post to amend the woeful commerce of the LPO Agreement payment arrangements, instead choosing to retain all profit from the pain inflicted on Licensees by the business strategies, and further compounding the pain by refusing to include Licensees in any distribution of the profits of the unexpected external parcels growth. This was soul destroying and bringing the network to its knees as costs and workloads for Licensees rose substantially during and post GFC, while incomes declined in real terms.

The busier we were, the more work we did, the more money we lost. It was akin to modern slavery, with the full knowledge of the Board of Directors, the Shareholder Ministers and the Government of the day. It was unconscionable.

It was a recipe for disaster for these small business operators and the onus, instead of Australia Post ensuring a viable community post office network, was placed squarely on the Licensees to prop up their failing Post Office with outside sources of revenue, either with in-conjunction revenues or additional personal funds.

Sustained efforts were made to highlight the issues and concerns, seeking remedies for the mounting crisis, with the only recognised industry body at the time, POAAL, Australia Post management, including at Board level, and with the Shareholder Minister, either directly or via state and federal politicians. The concerns were dismissed repeatedly by the Shareholder Minister. Australia Post enacted actions to any vocal Licensees not so dissimilar to that being experienced by Christine Holgate, but generally without any national media interest for the Licensee victims.

6. The Formation of the LPOGroup

Following the trend of failures and bankruptcies from the mid-1990s onwards to 2012, a substantial number of Licensees from communities across Australia were either insolvent, or very nearly insolvent, and the situation had become critical.

In 2012, in response to this critical need, the Licensed Post Office Group (LPOGroup) was established as a Franchisees Association. LPOGroup aimed to ventilate the rising concerns of the many hundreds of Community Post Office Licensees after more than 2 decades of systemic inadequate payments. Increasing numbers of Licensees were experiencing dire financial stress, failing to meet a wide range of current financial obligations, with estimations of upwards of tens of millions of dollars owing in unfunded contingent liabilities, and the perilous devaluing of the Community Post Office network by financial institutions as a direct result of Australia Post's management strategies.

Many Licensees had mortgages secured by their homes and their Licenses to operate the Post Office. The devaluation of the network was resulting in the direct withdrawal of finance for both existing and incoming Licensees. Many Licensees faced, or did experience foreclosures, with the common theme that the culture of Australia Post management towards Licensees was considered toxic, and therefore Licensees were viewed as toxic risks by financial institutions. A common reason provided during this period to Licensees facing withdrawal of credit terms was "the bank no longer had the appetite for our particular risk."

In 2005, more than 10 financial institutions offered finance secured against up to 60% of the purchase price (perceived value) of the LPO license. By 2012 there was no available finance options using the license to operate as security. The reason provided by most banks was the lack of confidence in the management strategies and future management directions of Australia Post in relation to Licensees. Terminations were rife, adding to Bank's concerns.

7. 2013-14 Senate Inquiry for Licensed Post Offices.

LPOGroup's calls for remedies or assistance for the looming crisis to the Board members, to both senior and middle management levels of Australia Post, to state and federal members of Parliaments, and the media gained little ground.

It is a credit to former Nationals Senators Ron Boswell and Barry O'Sullivan, an Independent Senator Nick Xenophon, who in response to sustained pleadings instigated the

Senate Inquiry in 2013:

Performance, importance and role of Australia Post in Australian communities and its operations in relation to licensed post offices.

https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/Australia_Post_in_Australian_communities/Report

A full cross-party Committee undertook the extensive investigation, taking the time to listen, understand and address the grave concerns being raised by Licensees for the economic survival of the Australian Community Post Office network.

The reasons for this appalling situation could be summarized as the LPO transactional driven payment scheme being based on simple manual processes that were a small proportion of the workload for Licensees in 1993. By 2012, the complexity of Over The Counter transactions (OCT) had escalated and the overhead costs associated with small business ownership far outstripped the CPI index increases, so most transactional payments failed to provide any cost recovery.

Additionally, Mail related payments, the backbone of Licensee income, were linked to increases in the Basic Postage Rate (BPR). These payments were basically frozen in time (from the early 1990s to 2011) by the decision of the Board of Australia Post and the Executive Team, in response to emerging digital disruption of the Letters business, to maintain and not increase the BPR in order to extend the life of the mail products.

The freeze of the BPR remained in place until 2011 and proved to be a dire outcome for Licensees. Once again, without the benefit of an increase to off-set the ongoing pressures of staff costs/personal income needs for small operators, CPI increases increases often failing to meet commercially based increases in accommodation, utilities, and many other financial obligations associated with small business management, these mail related payments increasingly failed to provide any cost recovery to the Licensee and instead became a source of cost rather than revenue.

Following the Senate Inquiry recommendations, together with ongoing direct oversight by the Senate committee, pressure was mounting to convince the CEO in 2015 to begin the necessary work to remedy the long-standing exploitation of almost 3,000 small business Licensees who have delivered the community service obligations of the government since 1993, on behalf of Australia Post, completely underfunded.

While the CEO made slight headway into the start of the reform process in 2015, it was lacklustre and without conviction. The Committee recommendations were largely ignored as there appeared to be a belief that Community Post Offices would eventually be replaced by the smart phone and the retail footprint would no longer exist in 5 years' time. Clearly, in 2015, the Board and CEO did not foresee the limits of the digital world outside of the CBD and metropolitan areas, the reduction of the banking footprint, and definitely not the pandemic that would disrupt the entire nation and change the fabric of our communities, possibly forever.

Despite all the work of the Senate Inquiry and the report to Parliament in September 2014, there still remains an open and often stated expectation from the community and politicians in general, that

Australia Post will always be funded if necessary, by the governments of the day, regardless of the failures of the commerce of the business.

Licensees have experienced the duplicity of that belief, to the peril of many failed and bankrupt Licensees, from the mid-1990s onwards until 2012, when we could ignore the obvious no longer. It was the learned experience that drove us to seek the 2014 Inquiry.

The actual reality is that if Australia Post were to fail, the government at the time might eventually be forced to support a minimal service as deemed absolutely necessary, and that would only be once every other avenue to downsize and divest itself of any responsibility to service our communities, had been taken up. It would not likely include any of the retail footprint.

Previous governments of both major parties, and Australia Post, have all stated that they have no obligation to provide a profitable business model, or financially support underfunded Licensees, to continue to operate community Post Offices. Historically, the onus has been placed squarely on the Licensees to prop up failing Post Office with outside sources of revenue, either with in conjunction revenues or personal funds.

Australia Post provides vital services to our communities. It is the cornerstone for most communities. The community's Post Office is the central hub for so much that keeps communities alive and thriving. The greatest fear most communities have is losing their Post Office. Australians in every corner of this country should have the right to services where they live, and most of these services are provided by the Community Post Office.

