

6 December 2017

Ms Christine McDonald  
Secretary, Standing Committee on  
Environment and Communications  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600  
*By email*

Dear Ms McDonald

### **Appearance before Senate Estimates Committee on 28 February 2017**

On 28 February 2017, I appeared before the Senate Estimates Committee for Environment and Communication Legislation (*Committee*) in my capacity as the Managing Director of the Australian Postal Corporation (*Australia Post*) and Group Chief Executive Officer of the Australia Post Group. During the hearing, I answered questions about various matters, one of which was an analysis project known as Project Dove. The purpose of this letter is to clarify any ambiguity in the information I provided to the Committee in respect of Project Dove.

### **Articles from the Australian Financial Review**

See **attached** copies of the following articles from the Australian Financial Review:

- A 30 November 2016 article that refers to the telephone discussion that I had with James Metcher from the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia (*CEPU*) on 5 February 2017, during which Mr Metcher referred to Project Dove and internal Australia Post documents. I read this article on or about 30 November 2016.
- A 27 February 2017 article that claimed to include an extract from an internal Australia Post PowerPoint slide about Project Dove.
- An article from today that suggests that I may have misled the Committee about when I became aware of Project Dove.

Prior to the Senate Estimates hearing on 28 February 2017, I read the article from the previous day and I was briefed about the documents that had been leaked to the Australian Financial Review. I was prepared to respond to questions about the leaked documents.

### **Question from Senator Abetz about Project Dove**

I have reviewed the Hansard transcript from the hearing (a copy of which is **attached** for your convenience). The last matter that was raised with me was Project Dove. Senator Abetz started with the following question:

*'...Can I finish off on Project Dove: when was Project Dove – which I am told was a sustainable employment program – thought of, or established? Did it ever get up and running?'*

(see page 73 of the transcript)

I did not answer the Senator's question. Instead, I responded to what I thought I was going to be asked about, which is when did I become aware of the alleged extract from an internal PowerPoint slide that had been leaked to the Australian Financial Review. I became aware of the alleged extract when it appeared in the Australian Financial Review article the previous day.

I confirm that I was aware at the time that I appeared before the Committee that my conversation with Mr Metcher about matters including Project Dove on 5 February 2016 was a matter of public knowledge, it having been reported on in the Australian Financial Review on 30 November 2016.

#### **My conversation with James Metcher about Project Dove**

I confirm that on 5 February 2016, I received a telephone call from James Metcher from the CEPU. Mr Metcher said to me words to the effect that he knew all about Project Dove and he had seen slides about it. He also referred to Michael Newton as the Australia Post employee who was leading the analysis. I did not know what Mr Metcher was talking about and I did not know who Mr Newton was. This was the first time that I became aware of the existence of Project Dove.

#### **My position in respect of the answer that I gave to Senator Abetz about Project Dove**

Having reviewed the Hansard transcript from the Senate Estimates hearing on 28 February 2017, I can see that my response to Senator Abetz's initial question could be interpreted as suggesting that I was not aware of Project Dove until the article appeared in the Australian Financial Review on 27 February 2017. That was not my intention. My intention was to clarify when I became aware of the alleged extract from an internal PowerPoint slide that had been leaked to the Australian Financial Review and that appeared in the article the previous day.

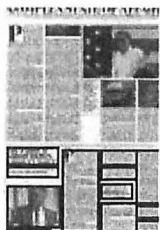
#### **Federal Court of Australia proceeding**

Finally, I note that Mr Newton has commenced proceedings in the Federal Court of Australia against Australia Post, the CEPU, Mr Metcher and me regarding various matters, including Project Dove and my telephone call with Mr Metcher on 5 February 2016. The concerns that Mr Newton has raised will be tested in that forum.

Yours sincerely

Ahmed Fahour

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30 Nov 2016

Australian Financial Review, Australia

Author: Aaron Patrick • Section: General News • Article type : News Item  
Classification : National • Audience : 48,009 • Page: 32 • Printed Size: 486.00cm<sup>2</sup>  
Market: National • Country: Australia • ASR: AUD 8,498 • Words: 1183  
Item ID: 693467133

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# DID FAHOUR SHOOT DOWN PROJECT DOVE?

Compensation Australia Post allegedly  
kowtowed to violent union boss  
Jim Metcher, writes Aaron Patrick.

**P**roject Dove was going to save Australia Post. There was so much fraud, waste and inefficiency in the workers' compensation scheme at the postal service that fixing it could single-handedly eliminate the government-owned company's losses, proponents believed.

A senior team was put in charge. Staff from more than half-a-dozen departments were assigned. Half a million dollars was set aside just to cover a legal challenge from employees.

Then Jim Metcher happened.

One of the most influential figures in the main Australia Post union not only heard about Project Dove, he got confidential copies of its strategy.

Metcher then exercised his direct line to chief executive Ahmed Fahour to push for Project Dove's death sentence, according to allegations made by a former manager in the workers' compensation department that are being investigated by Comcare.

"Decisions between the union and CEO resulted in the project shutting down without consultation," the workers' compensation manager told Comcare last week.

Fahour denies he even approved the plan, let alone killed it, which was formally called the Sustainable Employment Project. "No plan called Project Dove has ever been presented to, or considered by, the Australia Post executive committee, the CEO or the board," a spokeswoman said.

