

**Lucio Di Bartolomeo
Chair
Australia Post**

**Opening Statement
3 May 2021**

check against delivery

Thank you, Chair. I would like to make an opening statement.

We recognise the important work of the Committee in this Inquiry. The Board and management continue to treat this Inquiry seriously, devoting considerable time and resources, and maintaining our cooperative approach to assist the Committee.

While we can appreciate the interest in the events of last year, I firmly believe the focus is overshadowing the material challenges facing Australia Post, particularly as the nation starts to emerge from the COVID-19 economic crisis.

As a Board, we are firmly focused on the future. That's what is expected of us.

With about 80 cents in every dollar of revenue now coming from intensely competitive markets, and the deterioration of the traditional letters business, we need to continue to transform Australia Post to remain relevant and ensure we can continue to provide support to businesses and communities across the country.

Like postal businesses around the globe, we are confronting unprecedented change driven by an increasingly digital world.

The letters business has now been in structural decline for more than a decade and the pandemic has accelerated these challenges.

Yes, growing online shopping has significantly increased volumes in the parcels business but - to provide some context - the drop in letter volumes during COVID is nearly three times the parcels growth.

With significant letters losses despite recent stamp price increases and new parcel delivery competitors emerging, our capacity to maintain our high standards in serving our customers is being stretched.

In such a tough operating environment, we will need to continue to embrace our culture of innovation and add new financial and government services to deliver on our commitment to maintain our network of community-based Post Offices.

I recognise there have been questions from the Committee about the circumstances surrounding last year's departure of the former chief executive Christine Holgate. These have been extensively canvassed during this Inquiry.

However, with its 200-year history and an extended workforce of 75,000-plus, Australia Post is an organisation that is much bigger than one person.

In earlier evidence to this Committee, I stated Christine Holgate was a very good chief executive for Australia Post. As a Board, we stand by that assessment and genuinely wish her all the best in her future endeavours.

But I want to be clear, Australia Post moved on some time ago and, consistent with Ms Holgate's comments in her resignation letter, we have been fully focused on serving our customers.

It is now six months since Ms Holgate resigned from Australia Post with immediate effect. While we were sad to see her go, shortly afterwards we started the search for a replacement CEO. We had no choice. We had to look forward.

That is the job of a Board - to provide strong and considered leadership to ensure our executive team and our people can get on with their jobs serving the community.

The facts pertaining to the now infamous Cartier watches are quite clear:

- The Bank@Post refresh was a significant milestone for the organisation.
- The Maddocks investigation found that the purchase of the watches as additional recognition was not approved by the Board or supported by reward and recognition policy.
- The investigation also found while there was no indication of dishonesty, fraud, corruption, or intentional misuse of Australia Post funds, the purchase of the watches was inconsistent with obligations under the PGPA Act regarding the proper use and management of public resources and was inconsistent with public expectations.
- Finally, despite Ms Holgate's assertions, she had no specific authority to spend up to \$150,000 on individual rewards for staff. Maddocks identified no such authority in their investigation report, and their only reference to that figure is the limit on the Office of the CEO credit card.

Similarly, the facts around Ms Holgate's departure last year are quite simple.

It is a fact that on 22 October Ms Holgate agreed to stand aside from her role of CEO while the independent inquiry was conducted.

Supporting our submission and my earlier evidence to the Committee are:

- Both my phone records and Ms Holgate's phone records.
- The 23 October email from Ms Holgate's where she thanks Acting CEO Rodney Boys for "agreeing to lead the team"
- The 25 October email from Ms Holgate noting "as I step away and let Rodney lead".

It should be remembered that at that time the Board's objective was, subject to the findings of the investigation, to have Ms Holgate back in the CEO role as soon as possible.

The Board wanted Ms Holgate to continue as CEO and did not, at any time, encourage or pressure her to resign. This is an important point and there has been no evidence to the Inquiry that suggests otherwise. Rather, we coordinated personal support and professional counselling for Ms Holgate during what was clearly a stressful time in high-pressure circumstances.

When Ms Holgate resigned on 2 November, the Board was disappointed but completely understood why she considered it would be "untenable" for her to continue as CEO.

As per her resignation note to the executive team, in addition to her personal circumstances, Ms Holgate recognised the watches issue was a significant distraction for Australia Post and through her resignation was hoping the organisation could focus on serving our customers.

And that's what Australia Post has been doing, endeavouring to build a stronger, smarter and better business.

As the Australia Post chair, I am committed to growing the business. There is no secret privatisation agenda. Privatisation has consistently been ruled out by government and I can again confirm for the Committee it has never been discussed by the Board.

The reality is we want to keep investing in the organisation and our people to continue to grow the business. We want to keep investing in our deliveries business to improve capacity, reliability and customer satisfaction. We want to keep investing in our network to entrench the role of the local Post Office in the community.

Parliament has played its role, helping us provide a sustainable postal service through the volatility of COVID as we adapted to meet the changing needs of the community. Last year, we sought temporary regulatory relief from the government to help us better manage the unprecedented demands and reposition the business by redeploying 2,000 Posties to deliver parcels in vans.

The request for temporary regulatory relief was not linked in any way to the BCG report. The drafts of the BCG report seen by Australia Post did not assume a global health pandemic resulting in a national lockdown, the introduction of movement restrictions for all Australians, and the grounding of the entire Qantas fleet and land-based transport options at the same time as a massive surge in parcel volumes and significant drop in letters. All of these factors led to the request for temporary regulatory relief.

The support provided by temporary regulatory relief has been invaluable and there is no question it is enabling Australia Post to deal with the ongoing and changing impacts of COVID.

Importantly, the regulatory relief also helped protect the health, safety and wellbeing of our people as they served the community. A strong performance on serious injury rates despite the immense growth in workloads was remarkable and reflects the benefits of the temporary changes.

Whilst the question of whether this relief should be further extended on a temporary basis remains a matter for Government, it is now clear that we can't go back to where we were. Since the peak of letter volumes back in 2008, various independent reviews of Australia Post have determined that to deliver on our dual purpose of meeting our Community Service Obligations and not being a financial burden on the taxpayer, regulatory reform of some description is required. Now that COVID has driven further structural change, this task is even harder and more urgent.

Australia Post is continually reviewing how it can best meet the future needs of our customers and the subsequent demands on our services.

In determining what ultimately will be the framework for a sustainable Australia Post, we are committed to consulting with our people, union representatives, licensees, communities, customers and other valued stakeholders to develop a mutually beneficial outcome. A constructive and cooperative approach is the key and we are confident now the new normal is emerging that with the benefit of time we can land in the right place.

Before handing over for questions to the Board, I would encourage Senators to consider a rational assessment of the evidence provided to this Inquiry:

- Christine Holgate was a good chief executive of Australia Post.
- Everyone agrees the purchase of the Cartier watches was the wrong call, but the decision did not deserve the intensely critical and very public, unilateral external condemnation.
- Ms Holgate resigned from Australia Post six months ago. We have appointed an experienced, highly capable replacement.
- The Board did not encourage or pressure Ms Holgate to resign.
- The challenges facing the business are immense, but we are committed to working with our stakeholders to build a sustainable business that can meet the changing needs of our customers.

- As a Board, we remain focused on the future.
- There are no plans for privatisation – instead our strategy is to invest to grow the business.
- Our experienced executive team have provided strong leadership despite the intense public scrutiny, while our people take great pride in their work.
- They are methodically getting on with the job. And that's what we should all do.

Thank you.