If the needs of our communities are so obvious to the community members, and the Licensees who operate community's Post Offices across Australia, it is absolutely confronting that this most important aspect of everyday life in Australian communities is treated with such disdain by the shareholder Ministers, the Prime Minister, and the Board members of Australia Post.

Licensees fear being back where they were in 2012. We must not allow that to happen. We cannot allow that to happen.

8. CEO Who Understands the Value of the Retail Footprint for Australia Post

Prior to Christine Holgate taking up her role as CEO/MD in October 2017, she contacted LPO Group and invited discussions around pain points that we would like to raise with her and her future management teams.

No1 on the pain point list was Banking for the majority of Licensees, (since being undersold by past CEOs in order to look to boost retail foot traffic) especially where there is a need to service business customers, and the not-so-tech savvy customers. The payments made per banking transaction were often far less than cost recovery, but refusal to provide the service disadvantaged our communities and failed to meet growing community expectations that were being built up by the departing banks as their alternative banking solution, as they increasingly left our communities.

By October 2018, the historical Bank@Post deal was put in place which effectively increased banking payments to community Post Office by 50%+. It cannot be understated how ground-breaking this outcome was for communities across Australia. Community Post Offices became the Nation's tellers and a viable banking alternative for over 70 financial institutions, including CBA, NAB and Westpac. ANZ refused to pay the fees and their customers no longer have banking access at any PO.

The deal secured by the executive team, led by Christine Holgate, provided \$220 million of increased revenue for Australia Post over 5 years. The single biggest external investment into Australia Post ever. It provided cost recovery and modest margins for most Licensees for banking services, partially, or fully funded POS technology for every community Post Office, contributed \$22 million in tax payments and took Australia Post from a loss-making position to a profitable enterprise.

It was also proof for Licensees that the new CEO, did listen, did understand, engineered solutions, and delivered results. That in itself is ground-breaking for Licensees.

The CEO understood, that outside of metropolitan areas, many communities rely heavily on the community Post Office for a large range of service, essential for the economic and social viability of their community, and it was imperative to improve and sustain the viability of this network.

No 2 on the pain point list was the long overdue overhaul of the payment agreement for Licensees. The first phase of the payment reform program was implemented on the 1 July 2019, following 18 months of extensive consultation and workshops with LPOG and a range of external 3rd parties to assist with the process, to ensure payment reform aligned more closely to sound commercial outcomes.

This first phase of payment reform implemented resulted in a shift in focus of most mail related payments, away from the previous heavy bias on the Letters side of the business and the link to the BPR, to that of the Parcels side of the business with new payments for work related to the booming parcels business. At last, there was an acknowledgement of additional work and subsequent increase in costs for scanning parcels that provided details of acceptance, awaiting collection, and delivery to senders and receivers, as well as the additional accommodation requirements, with associated costs, that comes with the inevitable increase in online shopping.

Phase 1 of payment reform also resulted in increased payments to Licensees, in excess of \$34 million dollars, for work performed to help service the growing parcel business. Australia Post had long expected most of the work to be increasingly performed by Licensees but had for almost 2 decades of increasing parcels business, refused to remunerate Licensees for any of the work, resulting in crippling underpayments when compared with the increasing cost to serve the parcel business.

Licensees were starting to see some of the expectations raised by the CEO in 2017 come to fruition. Compared to the previous CEO who was convinced the Community Post Office would be replaced by the smart phone by Year 2020.

The second phase of payment reform consultation was expected to commence in Feb 2020 but was understandably sent into delay by the challenges of the bushfire disasters, and then as COVID emerged. It was to progress in Feb 2021 but is again on hold due to the uncertainties surrounding the CEO. The acting CEO has not engaged with LPOGroup since taking the position, and there has recently been a short preliminary teleconference to discuss results of phase 1, and to potentially make some preparations for future progress of phase 2 with Nicole Sheffield, the EGM currently responsible for the retail sector.

Ongoing poaching and cannibalisation of the business was also very high on our pain point list. This long-standing vexing issue for Licensees has finally been addressed with the development, training and implementation, during the past 24 months, of the Local Business Partners Program (LBP). This ground-breaking (for Australia Post) strategy has enabled participating Licensees to increasingly engage with their local SME, as the local account managers for SMEs, instead of these customers being poached by corporate Australia Post by the inside sales force, and call centres, without the local touchpoints.

This is the single most innovative, professionally managed, and well-resourced program Licensees have ever experienced. Participation is open to all with the desire to achieve the outcomes. It is and will continue to transform the community Post Office network, while greatly improving the revenue opportunities for both Licensees and Australia Post. At the same time, it is enabling easy access for SMEs to highly skilled and motivated local business partners at the counters in their Community Post Offices, in communities all over Australia. Licensees have been beseeching Australia Post for decades to include Licensees, rather than exclude as has been the practice, in servicing business customers.

It is a win-win for all parties, but it took the vision of Christine Holgate to see that potential.

LPOGroup greatly fears the loss of this program under changed management.

There is no doubt that Christine Holgate has achieved outstanding success with her leadership of Australia Post. She has made huge inroads towards overhauling the toxic culture endemic within Australia Post, while uniting a very fractured and diverse workforce to work constructively, to grow the business, and seek new avenues and possibilities for future growth. She inspires with her leadership.

She had restored this business to a profitable position, against all expectations, and built a level of inclusivity and confidence in most stakeholders that has not been experienced before. The success included meeting unprecedented expectations of every community, in the face of almost every possibly obstacle, during COVID-19 and into the peak period. Her efforts on behalf of the Corporation are applauded by her workforce. Her efforts are also applauded by many others.

9. Licensees are not alone in our commendation of Christine Holgate.

Christine Holgate graced the cover of CEO Magazine – ironically, Sept/Oct 2020 edition:



The article is titled Australia Post's CEO Delivers: <http://magazine.theceomagazine.com/books/nxbb/>
<https://www.theceomagazine.com/executive-interviews/transportation-logistics/christine-holgate-3/>

Introducing new demands like sanitary workspaces and social distancing could well have been a serious blow to the organisation. That is to say, it could have been a serious blow if not for the leadership of Group CEO and Managing Director, Christine Holgate.

*Though Christine has only been with the organisation since the end of 2017, she's already had plenty of experience guiding Australia Post through dire straits. **Even with this competence,***

COVID-19 represented an entirely new challenge – 1.4 million more households shopped online in April when compared to the same month in 2019.

“Our strategy through this crisis has been simple and strong – to protect our people, serve our country, and safeguard our business,” Christine shares.

Thousands of small businesses have benefited from Australia Post services, and millions of transactions were enabled that otherwise would’ve been impossible due to lockdowns.

In the three months of March to May, the organisation contributed A\$1.8 billion to GDP, which supported the equivalent of 58,800 full-time jobs around the country.

COVID-19 may have caught the world off-guard, but the 211-year-old organisation has adapted quickly and competently.