The allegations raise an uncomfortable question for Australia Post: is it allowing a union to exercise control over their workers' compensation department, which set

aside \$140 million last year to cover claims? "Jim Metcher openly bragged ... that he ran compensation at AP [Australia Post] and I shouldn't forget it," the complaint to Comcare said. "When a decision was taken by me with which Mr Metcher was unhappy, he would go directly to the CEO."

Metcher, who has temporarily stood

down while his violent past is considered by the union, would aggressively push Australia Post managers to approve compensation claims of his members to a point where several became too ill to work, sources say.

(Metcher has not spoken to the press since allegations about his violent past surfaced last week. His lawyer did not respond to an email.)

Australia Post is one of the last big government businesses. It is a classic example of a government enterprise being undercut by nimbler rivals and technological change, while its union-dominated workforce resists job cuts.

Unable to reduce costs a lot, the company turns to price rises, which annoys customers but avoids a damaging fight with a noisy union.

Australia Post lost \$222 million last year, a sum that ultimately is a cost to the federal government. The complaint to Comcare estimates that the annual cost of its workers compensation scheme is \$250 million, when it could be as low as \$25 million for a comparable privately owned company.

Australia Post says its annual total cost of the scheme was \$21.7 million across 37,000 people last year, down from \$22.1 million the previous year.

Many big companies outsource workers' compensation. So, increasingly, do government enterprises and departments. The Tax Office's scheme is managed by QBE and the Department of Human Services is managed by Allianz. But Australia Post runs its own workers' compensation department, which makes it more vulnerable to union pressure.

Project Dove had senior internal sponsors, according to the Comcare complaint: two direct reports to Fahour who were responsible for overseeing the project. Representatives from the legal, human resources, industry management, industrial relations, workers compensation and other departments were part of the team. Their objective was to change the company's culture, practices and rules to reduce the cost

of workplace injuries.

There was numerical and anecdotal evidence that something was wrong. By one calculation, 63 per cent of Australia Post employees had suffered an injury that entitled them to compensation and 38 per cent had made a claim.

Metcher's power came from his leverage over pay negotiations, strong personality and access to politicians and the media. He would feed information embarrassing to the company or his rivals to the Sydney's *Daily Telegraph*, according to one source. He

would threaten to use allies in the Labor Party to launch public inquiries into the company, according to the complaint, which could be used to embarrass executives in public.

"Jim Metcher would constantly threaten to have me sacked, initiate Senate inquiries, discuss the matter with the media, senators, and CEO," the workers' compensation manager told Comcare, which says it is investigating.

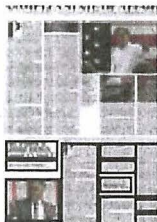
One example of Metcher's political influence is Emma Husar, a new federal Labor politician from the Sydney seat of Lindsay. Husar endured domestic violence as a child and as an adult, and has made fighting it her top priority in politics, earning her widespread praise.

She received \$25,000 in political donations during the election from Metcher's union, and credited him with helping her win the seat.

Husar refuses to criticise the union leader, who police alleged nine years ago engaged in a 27-year-long "domestic violence lifestyle" that culminated in a drunken night of violence when he punched his wife and daughter about 30 times in the face and head. They fled to a neighbour's.

When *The Australian Financial Review* pointed out the contradiction, Husar endorsed a comment on social media that the article was "grubby journalism". She declined to comment on Tuesday.

On February 4, several Australia Post executives met all the state and federal secretaries in the postal and telecommunications division of the Communications, Electrical and Plumbing Union, including Metcher, the head of the NSW branch.



30 Nov 2016

Australian Financial Review, Australia

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At the end of the meeting Metcher dropped a bombshell: he had the documentation about Project Dove, which was being trialled in Victoria, and he wanted the Australia Post executives to explain it on the spot.

"Jim [Metcher] had indicated that someone within AP had leaked documents relating to Project Dove and that he would leak them to the media and arrange rallies in protest," the complaint said.

Company managers knew they would face union opposition and had budgeted for \$500,000 in legal fees to defend against a union challenge. They didn't want to get into a discussion without being prepared, so they agreed on a follow-up meeting a week later.

The next day the manager who made the complaint said he or she was told that the project would cease immediately and he or she would be moved into a new job.

They no longer work for Australia Post.

The union says it is proud it has held Australia Post accountable for its legal obligations to injured workers and denies any impropriety.

"CEPU continues to uncover systematic failures within the Australia Post's workers compensation management, including the recent exposure of 'Project Dove', which was designed to reduce or remove workers compensation payments received by seriously sick and injured workers who are unable to ever return to work again," Metcher's acting replacement, Shane Murphy, said Tuesday.

"The CEPU will continue to stand against unfair practices and poor treatment of sick and injured workers by Australia Post."

## Jim Metcher openly bragged that he ran compensation at AP and I shouldn't forget it.

Former manager at Australia Post



Ahmed Fahour denies killing the plan. PHOTO: PAUL JEFFERS





27 Feb 2017

Australian Financial Review, Australia

Author: Aaron Patrick • Section: General News • Article type : News Item  
Classification : National • Audience : 48,009 • Page: 1 • Printed Size: 600.00cm<sup>2</sup>  
Market: National • Country: Australia • ASR: AUD 12,136 • Words: 1126  
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## Thousands of AusPost workers on light duties

**Exclusive** | Almost 10 per cent of Australia Post employees were put on slimmed-down work duties after filing workers' compensation claims, and most were in the heavily unionised Postal Services division, which delivers mail. An internal Australia Post PowerPoint slide from 2015 that described a plan to reduce the cost of injuries said 3000 employees were working full time with restrictions on what they could do.

