



Australian Government

**Department of Infrastructure, Transport,
Regional Development and Communications**

Deputy Secretary

PDR ID: EC21-000090

Mr Stephen Palethorpe
Secretary
Senate Environment and Communications Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Mr Palethorpe

Thank you for your email of 1 March 2021 to Mr Simon Atkinson, Secretary of the Department of Infrastructure, Transport, Regional Development and Communications (the Department), inviting the Department to make a submission to the inquiry into Australia Post. I am responding on behalf of the Secretary.

The Department's submission to the inquiry is provided below.

**Department of Infrastructure, Transport, Regional Development and Communications
submission to the inquiry into Australia Post.**

The Department administers the *Australian Postal Corporation Act 1989* (APC Act) and Australian Postal Corporation (Performance Standards) Regulations 2019, and in this capacity provides advice to the Minister on issues such as:

- Australia Post's performance against its regulatory obligations;
- broader postal policy issues; and
- general postal legislative and regulatory policy matters.

As a Corporate Commonwealth Entity (CCE) that is prescribed as a Government Business Enterprise (GBE), Australia Post is subject to both its enabling legislation, the APC Act, and the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and related legislation. The Department of Finance provides administrative oversight of the PGPA Act.

The Minister for Communications, Urban Infrastructure, Cities and the Arts (the Minister) and the Minister for Finance are joint Shareholder Ministers of Australia Post. The Department provides advice to the Minister, in consultation with the Department of Finance, to support their role in exercising strategic control of Australia Post. This advice relates to issues such as:

- matters pertaining to governance of Australia Post, including its reporting and accountability arrangements, and its regulatory obligations; and
- the performance, financial returns and strategic direction of the business.

Australia Post is legally and financially separate from the Australian Government.

Its day-to-day operations are the responsibility of its Board and management. Under the PGPA Act, the Australia Post Board is the accountable authority.

Shareholder Departments Investigation into the Proper Use of Public Resources at Australia Post – Terms of Reference (a)

The Australian Government and Shareholder Departments learned of Australia Post's purchase of four Cartier wristwatches (the Watches) on 22 October 2020, during Australia Post's appearance at a Senate Estimates hearing.

On the same day, Shareholder Ministers of Australia Post, the Minister and the then Minister for Finance, Senator the Hon Mathias Cormann, announced they had instructed the Secretaries of Shareholder Departments to conduct a formal investigation into the gifts of the Watches.

On 29 October 2020, Maddocks law firm was engaged by the Department of Finance to support the investigation. Maddocks' report, *Australia Post: Investigation into the Proper Use of Public Resources at Australia Post* (the Report), was released on 22 January and is available on the Department's website or at **Attachment A**.

The Report includes twelve findings (at **Attachment A**), including findings 7, 8 and 9 which are directly relevant to this Inquiry's term of reference (a) "if the gifting of the watches was with the knowledge of the then Australia Post Chair and within existing Australia Post policy".

To address the findings of the investigation, the Government has instructed the Board to review and update Australia Post's internal governance arrangements and financial controls to ensure compliance with its legislative obligations and reflect public expectations, and to report back to Government.

Australia Post advised Shareholder Departments it has undertaken an internal review of its control environment and identified areas for strengthening controls in relation to credit cards, conflicts of interests, and gifts, benefits and hospitality. A significant number of actions have already been completed.

Executive remuneration and bonuses – Terms of Reference (b)

Australia Post, as a Commonwealth Corporate Entity, and NBN Co Limited (NBN Co), as a Commonwealth Company, are subject to legislative reporting obligations. This includes annual reporting requirements in relation to remuneration (including bonuses, benefits and allowances) for key management personnel. As a Commonwealth Corporate Entity, Australia Post is also required to report on the remuneration of other highly paid staff (over \$220,000, subject to indexation).

The Department reviews Australia Post and NBN Co's Annual Reports and they are tabled by the Minister in the Parliament. These reports must be published on the Government Transparency Portal and are also published on each of their websites. Annual reports are subject to review by the Australian National Audit Office.

The value of the Watches was reported in Australia Post's 2018-19 Annual Report.

Following the resignation of former Chief Executive Officer (CEO) Mr Ahmed Fahour, in February 2017, the Government placed the pay of Australia Post's CEO under the oversight of the Remuneration Tribunal (Tribunal). The Board has the discretion to vary the CEO's remuneration from 10 per cent below to 5 per cent above the base salary determined by the Tribunal. In 2019-20, the CEO's base annual salary was \$1.416 million per annum with an additional agreed performance-based short term incentives component of up to an additional 100 per cent.

The Remuneration Tribunal sets the remuneration for Directors of the Australia Post Board.

The Remuneration Tribunal is an independent statutory authority established under the *Remuneration Tribunal Act 1973*.

Circumstances surrounding the Resignation of the former CEO and Managing Director of Australia Post – Terms of Reference (e)

Under Section 84 of the APC Act the Managing Director and CEO is to be appointed by the Board and holds office during the Board's pleasure. Section 86 provides that the terms and conditions of this appointment are determined by the Board.

On 2 November 2020, the former CEO, Ms Christine Holgate, announced her resignation from the position. The Department received a copy of her resignation letter to the Board on that day. The terms of Ms Holgate's separation from employment is a matter for the Australia Post Board.

Boston Consulting Groups' (BCG) Review of Australia Post – Terms of Reference (f)

Boston Consulting Group (BCG) was commissioned in October 2019 by the Department of Finance to undertake a review focussed on enabling Australia Post to operate in the longer term as a sustainable and fit for purpose service provider. The Review was designed for consideration by Government in the context of broader market conditions such as growth in e-commerce, the regulatory environment, and changes in business and consumer needs.

COVID-19 has had a significant impact on Australia Post's operations. The sustainability of the business during this time has been a key focus for Australia Post and the Government, and the work that BCG undertook on sustainability was provided to Government to inform its deliberations on Australia Post's request for temporary regulatory relief.

On 20 July 2020, the then Minister for Finance made a claim for Public Interest Immunity on BCG's report to the Senate Environment and Communications Legislation Committee. The review is being used to inform considerations of Government and Cabinet.

The future of Australia Post's Service Delivery – Terms of Reference (g)

As Australia Post plays a critical role in service delivery for Australians, it is important the organisation is well placed to meet community needs and does not become a financial burden on Australian taxpayers.

The Government made temporary changes to the Performance Standards to enable Australia Post to respond to COVID-19 impacts on the business, protect its workforce and meet changes in consumer demand. These changes apply from 16 May 2020 to 30 June 2021.

The Government will continue to monitor developments to make sure Australia Post is equipped to meet the needs of all Australians. It has also committed to undertake a robust consultation process to ensure all relevant stakeholder views are considered, should it propose future strategic changes to the Performance Standards for letter delivery, in its response to the Senate Committee's report on *The future of Australia Post's service delivery* (at **Attachment B**). Were any changes to be made they would be subject to parliamentary scrutiny and disallowance.

Further information

The contact officer in the Department is Mr Lachlann Paterson, First Assistant Secretary, Communications Services and Consumer Division. Mr Paterson can be contacted at

The Department looks forward to providing any further information to assist the Committee in its deliberations.

Yours sincerely

Richard Windeyer

19 March 2021

Enc.

Attachment A – *Australia Post: Investigation into the Proper Use of Public Resources at Australia Post*

Attachment B – Government Response to the Senate Committee's report on *The future of Australia Post's service delivery*