“Just like each person’s experience is different, each organisation’s experience is different too – but it’s the sharing, the listening and the learning from those experiences that make us all better for them. Whether they be our business partners, our corporate partners, our posties, post office licensees, delivery drivers or unions, it all comes down to maintaining strong working relationships.”

ROBERT GOTTLIEBSEN



BUSINESS COLUMNIST

Australian Business Review October 27 2020

Hidden faces behind Christine Holgate’s Australia Post assassination

https://www.theaustralian.com.au/subscribe/news/1/?sourceCode=TAWEB_WRE170_a&dest=https%3A%2F%2Fwww.theaustralian.com.au%2Fbusiness%2Fleadership%2Fhidden-faces-behind-holgates-assassination%2Fnews-story%2F5c494ae95f03ebdaf32bb32c30304ffa&memtype=anonymous&mode=premium

“We have just witnessed one of the most successful CEO character assassination campaigns ever attempted in Australia. The target was in one of Australia’s best chief executives ---who happens to be female -- Australia Post’s Christine Holgate.” Australian Business Review December 22, 2020.

Christine Holgate mistake will haunt Scott Morrison

<https://www.theaustralian.com.au/business/leadership/christine-holgate-mistake-will-haunt-scott-morrison/news-story/2ad06e0e8940bdcf82a39d343c8>

“The report **praised the work of Christine Holgate** as CEO and was adamant that she did nothing wrong in purchasing the watches.”

*“it is a business that is taking on some of the world’s best parcel operators and **under Christine Holgate defeated them soundly**, adding billions to the worth of the business.”*

TERRY MCCRANN BUSINESS COMMENTATOR Australian FEBRUARY 28, 2021

Christine Holgate beefed up Australia Post profit and the veges are stewing

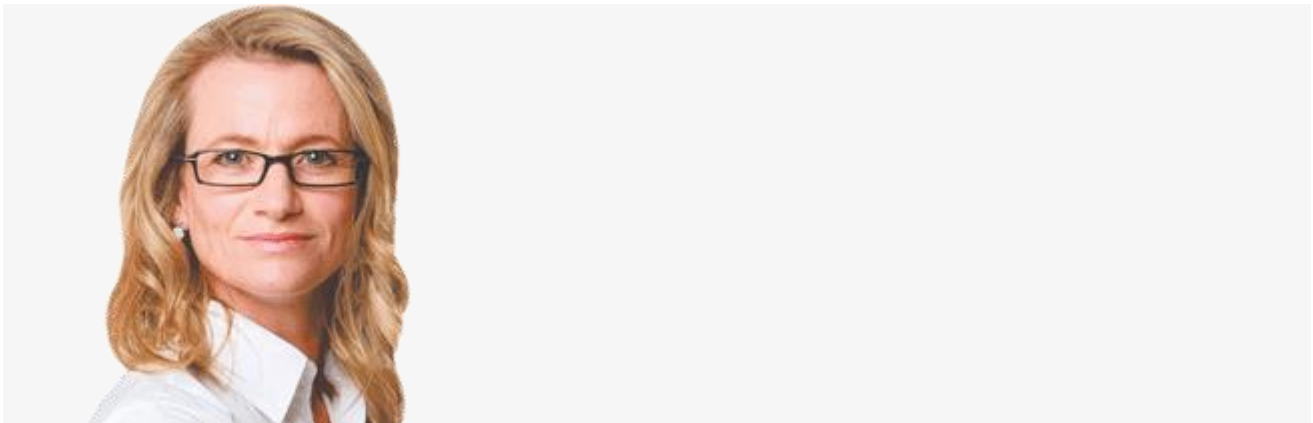
<https://www.theaustralian.com.au/business/christine-holgate-beefed-up-australia-post-profit-and-the-veges-are-stewing/news-story/75d3bdffd8838d346a285eee7011ad68>

*Clearly the AusPost results are **all down to Holgate’s leadership** – not just in the specific six months, during which she was CEO for the first four, but indeed the entire three years she was CEO, where she directly **built on the investment** in parcels by her predecessor Ahmed Fahour.*

***Thanks to her**, AusPost was mission-ready for the lockdowns opportunity – and **the tens of millions of profit that ensued**.*

*Indeed further, AusPost might now also be getting **significant bang from the deal she did** with the banks, which was the basis of the ludicrous hysteria over the \$20k of watches.*

JANET ALBRECHTSEN - COLUMNIST

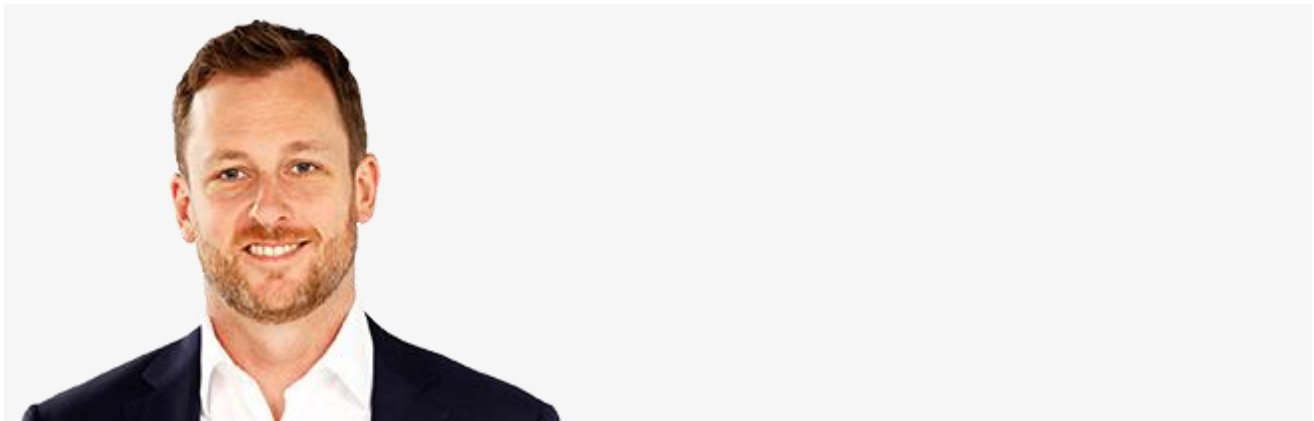


The darker and deeper side to the Holgate affair (January 30, 2021)

<https://www.theaustralian.com.au/inquirer/christine-holgates-watchgate-a-ticking-time-bomb-for-pm/news-story/ddcb38cfbd058299b10a8b562d0856fa>

“has far-reaching consequences beyond a clever woman leaving Australia Post.”