▶ Report p6



# 3000 Australia Post staff given light duties

**Exclusive**

Aaron Patrick

Almost 10 per cent of Australia Post employees were put on slimmed-down work duties after filing workers' compensation claims, and most were in the heavily unionised Postal Services division, which delivers mail.

An internal Australia Post PowerPoint slide from 2015 that described a plan to reduce the cost of injuries said 3000 employees were working full-time with restrictions on what they can do, 215 were working part-time with work restrictions and 109 were not working at all. The government-owned company had about 35,000 staff at the time.

The plan, Operation Dove, was killed after a union leader found out about it and complained, according to current and former Australia Post managers – a claim the company disputes.

The figures may explain the disparity between the official \$29 million cost of

workers' compensation to Australia Post in 2013, and the estimate of a former manager in the workers' compensation department, who made an official complaint to Comcare, the scheme's regulator, which said injury claims cost

Australia Post \$250 million a year.

"Workers on restricted duties are provided with meaningful work at Australia Post," a spokeswoman said. "We reject any inference these employees are not doing productive, valuable work that accommodates their injuries."

Ninety per cent of the employees who have made successful workers' compensation claims are working full time, the Project Dove slide indicates, which means they don't show up as a cost to the scheme.

Chief executive Ahmed Fahour, who said last week he would resign this year, denied that his unexpected departure was related to reports in *The Australian Financial Review*, citing the former manager, that the scheme was being rorted or an aggressive union leader, Jim Metcher, exercised a veto

over claims.

"We're very proud of the way we handle workers' compensation," he said in an interview with Jon Faine on ABC radio. "This one person is sort of making allegations that the company was too soft and it lets injured workers and their union representatives have too much of a say in their representations about us."

"It's kind of an incredible allegation because seven years ago when I started

the job the allegation about the culture was exactly the other way around. They were saying 'we were too harsh; we're not fair on workers. Our compensation costs for injured workers as a total proportion of wages is less than 1 per cent.'"

Project Dove was to be run by a committee with representatives from human resources, the safety department, the mail network and the legal department. The project was overseen by Peter Bass, the head of the mail business, and Catherine Walsh, the head of human resources, who now works in a similar role at the Spotless Group, a



27 Feb 2017

Australian Financial Review, Australia

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source said.

Under the plan a committee was to consider cases individually, examine the medical evidence and consider if it would be reasonable to find a new job for the person. In some cases the person would be fired if they were unable to work. "As the business transforms we need to review how we deal with the question of ongoing availability of suitable work for injured employees and manage employees on long-term restricted duties who are not performing the inherent requirements of their nominal role," the slide said.

Described as "unremarkable in businesses" the plan was going to be implemented in three stages. Starting in September, 2015, it would first be used to assess staff not working at all.

Approximately six months later it would apply to people working part-time. From September, 2016, the project would shift to the 3000 staff working full-time to what was called inside the company as "light duties".

On September 22, 2015, Project Dove was put to a committee called the People Culture Remuneration Forum, which is chaired by strategy, human resources and regulatory chief Chris Blake, who reports to Mr Fahour. The committee is known as the PCRF.

"I actually did not need to present – it was tabled but accepted as read," a member of the committee told a colleague in an email seen by the *Financial Review*. "I think we just keep moving ahead as planned!!"

Australia Post denies Mr Fahour killed the project after Mr Metcher complained. A company spokeswoman said the project was shut down "once it became known that Dove recommended an approach of removing injured workers from the overall workforce". "This decision was made internally and not influenced by any third party," she said. "Dove was never presented to, or considered by, the Australia Post Executive Committee, the CEO or the Board. It was never discussed or approved by the PCRF."

**We're very proud of  
the way we handle  
workers'  
compensation.**

Ahmed Fahour, Australia Post CEO



27 Feb 2017

Australian Financial Review, Australia

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## Who killed the Dove

Extract from Australia Post's 'Project Dove' document outlining cost-cutting measures

### BACKGROUND

As the business transforms we need to review how we deal with the question of ongoing availability of suitable work for injured employees and manage employees on long term restricted duties who are not performing the inherent requirements of their nominal role.

A project team has been formed with members from HR, Enterprise Safety, Mail Network and Legal. An approach to managing this issue has been developed addressing considerations of:

- Employment law

- Workers' compensation obligations

In circumstances where an employee can no longer perform the inherent requirements of their nominal role and is unlikely to be able to at any time in the reasonably foreseeable future.

Approximately 3324 employees across the enterprise are not performing full duties. Those employees are predominately in Postal Services, and fall under 3 broad categories:

Not performing any work  
(109)

Working partial hours with restrictions  
(215)

Working full hours with restrictions  
(3000)

### APPROACH

Case by case assessment and management to be reviewed by a stakeholder committee. Consideration given to:

Medical evidence

Reasonable adjustment &/or redeployment

Procedural fairness

Indicative savings\*

\*Indicative savings uses a whole of business approach, taking account of (leave entitlements, superannuation, compensation, and operational costs). We understand that our workers' compensation provision will be affected, however, in view of the long term nature of many of the above cases, this will be offset by the overall savings to the enterprise.

