

Environment and Communications Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Department of Infrastructure, Transport, Regional Development and Communications

Division: Communications Services and Consumer Division

Inquiry: Inquiry into the future of Australia Post's service delivery

Inquiry Date: 8 July 2020

Question Type: Hansard Ref: Page 55

Senator Carr asked: The report explicitly refers to work undertaken with the department in a number of places. On page 52, from memory, it states: 'Australia Post is currently working with stakeholder departments to review the approach and financial modelling of the community service obligation costs to provide a clear understanding of CSO costs by geography, for example a breakdown by state and so on.' I'm asking you what work was undertaken with Australia Post in regard to the community service obligations as referred to on page 52.

Answer: In its 2017 review, 'Australia Post's Efficiency of Delivering Reserved Letter Services', the Australian National Audit Office (ANAO) recommended the shareholder departments, "should provide their respective shareholder ministers with greater transparency over the total costs and benefits of the [community service] obligations and the distribution of those costs and benefits within the Australian community."

In response to the ANAO recommendation, Australia Post engaged PricewaterhouseCoopers, which developed a Fully Distributed Cost methodology for use in determining the Community Service Obligations cost. This model was agreed by shareholder departments in 2018 following consultation with Australia Post, the Treasury and the Australian Competition and Consumer Commission (ACCC).

The Fully Distributed Cost methodology more accurately measures the cost of Australia Post's Community Service Obligations.

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Senator Carr asked: I would like to know: was the decision to change—or to seek to have this temporary measure, as the government described it—service delivery standards for mail put to you with some data support for it? On what date was that?

Answer: Yes, supporting data was provided on 31 March 2020; and 1, 6 and 9 April 2020.

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Senator Carr asked: Let me go back, then, to the strategic review. Did either of the departments provide any advice to the Australia Post board with regard to the sets of recommendations around momentum, acceleration and transformation?

Answer: No.

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Senator Carr asked: When was the first time Australia Post approached both departments, or either department, about the need for assistance? Presumably, it wasn't just dropping a letter on the table. When was the first range of conversations with the department or with the minister's office?

Answer: 14 March 2020.

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Senator Carr asked: I want to know the nature of the data they provided to you, and the specific measure in regard to letters, parcels and priority paid—

Mr Windeyer: Priority mail services.

Senator KIM CARR: Yes.

Mr Windeyer: Let me take on notice whether—

Senator KIM CARR: Thank you. And who made those representations to the department—the departments, with an 's'.

Answer: : Data was provided regarding forecast changes in volumes of parcels and letters, and the impacts on revenue and costs.

Information about service disruption was provided, including impact on the priority letter service, as well as possible effects of COVID-19 on Australia Post's operations and workforce.

Representations were made by Ms Christine Holgate, Managing Director and Chief Executive Officer of Australia Post.

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Senator Carr asked: Thank you. Specifically, Australia Post has a series of recommendations here in this report. It talks about its preferred model and it says: 'Australia Post could initiate changes to the community service obligation so that it could undertake an alternative regulatory structure as a guarantee between Australia Post and its shareholder. A guarantee could be a quasi-regulatory framework imposing a less rigorous process for effecting change to a performance standard than currently exists. Through a guarantee, change to a performance standard could be accommodated through ministerial approval rather than a full agreement through cabinet and both houses of the parliament. It would provide greater flexibility for Australia Post to evolve in a timely manner and reduce the time taken to change a performance standard.' Do you recall that work being undertaken?

Answer: This work was not undertaken by the current Department of Infrastructure, Transport, Regional Development and Communications, or the former Department of Communications and the Arts.

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Senator Carr asked: What was the nature of the data provided in regard to the mail services, priority mail services and parcel delivery services?

Answer: Data was provided regarding forecast changes in volumes of parcels and letters, and the impacts on revenue and costs.

Information about service disruption was provided, including impact on the priority letter service, as well as possible effects of COVID-19 on Australia Post's operations and workforce.