PETER VAN ONSELEN - CONTRIBUTING EDITOR OCTOBER 23, 2020



Contradictions of politics on display in Christine Holgate suspension

<https://www.theaustralian.com.au/commentary/contradictions-of-politics-on-display-in-christine-holgate-suspension/news-story/67aa3da3190156ad09d2e6ed307b5db2>

*The former CEO of Blackmores was a **star in that role** before moving to Australia Post, **delivering record profits and performance**. And since taking over Australia Post she has done exactly what she was asked to do: **turned around the financial fortunes** of the enterprise.*

James Thomson - Columnist



The five worst corporate stuff-ups in 2020 Dec 10, 2020

<https://www.afr.com/work-and-careers/leaders/chook-roast-s-drumstick-awards-for-corporate-calamities-in-2020-20201207-p56ld1>

There's no question there was something decidedly unedifying and unfair about the prime ministerial pile-on that former Australia Post chief executive Christine Holgate copped

The AFR View



Pub test absurdity Nov 3, 2020

<https://www.afr.com/politics/federal/pub-test-absurdity-20201103-p56b0w>

The idea of ethical standards of business behaviour being set in some mythical front bar reflects the shallowness of the populist attacks from both sides of politics that have cost Christine Holgate her job.

After stellar tenure at Blackmores, Ms Holgate has led the reinvention of publicly owned Australia Post as an e-commerce delivery service, improved its financial performance, and kept the mail running during the pandemic. It's not performance, nor probity, but politics that has forced her to quit.

Patrick Durkin and Tom McIlroy

Exclusive'Pile on': Business, political leaders defend Australia Post boss (Oct 30, 2020 – 7.00pm)

<https://www.afr.com/politics/federal/pile-on-business-political-leaders-defend-australia-post-boss-20201030-p56a43>

Influential business and political figures are rallying around Christine Holgate, with Australia Super CEO Ian Silk and former foreign minister Julie Bishop praising the Australia Post boss.

Mr Silk praised the former Blackmores boss "...someone who is one of the best and most successful executives in the country. Her ability to motivate and lead is exceptional...."

Ms Bishop described Ms Holgate as widely respected in corporate and political circles at home and overseas.

"I gained enormous regard for Christine's professionalism and integrity. In 2015, as Foreign Minister, I appointed Christine as the inaugural chair of the Australia-ASEAN Council which was established to promote Australia's business, education and cultural interests in south-east Asia.

"I was impressed by the high regard in which she was held within Australian business and government circles, but more particularly how well known and respected she was throughout our region."

Collingwood Football Club president Eddie McGuire and outgoing Blackmore's boss Marcus Blackmore are among high-profile defenders of Ms Holgate, describing her treatment as "disgusting" and over the top.

[news.com.au](https://www.news.com.au) (@newscomauHQ) tweeted at 0:20 pm on Fri, Oct 23, 2020:

Eddie McGuire works with embattled Australia Post boss Christine Holgate at Collingwood, and he's furious about the expenses scandal. <https://t.co/UuUZvvMmuW>
(<https://twitter.com/newscomauHQ/status/1319463553359773697?s=03>)

"Christine Holgate is one of the most impressive people that I have ever met," Mr McGuire told news.com.au. "Her absolute devotion to looking after people and getting an outcome is second to none. Her sacrifice is incredible."

Ben Fordham - Breakfast



<https://omny.fm/shows/ben-fordham-full-show/ben-fordham-slams-treatment-of-former-australia-po#sharing>

Andrew Bolt on Sky News

8,082 views Feb 24, 2021



sky news
skynews.com.au

[Sky News Australia](#)

1.35M subscribers

EXCLUSIVE: Australia Post boss Christine Holgate was ‘railroaded’ and wants her job back

Former Australia Post CEO Christine Holgate “never officially resigned” and wants her job back as the board and the Morrison government tries to “railroad her,” according to One Nation leader Pauline Hanson:

<https://youtu.be/oACIGwydfom>

Van Badham

Why do only women seem to take the fall in Australia when scandal breaks?



<https://www.theguardian.com/commentisfree/2021/mar/13/why-do-only-women-seem-to-take-the-fall-in-australia-when-scandal-breaks>

“...not only did it completely exonerate Christine Holgate but showed that the remarks of the prime minister to the parliament were simply wrong.”

OUTSIDERS’ NEWS: WHAT YOU NEED TO KNOW



<https://www.skynews.com.au/details/6227724567001?s=03>

Christine Holgate was “thrown under the bus” for the Australia Post Cartier watch scandal after a report found there were no violations of law or probity.

LinkedIn Corporation



Hundreds of comments have been posted by people from all walks of life.

Twitter



ablaze with condemnation @the removal of @C-Holgate





Madero

@fuwap15

Christine Holgate the former CEO of [#AusPost](#) , was unfairly removed from her position by the Morrison Government and subsequently exonerated by the Maddocks Report.

Should she now be reinstated?

[#auspol](#)

YES

97%

NO

3%

683 votes • Final results

10:03 am · 07 Jan 21 · [Twitter for Android](#)

[View Tweet activity](#)

74 Retweets **7** Quote Tweets **65** Likes



Phillip Coorey (@PhillipCoorey) tweeted at 7:17 am on Tue, Nov 03, 2020:
Friendless in federal politics, Holgate didn't have a chance <https://t.co/B63YTGBtXg>
(<https://twitter.com/PhillipCoorey/status/1323373782879199232?s=03>)

Imagine if, once in a lifetime a leader appeared that was devoid of spin & self interest, spoke the hard truth & got fantastic results not achieved by any before & included all stakeholders in the rewards of the organisation Should such a leader B thrown under a bus [#PassPubTest?](#)

LICENSED POST OFFICE GROUP ENDORSES CEO/MD CHRISTINE HOLGATE

Wednesday October 21, 2020 MEDIA RELEASE



P O Box 4195
SHELLHARBOUR
NSW 2529
www.lpogroup.com.au
1300 543 258

THE organisation representing the interests of more than 2,850 licensees of Australian Post's Licensed Post Office network has today pledged its strong support for Australia Post management and chief executive Christine Holgate.

In a letter sent to members of the Senate Environment and Communications Legislation Committee, executive director of the Licensed Post Office Group (LPOG) Angela Cramp endorsed Ms Holgate and the current Australia Post management for their commitment to growing the business and supporting essential reform.

“Christine Holgate is a unique leader that has breathed life back into Australia Post, and has brought her experience and expertise to this business to provide Australia with a viable, fit for purpose postal service,” Ms. Cramp said. “She is dedicated, dynamic and determined that this business can grow.”

MS Cramp, speaking on behalf of the LPOG Board and members, said it was astounding to see the current public criticisms of Australia Post leadership and performance.

“As the most heavily invested shareholder group in Australia Post - outside of the Federal Government - we find it alarming to witness what amounts to a campaign against Australia Post and Ms. Holgate,” Ms. Cramp said.

“The success of Australia Post is personal to Licensees; it is often our entire financial futures that we invest into purchasing and operating our LPOs. As we saw validated in previous Senate Committee inquiries, there is an overwhelming need for Australia Post to introduce significant reforms to meet the changing needs of Australian consumers and communities, incorporating the emerging digital options, while continuing to remain financially viable into the future. The current Australia Post leadership supports those reforms, and we absolutely support them.”