In appropriate cases

Termination of employment based on inability to perform the inherent requirements of the job and assessment of workers compensation claim against individual's employability on the open labour market

SOURCE: AUSTRALIA POST



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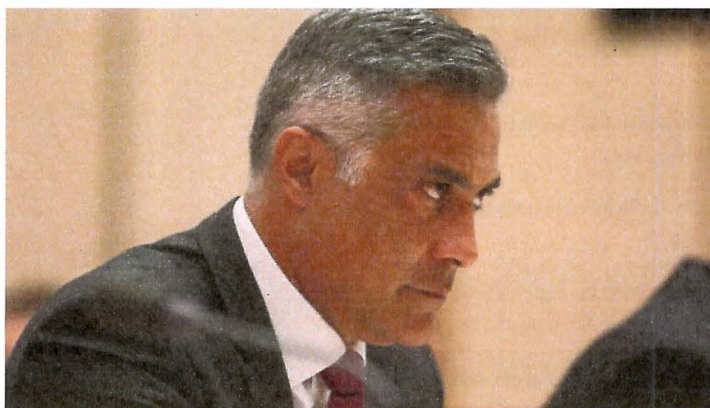


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Dec 6 2017 at 12:01 AM | Updated Dec 6 2017 at 12:01 AM

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## Did Ahmed Fahour mislead Senate on project shuttered after union boss threats?



Former Australia Post CEO Ahmed Fahour at Senate estimates on February 28, when he is alleged to have misled the committee. Andrew Meares



by David Marin-Guzman

Ahmed Fahour is facing serious questions over whether he misled a Senate committee about his role in shutting down an Australia Post workers' compensation reform plan in response to threats from powerful union boss Jim Metcher.

Despite denials to Senate estimates, Mr Fahour has [admitted in court documents](#) he knew of 'Project Dove', an initiative designed to rehabilitate injured workers faster, as far back as February 2016 when Mr Metcher, the NSW secretary of the postal union, phoned him and threatened to leak the project to the media and rally against it.

The former chief executive responded by ousting the architect of the plan, national workers' compensation head Michael Newton, on the basis Mr Metcher said he could not work with him and was threatening to "go public". Australia Post shut down the project that same day.

The concessions were made in a joint legal defence by Australia Post and Mr Fahour in response to Mr Newton's Federal Court lawsuit that he was unlawfully removed.

Questioned repeatedly about Project Dove at Senate estimates on February 28, 2017, Mr Fahour claimed he had never heard of the project until he read about it, and the circumstances behind its axing, in [The Australian Financial Review](#) in November, 2016.

"As I have said publicly, and as the company has said publicly, until the time somebody told me it was in the newspaper—they said, there is a Project Dove —

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neither myself nor the executive committee nor the board were aware of Project Dove."

Mr Fahour repeatedly told the Senate committee he only found out about the project "after the event - when it became public".

He said the project - "as reported in the newspaper; that is the best I know" - was produced "by some people down in the bowels of the organisation".

Asked whether he ever had conversations with a union about the information, Mr Fahour took the question on notice but did not respond to it.

Australia Post would later admit in a short, written response to the Senate on May 9 that "when the managing director and group CEO, and other members of the executive committee, became aware of the scope of Project Dove, further work on the project was stopped immediately".

### 'Extremely serious'

Liberal Senator Eric Abetz, who asked Mr Fahour the questions, said the matter was "potentially very serious" and he was considering referring Mr Fahour to the Senate privileges committee.

"There appears to be a conflict in the evidence of Mr Fahour - one version to the Senate estimates and another version in the Federal Court.

"Both lots of answers are under oath and that is what makes it potentially an extremely serious matter.

"Mr Fahour was a public official and he should have given his evidence openly, honestly and, given it's a government business enterprise, as a model CEO."

He said the former CEO had been "quite dismissive" at estimates about whether he knew about the project.

"We now know that he clearly did and he was being monstered by the union."

Mr Abetz, who is a member of the privileges committee, said he was closely examining the court documents to ascertain conflicts in evidence and would write to the president of the Senate for referral if he concluded there were any.

Mr Fahour did not respond to requests for comment about whether he had misled the Senate.

He has denied Mr Metcher asked or required him to remove Mr Newton and claimed it was "not feasible" for Mr Newton to continue due to Mr Metcher's threats and hostility towards him.

Australia Post said it would be "inappropriate" to comment while the matter was before court.

The Senate can impose jail terms and fines for misleading a parliamentary committee, as well as issue public reprimands and request apologies.

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COMMONWEALTH OF AUSTRALIA

# Proof Committee Hansard

## SENATE

### ENVIRONMENT AND COMMUNICATIONS LEGISLATION COMMITTEE

#### **Estimates**

(Public)

TUESDAY, 28 FEBRUARY 2017

CANBERRA

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**SENATE**

**ENVIRONMENT AND COMMUNICATIONS LEGISLATION COMMITTEE**

**Tuesday, 28 February 2017**

**Members in attendance:** Senators Abetz, Bilyk, Bushby, Chisholm, Dastyari, Di Natale, Duniam, Griff, Hanson-Young, Hume, Kakoschke-Moore, Kitching, Leyonhjelm, Lines, Ludlam, McCarthy, McKenzie, Moore, O'Neill, Reynolds, Roberts, Siewert, Urquhart, Whish-Wilson, Williams, Xenophon.