Ms. Cramp said the pandemic has proven beyond a shadow of a doubt that Australia Post is an absolute essential service for all of Australia.

“The growth in online shopping has seen Australia Post facilitate an additional \$4.2 billion in ecommerce during COVID-19 - delivering 82% of Australia’s e-commerce value.

“Australia Post is more important than ever before in keeping Australia connected. It must be preserved.”

For further information contact:

Angela Cramp
Executive Director

#westandwithChristine



AUSTRALIA
POST



Uniting
LPOs
Around
Australia

#WeStandWithChristine

<https://www.facebook.com/groups/467727280093610>

LPOs United Private group 1.3K members

<https://www.facebook.com/groups/850586172404831>

Friends of Your Community Post Office Public group 1.0K members

Dear Mr Morrison.

I am writing to you today in support of Australia Post CEO Ms Christine Holgate. I have been a Licensed Post Office Licensee for over 23 years and it is only under her leadership that we have become a more viable small business. After years of neglect from previous CEO's and both sides of politics, it is only now that we are seeing that light at the end of the tunnel and our business are recovering.

During this pandemic Ms Holgate has led Australia Post with true insight and care in very uncertain times. As frontline essential service workers we remained open for business in every suburb, every village, every town, rural, remote, regional and metro in every electorate, serving every Australian across this country. Australia Post is at the front door of every Australian home nearly every day and we are championed by a CEO who cares about us and every person who makes up the Australia Post workforce. We matter to her and she matters to us.

Ms Holgate has proven herself in the time that she has been CEO of Australia Post. During 2020 Australia Post has had to deal with volumes of mail never seen before at this time of year. Bank branches around the country closed down and thankfully the bank@post agreement forged by the Executive of Post has been the saviour of many customers being able to access banking services at their local Post Offices. Living in a pandemic is scary enough without having the added pressure of no bank access especially for our traditional customers.

I plead with you to show Ms Holgate your support.

Yours sincerely

Gail Doyle Licensee

An open letter to Christine Holgate

Sorry Christine, Yesterday's events have left me feeling physically ill.

It is evident that you, being the figurehead of AP, are being offered up as a sacrificial lamb for your bosses (both the Board and the Minister), I do not believe for one minute that you do not have the best interest of Australia Post at heart – or that you have not felt the frustrations and burdens of this horrendous year, and all it has meant to our business.

I am acutely aware that the watches are not the real issue, but that someone with an agenda has fed their purchase to the Senate, in a malicious manner, with the intent of causing mischief.

You have been blindsided by the Boy's Club. Those Kingmakers who sit quietly in the background and ensure that their deeds are done. There are questions to be asked;

Why did none of the Board attend with you?

How much revenue has Bank@Post added to Govt coffers???

Do people really believe that you are so stupid as to wear a \$40,000 Bulgari Serpenti watch to a hearing where a \$3k Cartier was going to be your undoing??

Are rewards and bonuses specifically precluded under AP policy,


-or are they at the discretion of the Board????

Your encouragement of Licensees and your focus on elevating our business profile has been refreshing, I believe you recognise that the 'saving grace' of AP (if it is not beyond redemption) will be those 1,000s of us, who are invested in our communities at the grass roots level, and who support and service our clientele with, not only local knowledge – but genuine care.

I hope we all come out of this stronger – with our eyes open wide, and a knowledge of who our true enemies are.

In closing I would like to say that this is my opinion only – and does not reflect the position of this page, its Admins or other Licensees.

Sincerely, Sue – Licensee

- The PM needs to work off facts and the evidence trail not factional groups with an agenda. That includes all sides of politics. We can all see that signature on the card. It was authorised!!
- Very well said
- Fully support this well done 
- well said, I have sent a similar letter to PM, Minister, local Federal member and even Pauline Hanson. Without C1 we are all stuffed.
- Letter & \$5 sent today
- Well said I second every word you have said.
- I also felt ill hearing all the malicious stories circulating and especially the Prime Minister's tantrum in parliament yesterday.
- Full support for Christine.
- I knew not the previous CEO but support the direction and consideration you have shown.
- Wholeheartedly agree- without the work that has been done in the last couple of years our LPO's would not be becoming as viable as they are!
- I agree totally. In my opinion without her a lot of LPO's doors would have closed and communities would be up in arms if they lost their LPO. I know we were grateful for our bonus. It made us feel appreciated.
- An appalling turn of events driven wholly by a political agenda that will eventually ruin Australia Post if left unchecked. Full support for Christine.

- Well written I couldn't agree more
- Well said she has been a breath of fresh air Her commitment and passion were very evident
- Christine has done a lot to better our business
- I too support what you have written and hope Christine will see the support she has. It is interesting that the senate is looking at the \$12000 yet turn a blind eye to what the previous CEO was paid in bonuses when AP was going backwards
- I actually didn't sleep a wink last night thinking about the injustice of it all.
- My heart goes out to Christine whilst she is being fed up as a sacrificial lamb.
- Christine Holgate has my full support, she has been a breath of fresh air.
- Well written you have summarised exactly how I am feeling and no doubt many others. I have worked under several CEO's MD's at Australia Post during my employment and as a Licensee. Christine Holgate is the best CEO MD that Australia Post has ever had. She has worked tirelessly not just for Licensees but for the survival of Australia Post. She vowed to ensure every outlet remained open and not forced to close so the Community Post Office has a presence in every town in Australia. What she has achieved is nothing but amazing particularly the massive changes that impacted the Business when COVID hit. We should all stand behind her. The haters and the Australian public will regret what is to come if she is replaced. She deserves praise and the criticism that has arisen from a rat in the ranks feeding the Senate and the media is appalling.
- Every licensee, should be thankful for such a fantastic CEO as Christine.
- She is a strong lady, but we all have emotions. She has looked after us licensees, especially during CV19.
- Well said - we are hopping mad 🤔🤔🤔
- Thank you, Christine, for everything you have done for licensees. I have been a licensee for 20 years and have only felt appreciated since you started.
- Keep your head up. We want you back.
- Glad to see all the support. I thought I was the only one thinking what a great job she's done. Letter and money (\$5) sent.
- my wife and I have been trying to digest this news for the past 24hrs. Thank you for summing up what I believe most of us feel. Too CH we got your back and thank you for everything
- Thankyou Christine for giving us hope in our future. I will be sending Scomomy \$5
- You have our full support

And by Email:

- Australia Post's top executive should not have to stand aside for a month whilst this inquiry goes on. Surely at this particular time she is much needed. It's "a storm in a tea cup". The PM would never go into the post office so how would he know what a brilliant transformation is taking place in these little businesses around Australia, suburban, country and isolated post offices. In this digital age people cannot expect mail to be delivered to the street box and they could be encouraged and pay for a post office box where daily deliveries are unaffected. Innovations at Australia Post Office are remarkable. The staff well trained and courteous. Australia needs more Christine Holgate's and I hope you can support her return to the job as quickly as possible. The momentum for change is happening. Your top executive knows how to get results as she has done in previous top jobs. All the best from this 80 year old,
Patricia QLD

- I just want to share how much I support what you have said about Christine Holgate.
- I would like to contribute also. Is there somewhere we can add our money to supporting? Regards Chris
- Please regard this as support for Christine Holgate. I think she has been a fabulous CE. A small gift like this was certainly not unusual when I worked for large corporates. The outrage of the pollies and press illustrates the lack of real job experience amongst those cohorts.
Where do I send my \$5?
- Hi, good on you all for getting behind Christine Holgate. I only have media reports to go by but from what I've read she should be getting a gold watch for getting the deal over the line. It is embarrassing that the Prime Minister has such a poor understanding of business management.
Regards, Brian
- I would be happy to send \$5 to support Christine Holgate .
If she were a man this would not be happening.
How many Board Members are there, old mates of the LNP getting paid \$50,000 a year ? Chairman \$100,000 ? What do they contribute to Australia post.
Their lunches for a year probably cost more than the watches given to 4 people who earned \$100million from the banks .Where do I send my \$5
- Helen and I extend our appreciation and gratitude for your stance and contribution in rebutting this sordid mess that Morrison has created. Well done.
- Personally, I trust our leadership.
And I'm willing to put my money where my mouth is.
This is a bit of a beat up on an otherwise quiet news day. 12K for four Cartier watches is a drop in the ocean compared to the amount of work that went into securing this multi-million dollar contract, and I wager the government will have received more than a pretty penny off the back of such a deal.
I'm painfully aware of the fact that those involved could easily cover the cost themselves, but that's not the point. What I'm suggesting is designed to be a vote of confidence. If the government is so appalled by the expense, then we'll cover it.
Maybe then they'll let us get back to doing what we're meant to do – serve Australia, improve conditions for our frontline people, and return millions of dollars to the government's coffers.
If anyone else agrees with me, I'll organise a contribution page. If you could please share this email with your internal network, and enough people agree, it might only cost us \$10 each or so. The idea is absolutely, positively ridiculous - I know that. But if Christine or the execs are made to cover the cost, it'll be like them admitting they've done the wrong thing, and the targets will remain on their backs. If we stump up the 12k, then the watches will have been from us, and the government, senate, and any reporters who care to take notice will understand that we have Christine's back.

10. LPO Group View of the Awarding of Cartier Watches.

In October 2018, the successful negotiations of the new Bank@Post agreement with 3 major, and more than 70 second tier Financial Institutions, resulted in increased revenues for Australia Post of \$220 million. This revenue took Australia Post from a loss-making position into profit, provided much need direct payments into the Community Post Office network for banking services, and funding for updated technology for the business. The increased revenue resulted in a tax payment of \$20 Million to the Government.

The reward for this executive team was 4 Cartier watches to mark this moment in time, with a reported value of \$19,950. This could have been a cash reward of up to \$150,000 each, which most likely would not have caused any consternation, nor the loss of the CEO, nor the untold damage to her reputation, nor the unnecessary devastating impact by the overreaction and subsequent mismanagement of that overreaction by the key figures responsible for the management of the Organisation.

The claim by the Prime Minister that the cost of these award, \$19,950 was an appalling and disgraceful waste of tax-payers money, made during the economic upheaval of the COVID pandemic.

The subsequent investigation into the awarding of the Cartier watches, and the conduct and governance of the Board members demanded by the Prime Minister, will probably run into millions of dollars, when taking into account the ongoing fall out of the mismanagement of the saga. The report absolutely cleared Christine Holgate of any wrongdoing, making mention that there was no set policy that could be breached, which should have been well known to all Board members, most especially the Chair.

It is noted by Licensees that the investigation demanded by the Prime Minister into the Cartier Watch Affair included the conduct of the Board members and their governance. To date, there has been no public disclosure of the outcomes of that portion of the investigation into the Board members and their governance. It is not clear to LPOG on why this portion of the report has been withheld from the public, and not released with the rest of the report.

The proceeds of the Bank@Post deal have been fully incorporated into the accounts of Australia Post, prepared and available to all parties for more than 2 years, and it was presented to parliament as a recent event during COVID-19. Yet all parties were aware, or should have been aware, the Bank@Post agreements were signed in 2018.

Licensees do not find any credibility to the claims that the “pub test” says that the awards are in any way, appalling or disgraceful, or a waste of taxpayer money. Instead, the reaction of Licensees was to send the Prime Minister \$5 notes to cover the expense as a token of our outrage at the unjustified standing down of the CEO. To date, there has been no recorded receipt, or acknowledgement of these funds received by the Prime Minister’s office.

Licensees do not consider the watches were anything but an excuse to put pressure on the CEO to stand aside, or be gone, pending an agenda that is yet to be disclosed, but is considered to be buried within the undisclosed Feb 2020 BCG Report.

11. LPO Group's View of Government Action

It is noted that the current Prime Minister Scott Morrison was Federal treasurer from Sept 2015 to Aug 2018, approving previous CEO Mr Fahour's final year payout of more than \$13 million without being appalled or disgusted or concerned about the waste of taxpayers' money.

LPOGroup would like to add our consternation to the inequities in the Government's responses to the following, compared to the damaging response to the authorized awarding of Cartier Watches, by the Prime Minister in Parliament, and the Shareholder Ministers.

Union slams NBN Co for handing out \$78m in bonuses to execs

<https://www.crn.com.au/news/union-slams-nbn-co-for-handing-out-78m-in-bonuses-to-execs-561244>

NBN Co executives and employees got \$77 million in bonuses in back half of 2020

<https://www.abc.net.au/news/2021-02-18/nbn-co-executives-employees-got-77-million-in-bonuses-in-2020/13165500>

ASIC says regulator acted with 'glacial' speed in response to almost \$200k in overpayments

<https://www.abc.net.au/news/2020-10-27/asic-admits-it-acted-too-slowly-on-crennan-shipton-payments/12818320>

Executive members of LPOGroup repeatedly attempted to engage the Shareholder Ministers, the Prime Minister, and the Board of Australia Post to seek a swift resolution to this most concerning loss of the CEO. To date we have no response from the Board Chair.

LPOGroup was eventually granted an interview with Minister Fletcher on the 18 November. During this meeting LPOGroup raised our concerns regard incorrect and misleading information provided to the Senate Estimates hearing by the Board Chair, Lucio De Bartolomeo. Minister Fletcher did not share our concerns of misleading information being provided to the Senate by Australia Post Board Chair, and refuted suggestions that LPOGroup understood that there was not deed of release or signed termination of Christine Holgate's contract. LPOGroup stated our concerns at the waste of taxpayer's money, recruiting for a replacement CEO, when there was already one in under contract.

Minister Fletcher assured LPOGroup that Christine Holgate could be replaced with a CEO of equal quality, who would continue to progress Ms Holgate's plans and strategies, as she had been doing. We expressed our opinion that that was highly unlikely.

Minister Birmingham agreed to a phone conference on the 13th January and confirmed Minister Fletcher's response to our concerns. We again expressed our opinion that we believed that outcome to be very unlikely. Concerns re the termination of the CEO's employment contract, and the misleading information provided to the Senate by the Chair were again raised. Again, our concerns were dismissed.

As current custodians of our Community Post Offices, Licensees cannot sit back and watch the current government, aided by the current Board undo the past 10 years of hard work by Licensees to overcome the previous Governments absolute neglect of this vital network. Licensees have been ventilating the need to forge a viable future for Australia Post for the future of our country and that viable future has been totally jeopardised by the unfair, unjust and possibly unlawful removal of the CEO Christine Holgate, to the absolute detriment of the entire Organisation.

12. LPO Group's View of Board Action

As Australia Post's most heavily invested stakeholder group, Community Post Office Licensees are entitled to believe that the Board of Australia Post should be qualified and competent to advance the interests of the Organisation for the benefit of the Australian communities we all serve. It is our view that the Board members have failed to meet the necessary governance standards required of any Company Director in that they do not appear to have acted in good faith, and do not appear to have acted in the best interests of the Company, and or for a proper and fit purpose (section 181 Corporations Act).

There are many basic guides that are available to assist Board members to meet their obligations, such as:

'Taking account of all the circumstances, is what I propose to do in my honest belief in the best interests of all the stakeholders (present and future) of this company of which I am a director?'

Would I, as a board member be embarrassed if the Board's decision and the process employed in arriving at its decision appeared on the front page of a national paper?

Surely it is to be expected that the Board members of Australia Post should have been fully aware of the signing authority of the CEO. The awards were presented in 2018 and would have been reported in the accounts, approved and signed off by the Directors.

It is unfathomable that the CEO would not be fully supported by every Board member, most especially the Chairman, if that Board had the best interests of the Organisation as its prime objective.

LPOGroup understands that the CEO of Australia Post does not report to the Prime Minister, or the shareholder Ministers, but directly to the Board.

As stakeholders, it is obvious to LPOG that it was a failure by the Board to manage the conflict of interest that arose out of the provision of misinformation to the parliament, by whoever provided the misinformation. We believe it should have been the responsibility of the Chairman and the Board members to immediately correct the misinformation by informing their direct report of the correct information and refusing to stand aside their CEO to protect the interests of the Organisation.

However, that did not happen, and the crisis escalated to the point that it is now before a Senate Inquiry.

LPOGroup believes that the failure of the Board members to meet their fiduciary duty has resulted in many lost and neglect opportunities, and the absence of a proven CEO leading to a paralysis of forward progress, leading to the detriment of the entire Organisation.

LPOGroup also has many concerns with evidence provided by the Chair of Australia Post to the Environment and Communications Legislation Committee during the Senate Estimates hearing on 9 November 2020.

We find the claim that the Chair approved payment of \$1.3 million for a BCG Report in Feb 2020, yet had not seen or read this report that was commissioned to inform him specifically as per the shareholder Minister's November 2019 media release:

To inform the incoming Chair and further inform the Board and Chief Executive Officer, in addition to Australia Post's existing Corporate Plan 2023, the Australian Government has appointed management consulting firm BCG to conduct a review of Australia Post's strategy to operate as a sustainable and fit-for purpose service provider for the longer term. This review will consider broader market conditions such as growth in e-commerce, the regulatory environment, and changes in business and consumer needs. The review is expected to report back to Government in early 2020.

Simply not plausible.

Without a commercial guarantee in place of a sound commercial return for undertaking the operations of a community Post Office from both Australia Post and the shareholder Ministers on behalf of all future Governments, it is imperative for the sustainability of Australia Post's Community Post Office network, that the whole of business is operated in a sound commercial manner to grow revenue and provide profitable outcomes for all stakeholder groups.

The Organisation must be managed by a bipartisan, competent, and qualified Board of Directors and executive team to provide the best commercial outcomes for all stakeholders. It is imperative that Australia Post is a successful, profitable, commercial enterprise, with a CEO who has a proven track record of successfully managing such a large and diverse organisation, with clear sight of the outstanding value provided by Australia Post to Australian communities.

As a necessary protection for all stakeholders of Australia Post, LPOGroup calls on the Committee to implement a completely bi-partisan Board of Directors, with representation from all stakeholder groups, and both political parties, with qualities and qualifications that will assist the Organisation to grow and prosper, to be a profitable, fit for purpose postal service to serve Australians and Australian communities now and for future generations to come.

13. LPOG Concerns of the Future of Australia Post.

There have been many times over the last few decades that various publications have featured the news that Australia Post would soon be privatised.

The reasons given is usually that standard mail volumes have dropped, and every electronic bill, on-line payment or e-mail puts another nail in the standard letter's coffin. This flags the end of the Postal Service as we know it. It is well known that as internet usage goes up, letter volumes go down and there were expectations in some quarters that as the NBN rolled out across the country then the letter service could be ceased altogether, replaced by a digital service of some description. The decline in letter volumes is helped by the Government ensuring its correspondence for the many Services it provides, is mostly delivered via a digital channel.

Invariably, comments are made by Government Ministers or Government Heads of Departments that the privatisation of Australia Post is not being considered at this time.

LPOG understands that despite denials to the contrary, the sale of Australia Post's delivery services is a live consideration within the current Federal Cabinet and believes this is why the recent BCG report commissioned by the Government (but paid for by Australia Post who tried to bury the cost in its Annual Report as a combined dividend payment) has not been shared publicly or privately with stakeholders, LPOG being one such stakeholder.

LPOG believes it is now an irresistible temptation for the Government to sell some or all of Australia Post assets to reduce the debt it has incurred by implementing COVID19 pandemic relief packages.

It is obvious to LPOG that a sale of some or all of Australia Post assets requires certain actions to be put in place to make the sale easier:

1. A reduction in the number of home deliveries each week
2. Setting different prices depending on the speed of delivery and
3. Easing the requirements of Community Service Obligations around service performance standards and closure of retail outlets.

These actions have already occurred with 1 and 3 supposedly of a temporary nature due to COVID19 and due to end June 2021 and 2. being the introduction of the regular and priority letter service some five years ago.

While it appeared on the surface as just another evolution of the letter product, the change to the regulations to allow a two-speed letter service resulted in a more costly priority mail option to simply achieve the service standard that was previously available through standard mail at the basic postage rate.