## **COMMUNICATIONS AND THE ARTS PORTFOLIO**

### **In Attendance**

Senator Fifield, Minister for the Arts, Minister for Communications

### **Department of Communications and the Arts**

#### **Programme 1.1**

Dr Heather Smith PSM, Secretary  
Mr Ian Robinson, Deputy Secretary, Infrastructure and Consumer Group  
Mr Richard Eccles, Deputy Secretary, Content, Arts and Strategy  
Ms Jo Talbot, First Assistant Secretary, Corporate  
Ms Mary Balzary, First Assistant Secretary, Infrastructure  
Ms Pauline Sullivan, Acting First Assistant Secretary, Consumer  
Dr Carolyn Patteson, First Assistant Secretary, Content Division  
Mr Richard Windeyer, First Assistant Secretary, Strategy and Projects  
Ms Leonie Holloway, Chief Economist  
Mr Chris Faris, Assistant Secretary, Post and ACMA  
Ms Sylvia Spaseski, Assistant Secretary, Consumer  
Ms Kathleen Silleri, Assistant Secretary, Public Interest and NBN Migration  
Ms Sarah Godden, Assistant Secretary, General Counsel  
Ms Cathy Rainsford, Assistant Secretary, Media Branch  
Ms Helen Owens, Assistant Secretary, Content and Copyright Branch  
Mr Lachlann Patterson, Assistant Secretary, Regional Development  
Mr Philip Mason, Assistant Secretary, Market Structure Branch  
Mr Andrew Madsen, Assistant Secretary, Broadband Implementation Branch  
Ms Kate Feros, Acting Assistant Secretary, Spectrum  
Mr Jason Ashurst, Acting Assistant Secretary, Infrastructure Security and Resilience

#### **Programme 2.1**

Ms Sally Basser, First Assistant Secretary  
Australian Broadcasting Corporation  
Ms Michelle Guthrie, Managing Director  
Mr Michael Millett, Director Corporate Affairs  
Mr Alan Sunderland, Editorial Director  
Mr David Pendleton, Chief Operating Officer

### **Australia Council**

Mr Tim Blackwell, Executive Director Corporate Resources  
Ms Lissa Twomey, Executive Director MPA and National Engagement

### **Australian Communications and Media Authority**

Mr Richard Bean, Acting Chair  
Mr James Cameron, Acting Deputy Chair  
Ms Linda Caruso, Acting General Manager, Legal Services  
Ms Jennifer McNeill, General Manager, Content, Consumer and Citizen Division  
Mr Giles Tanner, General Manager, Communications Infrastructure Division  
Mr Christopher Hose, Executive Manager, Spectrum Planning and Engineering Branch  
Mr Alastair Gellatly, Manager, Broadcast Spectrum Planning Section

### **Australian Postal Corporation**

Mr John Stanhope AM, Chairman



Mr Ahmed Fahour, Managing Director and Group Chief Executive Officer

Ms Christine Corbett, Chief Customer Officer

Mr Peter Bass, Executive General Manager, Letters and Mail Network

Mr Chris Blake, Executive General Manager, Group Services

Ms Erin Kelly, Corporate Secretary

**National Film and Sound Archive of Australia**

Ms Meg Labrum, Acting Chief Executive Officer

Ms Denise Cardew-Hall, Chief Financial Officer

**National Library of Australia**

Ms Anne-Marie Schwirtlich AM, Director-General

Mr Gerry Linehan, Assistant Director-General, Corporate Services

**NBN Co Ltd**

Mr Bill Morrow, Chief Executive Officer

Mr Stephen Rue, Chief Financial Officer

Mr Peter Ryan, Chief Network Engineering Officer

Mr John Simon, Chief Customer Officer

**Office of the Children's eSafety Commissioner**

Ms Julie Inman-Grant, Commissioner

Ms Andree Wright, Executive Director

Mr Stuart Wise, Business Manager

Ms Julia Cornwell McKean, Manager

**Screen Australia**

Mr Graeme Mason, Chief Executive Officer

Ms Fiona Cameron, Chief Operating Officer

**Special Broadcasting Service**

Mr Michael Ebeid, Managing Director and Chief Executive Officer

Ms Clare O'Neil, Director, Corporate Affairs

**Committee met at 09:01**

**CHAIR (Senator Reynolds):** I declare opening this meeting of the Senate Environment and Communications Legislation Committee. The Senate has referred to the committee the particulars of proposed additional expenditure for 2016-2017 and other related documents for the portfolios of environment, energy, communications and the arts. The committee has fixed Friday 28 April 2017 as the date for the return of answers to questions taken on notice. Under standing order 26 the committee must take all evidence in public session. This includes answers to questions on notice. Officers and senators are familiar with the rules of the Senate governing estimates hearings. The Senate has also resolved that an officer of a department of the Commonwealth shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to the minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted. I particularly draw the attention of witnesses today to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised.

*The extract read as follows—*

**Public interest immunity claims**

That the Senate—

(a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;

(b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;

(c) orders that the following operate as an order of continuing effect:

(1) If:

(a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and

(b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

(2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.

(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

(5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.

(6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

(8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

(d) requires the Procedure Committee to review the operation of this order and report to the Senate by 20 August 2009.

*(13 May 2009 J.1941)*

(Extract, Senate Standing Orders, pp 124-125)

Witnesses are specifically reminded that a statement that information or a document is confidential or consists of advice to government is not a statement that meets the requirements of the 2009 order; witnesses are instead required to provide some specific indication of the harm to the public interest that could result from the disclosure of the information or the document.

There are a couple of things that I as chair would like to raise before we begin. I need to let the secretary, the minister and the department know that we have intense interest today from many senators in the first three agenda items: general questions of the department, Australia Post and the ABC. Under the standing orders senators have the right to ask questions until we have no more questions. I will of course honour that, but first of all I would ask that departmental officers make their answers as concise as possible. That would be much appreciated to facilitate the process. I would also ask of senators participating here today, given there are a number of issues to be discussed that are highly emotive for a lot of senators and communities, that we endeavour to keep the temperature down and focus on the issues, not on individuals, during the course of today.

### **Department of Communications and the Arts**

[09:05]

**CHAIR:** On that note, I welcome the Senator the Hon. Mitch Fifield, Minister for Communications and for the Arts, and also the secretary. Welcome back. It is good to be back here chairing this committee again. I invite the minister to make an opening statement.

**Senator Fifield:** I accept your invitation to make an opening statement, given the level of interest in particular in an item that will follow. At the outset on behalf of the Australian government I would like to thank Mr Ahmed Fahour for his service to Australia Post following the recent announcement of his resignation as managing director and group CEO. Mr Fahour commenced in the role of Managing Director and Group CEO of Australia Post in early 2010. Under his leadership Australia Post has experienced strong growth in its parcels and eCommerce business and took on full ownership of the StarTrack business. The company has also introduced

budget to keep that going as well. I think we gave it a good crack in terms of both getting an audience and getting sponsorship for it and it did not work out. Often it is often the case with television that some programs work out and some do not.

**Senator CHISHOLM:** Thank you.

**CHAIR:** Thank you, Mr Ebeid, for appearing today. I now suspend this hearing for the lunch break.

**Proceedings suspended from 12:32 to 13:32**

**Australian Postal Corporation**

**CHAIR:** I call questions in relation to Australia Post. Welcome back, Mr Fahour, and welcome, Mr Stanhope. Would either of you like to make an opening statement?

**Mr Stanhope:** I would like to. I hope it goes some way to answering some of the questions that senators might have today.

**Senator Fifield:** Before commencing, I indicate for the benefit of colleagues who may not have been here and also for Australia Post that at the commencement of estimates today I put on the record in some detail the government's thanks to Mr Fahour for his service as CEO of Australia Post over seven years. I have enumerated some of the significant achievements over that time. I thought it appropriate to restate that at the commencement of these proceedings.

**CHAIR:** Thank you very much. Senator Dastyari, do you have a point of order?

**Senator DASTYARI:** No, I just want to reiterate and associate us with the words from the minister. I do want to note that Mr Fahour's tenure at Australia Post has been an incredibly successful one. I note that he was appointed by a former senator, Senator Stephen Conroy, and some of us who have known Stephen well for many years can actually say this now that he is no longer here: even Stephen made some good decisions every once in a while, and Mr Fahour was certainly one of them. I think it has been an incredible tenure at Australia Post and I think he should be congratulated for what he has been able to achieve in very difficult times in the post industry.

**CHAIR:** Thank you very much. Senator Whish-Wilson?

**Senator WHISH-WILSON:** Certainly the Greens lend our weight to most of those comments. We are glad that you have come today, Mr Fahour, and well done on a great tenure at Australia Post. We hope that a number of good people stay and continue to turn that business around for the good of the taxpayer and the workers, continuing your good work.

**CHAIR:** Also, as chair but also as a member of the government, on behalf of members here I echo those sentiments. Thank you very much for appearing here today and for the work that you have done on behalf of Australia Post and, consequently, the nation.

With that, would one of you like to make an opening statement?

**Mr Stanhope:** Thank you. As I understand it, I have been invited here today to discuss the issue of executive remuneration and how it is set at Australia Post. Obviously it stems from recent media coverage of the issue following questions posed by this Senate committee. Following that media coverage, I received a letter that was co-signed by our two shareholder ministers, Minister Fifield and Minister Cormann, that asked the board to address two issues. The first issue relates to how we set executive remuneration, particularly the CEO's salary, and how that aligns with community expectations. The second issue relates to our approach to publicly disclosing information about executive remuneration.

Before I get into those two issues, I want to make the point that Post is unlike any other organisation in the country because it combines the elements of a highly competitive commercial business with our other role as a publicly owned community service provider. As directors, we take our obligations from the Australian Postal Corporation Act 1989, which defines two obligations for post. We have a community service obligation, which is all about maintaining a reliable, accessible letters service for all Australians. And we have a commercial obligation, which requires us to perform our functions in a manner consistent with sound commercial practice. Our role, according to the act, is to run Australia Post in a manner consistent with sound commercial practice.