The service standard for letters paid at the basic postage rate was slowed on the basis that this allowed Australia Post to maintain the existing lower postage rate. This had a twofold effect, the increase in the priority mail postage rate allowed businesses to generate a positive business case to update the necessary software and hardware needed to progress into digital channels, ensuring the take up of priority was minimal or reduce over time. At the same time, the service standard achieved on this product by Australia Post was well below expectations, so businesses would seek other alternatives to this service.

Equally, the lower speed letters could then be delivered in a two-day period once received at a Delivery Centre so could become, using volume data, as a reason for Australia Post to state that customer preference was now for a less than five times a week delivery due to their acceptance of the lower standard of delivery.

It is obvious to LPOG that this long-term strategy has now borne fruit in the implementation of the Alternate Delivery Model, albeit implemented as a temporary measure at this stage, due to COVID19 restrictions.

In the same vein, Australia Post will look to reduce its cost to improve the prospect of a sale.

Australia Post recently advised LPOG of its intention to cut costs by delivering mail and parcels to metropolitan and large provincial post offices, after they open at 9am for a delivery standard of 12 noon to Post Office Boxes and counter mail. Currently mail is delivered to LPOs from 6am for a 9am delivery standard (an 8am standard at Corporate offices) and this process ensures prompt delivery of mail and parcels to PO Box holders, who pay a post office box premium for this service.

The impact to Licensees is then three-fold. Where mail was being delivered prior to 8am to ensure the volumes of mail could be sorted by the 9am standard, they are deprived of a Mail Service Payment of around \$42 per hour (the overtime rate for a postie), plus they must now employ additional labour, at additional cost, to sort the mail as they are required to still open the doors to serve customers at 9am.

The intended 12 noon service standards for post office boxes will likely lead to cancellations by customers as their needs for early mail delivery are no longer being met. These anticipated cancellations will directly lead to less income for the Licensee.

In this way, Australia Post is seeking to reduce its own costs by transferring an even higher cost onto the Licensee who will also receive a reduction in their income at the same time. This proposal is a clear demonstration of a lack of concern for Licensee's plight caused through actions by Australia Post management.

LPOGroup has also noted that there is a current move to outsource the Australia Post delivery fleet, commencing with the Australia Post interstate linehaul fleet, that no doubt will progress into the intrastate truck fleet, and ultimately the business hub van fleet. It can be argued that this is simply an initiative by Australia Post to reduce its costs and become more efficient so "there is nothing to see here".

LPOGroup believes that given the other changes being contemplated, there is a strategy being implemented that has not been shared with Stakeholders.

LPOGroup also believes that it is bewildering to see that the two previous CEOs to Christine Holgate also oversaw the signing of successive Enterprise Bargaining Agreements that included pay increases that declining mail volumes, available commercial opportunities, and cost reduction initiatives, simply could not compensate for. This suggests that there is an intention for Australia Post to be unprofitable leading to the inevitable calls for privatisation.

By way of example, Licensees and their employees fall under General Retail Industry Award (GRIA) that encompasses 8 tiers. Australia Post Retail employees are covered under the provisions of their EBA. An Australia Post employee working on a corporate retail counter is paid at a theoretical level 28 of GRIA, whereas discussion with Australia Post regarding appropriate payment for Licensees is focused on a GRIA level 3 at an "efficient" transaction time. Any downtime experienced while customers walk slowly to the counter, while they are on their phone, ask for advice, can't find the right credit card or change, is considered to be that of the Licensee.

The view by LPOGroup that there isn't one corporate retail office that is actually profitable, given the conditions of the EBA, is always met by Australia Post along the lines of "it's a different business model" "it's the EBA and we can't do anything about that" or "we don't measure profitability of Post Offices anymore". Regardless, the comparative cost to serve between Licensed outlets and Corporate Outlets should be investigated and addressed as part of the overall business strategy.

It is LPOGroup's belief that Licensees are indirectly subsidizing (by underpayments) the EBA costs in order to help offset the loss making corporate outlets.

In discussions with Australia Post, LPOG is extremely concerned that the implementation of a permanent reduction of home deliveries in metropolitan and large provincial areas, the easing of the current performance standards, and other proposed cost saving initiatives, are all pre-cursors to a

sale of some or all of Australia Post, and this will result in a severe devaluation of licensed post offices.

As LPOG has stated many times to all who will listen, Licensees have invested significant funds into the Australia Post retail network, and yet there is no recognition of this fact in Board membership, nor any contemplation that any impacts should be discussed with LPOG, or Licensees in general.

LPOG wonders if the Government and Australia Post have any intention of protecting this substantial small business investment in the Retail network, so that the community at large can continue to receive a vital service, or will there be a collective shrug of its shoulders as Licensees walk away from their devastated businesses.

The secrecy around future plans for Australia Post, combined with the inexplicable ousting of CEO Christine Holgate, only serves to increase Licensee anxiety about their future, when they have invested heavily and stand to lose everything.

These anxieties are expressed to LPOG every day, and it is incumbent on us to represent those very real fears in this submission.

It cannot be overstated that community post offices are the heart of the regional, rural and remote communities, and the very real prospect of their loss will tear the heart out of those communities.

14. Recommendations

LPOGroup are appealing to the Senate Committee to ask yourselves a range of questions to understand our grave concerns:

- Consider what might happen to your elderly parent or family member who is digitally challenged, or isolated by distance, or relies on the community Post Office to support the quality of their independent living.
- How will they have that support without the community Post Office?
- Consider the thousands of community members and small business owners in every community who rely on the community Post Office for their banking needs, because the nearest bank branch is 1-4 hours away. The businesses require banking services to remain viable, so the whole community can remain viable.
- How will they have banking services without the community Post Office?
- Consider the thousands of SMEs in regional, rural, and remote communities seeking to enter the eCommerce markets and transact worldwide. Australia Post is affordable, accessible, and available in most Australian communities. The community Post Office is an equaliser for SMEs. A viable Australia Post enables eCommerce for SME everywhere.
- What options will these non-metro SMEs have without Australia Post?
- Consider yourself as a Licensees, you have your family's entire life savings, all your superannuation and your future invested in your Post Office.
- Would you not feel the same despair as we do with the needless loss of an exceptional CEO throwing Australia Post into such chaos?

Licensees fully supports the call for the committee to seek a thorough and public investigation into the comparative spending per annum on awards, gifts, bonuses, Board and executive expenses, including but not limited to external parties such as family members and associates, including credit card and travel expenses, during the previous CEO's Term from 2009 to 2017 and Ms Holgate's term as CEO from 2017 to 2020.

LPOGroup requests the Committee carefully consider the fairness, the validity, and the lawfulness of the removal of Christine Holgate as CEO of Australia Post. If you find that due process has not been followed, we seek your support to have Christine Holgate re-instated as the lawful CEO of Australia Post, as a matter of urgency.

#WeStandWithChristine

#ReinstateHolgate