In recent media coverage of executive salaries at Australia Post, there was a lot of commentary comparing our senior executive salaries with that of politicians, leading public servants and postal services, but the reality is that Post is no longer a public-service-style monopoly whose responsibility involves only delivering the nation's letters service. While letters will always be important to us, the community's use of the service has halved over the past decade. Today we have evolved into a commercial business that is focused on winning in the highly competitive global parcels and logistics market. Our core business today is ecommerce and parcels. Last year, we earned 73



per cent of our revenue and all of our profit in fully competitive markets. Our real-world competitors are companies like DHL, Toll and FedEx.

The board's view is that we need our salary packages to be commercially competitive to attract and retain talented people in a competitive executive talent market. When we are setting the remuneration of our executives, our benchmarks involve comparisons with like-sized companies with reference to our competitors in the commercial parcels market, not postal businesses or the Public Service. Highly talented executives have been vital in recent years—as some of you have just pointed out earlier—to sustaining Post's nationwide networks, the development of our ecommerce parcels business and maintaining our position as a self-funding GBE. We recognise times have changed and it is clear the current CEO's remuneration is inconsistent with community expectations. As senators will have seen, Mr Fahour tendered his resignation to the board last week after leading a very successful transformation of our business over the past seven years. This will allow the board to reset the next CEO's contract. Last week our shareholder ministers also informed us that, from now on, the Remuneration Tribunal will review the remuneration package that we propose for our next managing director.

I want to also address the issue of our approach to disclosing executive remuneration. As senators are aware, we met the disclosure requirements for executive remuneration as outlined in the PGPA Act in last year's annual report. In a subsequent sitting of this committee, we were asked for further details of executive remuneration, including the individual remuneration of the CEO, and that became a question on notice. The practice at Australia Post is for the management team to deal with this committee's questions on notice. Those questions and the answers do not come before the board. In responding to the committee's question, the management team attempted to protect the competitive information of Australia Post while also seeking to shield our CEO and his family from adverse publicity related to the publication of his remuneration. In hindsight, that was a mistake.

It is the board's intention, going forward, to disclose senior executive remuneration in the upcoming and future annual reports. We also placed the 2015-16 detailed disclosure on our website last night. If you look at that disclosure, it is virtually a precis of the whole contract, and you will see how we set benchmarks and how we reward our executives—not just the CEO; all the senior executives. The disclosure includes the explanation of the business. By the way, I will just add: I believe it is in the interest of us to disclose these things because it has become apparent that Australia Post is not actually well understood, so disclosure, in my mind and in the mind of the board, is very important. It has an explanation of the business, the total remuneration of each executive and the details of how it is structured, as well as performance hurdles that our executives have met to earn their incentive payments, where the remuneration sits against benchmarks, and it explains how the benchmarks are set.

Before I conclude, I would also like to put on record that it has been an absolute pleasure to work with Mr Fahour over the last four years since I was appointed chair. Under Mr Fahour's leadership, nearly every aspect of Post's strategy, business model, operations and culture has transformed. He had a vision of turning Australia Post into the delivery engine of the internet and that is exactly what he has done. He was responsible for leading the rebuild of our parcels and logistics capabilities just as Australia's love affair with online shopping was taking hold, and he did that while simultaneously managing all of the workforce and cost impacts associated with the sudden decline of our traditional core business, the letter service. He has created significant value for the shareholder, and the shareholder has received, in my mind, a very good return on investment in his talent. We will miss him at Australia Post. The board has now begun a process to recruit the next CEO of Australia Post, and we hope to make the appointment before Ahmed vacates the role later this year. I believe the CEO wishes to say a few words.

**CHAIR:** Thank you very much, Mr Stanhope. Mr Fahour, would you like to make an opening statement?

**Mr Fahour:** Thank you very much, Chair. Thank you very much, Chairman, for those kind words. Can I start by also thanking the minister, Senator Fifield, and Senator Dastyari, Senator Whish-Wilson and yourself, Chair, for those kind introductory comments.

As is known, and as the chairman said, I tendered my resignation to the board of Australia Post last week. I want to reiterate, though, that I have been considering my departure for some time now. However, the recent dialogue about the level of remuneration for running a government-owned business has certainly sharpened my mind with regard to the timing of this decision and the impact that this has on our brand and on my family. It has been a great privilege to serve as the CEO of Australia Post. I will tell you this, but you may not believe it: I have loved and cherished every moment of this opportunity. I am extremely proud of what the team has achieved over the past seven years. At the top of my list of our achievements is the fact that we saved nearly 10,000 direct jobs through our Post People 1st initiative. The key secret to that has been to transfer some of the responsibilities of the fast-growing commercial business in parcels to be delivered by our traditional postal workers, like our posties. I am pleased that a third of all of our parcels today, versus zero per cent only a short number of years ago, are now

delivered by posties. Just because the letters have declined by 50 per cent, that does not mean that the postie has to disappear.

Next on my list of proud achievements for this team is the support that we are providing to the hardworking and, at times, struggling post office network across this country: the licensees. We have increased the annual payments to LPOs from \$320 million only a short four years ago to \$450 million today. That funding boost secured the viability of post offices in many rural and remote communities across Australia. I note and I thank POAAL and LPOG for putting out statements thanking Australia Post for the changes that we have made. I think that you, as senators who worked on that committee—and I know many of you did over many years—have gone through this brutal change yourselves and you have helped to save thousands of post offices. Together, we can be very proud of that achievement.

Third, I am also proud of the fact that we built Australia's pre-eminent parcel e-commerce business that competes, as the chairman said, with the major global logistics players around the world. There are very few markets in the world where the big giants are not the dominant players. In Australia's case, we have taken them on and we have succeeded. In 2010, when I started the parcel business, which is a fully commercial business, it was valued in the order of \$1 billion to \$1½ billion. Each year, we go through a valuation process, and the most recent valuation process suggests that this business is today worth somewhere between \$5 billion and \$6 billion.

I am also proud of the fact that Australia Post remains an entirely self-funding business; it does not take one dollar of taxpayer money. The reform of the letter service that we worked on together for so long has gone through and has been implemented, which has effectively avoided a \$6.7 billion government bailout over the coming decades. That is what reform has achieved for the country: we have avoided a \$6.7 billion government bailout.

Finally, I am very proud of the fact that over the last seven years of my tenure at Australia Post we have paid over \$4 billion in dividends, taxes and CSO funding and we have met every single one of our CSO indicators that have been put into regulation. We have met both of our dual obligations, as was outlined by the chairman. Last week I had the pleasure to announce that we had a pre-tax profit of \$197 million in the first half of this current financial year. That result was built on robust growth in volume, revenue and profit in our parcel business, but it is also an outcome of our postal business returning to break-even following the reform of the letter service. It is a good note to go out on.

But Australia Post will face more challenges in the future: managing the ongoing decline of the letter service; protecting the wonderful people at Australia Post and the impact this will have on their jobs; and helping the LPOs survive these digital headwinds. And there will be incredibly serious competition from the global giants, who will not like losing to humble old Australia Post. That competition is going to intensify, and protecting the business is going to require a massive effort. We have begun—last year—the third and very important phase of our sustainability program. The two most important parts of that are the new post office sustainability program that we are launching; and—the second one—the creation of the ultimate customer network, by bringing together our letters network and our parcels network.

Chair, as you know, it has been one of my greatest delights to come to Senate estimates! And in so many ways, this being my last time, I welcome your questions.

**CHAIR:** Thank you very much, Mr Fahour, for outlining just a little bit of the amazing transformation of Australia Post that has occurred under your leadership. On behalf of Australian taxpayers, I also thank you very much for the contributions that you and your staff have made. Before we move to questions, I will just note for the committee that both opening statements have been tabled. Minister, would you like to table your opening statements from this morning as well?

**Senator Fifield:** I will arrange for that to be done, thank you, Chair.

**CHAIR:** I understand that the committee this morning agreed to have a minute or two to take photos before we start questions, so we can do that now.

**Senator URQUHART:** Thank you very much, Mr Fahour. I am just wondering, are you not coming to Senate estimates in May?

**Mr Fahour:** I just cannot wait to see you—whenever you want!

**Senator URQUHART:** You are coming in May.

**Mr Fahour:** No, I am not coming.

**Senator URQUHART:** Mr Stanhope, I would like to get a better understanding of the formal and informal practices around how executive pay decisions of Australia Post are communicated to government. Can you please explain how that works, from your perspective?

**Mr Stanhope:** The responsibility—and it is actually written in the act—is for the board to decide the CEO and executive remuneration, and that is what we do. We do benchmark, and we benchmark against similar-sized—as I said in my opening statement—companies, and we reference the large-parcel businesses including our competitors to set the salaries and the structures. So we have a base salary, and we have an incentive and so on; as you would be aware, Senator. We are not required to then get approval of the government or the minister. It is a board decision, as required—as I said—by the act. So how is notification made to government of remuneration? It has been, up until recently, through the annual report. And up until the 14-15 year, and now the 15-16 year, it has not been a requirement, but before that it has been. Take 2012-13 and 2013-14, for example: the salaries have been disclosed in the annual report. That has been our reporting requirement.

**Senator URQUHART:** Yes, I understand that. But what I have specifically asked about is the communication to the government.

**Mr Stanhope:** The communication has been through the annual report.

**Senator URQUHART:** Through the annual report, okay.

**Senator DASTYARI:** Mr Stanhope, firstly I want to thank you for your opening statement. I note that you said—and it takes a brave chairman to come to Senate estimates and say this: 'In hindsight, that was a mistake.' I want to thank you for your honesty. I want to be clear here: you met the requirements under the act and you met the requirements under the regulation, is that correct?

**Mr Stanhope:** Correct.

**Senator DASTYARI:** Do you want to explain to us what part of it was the mistake?

**Mr Stanhope:** The mistake was that, even though we did not have to disclose under the act, we did not. In hindsight, it was probably a good thing to disclose. The reason is that it is obvious that the business is not understood well enough and it is important to have people understand.

**Senator DASTYARI:** If I currently go onto your website—from what you have said about last night, and again, I have not been on since last night so I was not aware of this—is all the remuneration information up to and including 2015 and 2016 available?

**Mr Stanhope:** No, it is the 2015-16 information.

**Senator DASTYARI:** The 2015-16 year is available. That was the only year that was not available, is that correct?

**Mr Stanhope:** We did not disclose in 2014-15. In hindsight, it would have been a good thing to disclose because the CEO's salary was quite low because he did not take his bonus.

**Senator DASTYARI:** Will you now disclose 2014-15?

**Mr Stanhope:** Yes, we can do.

**Senator DASTYARI:** Do you have that information available?

**Mr Stanhope:** Not here, but I have no problem with disclosing 2014-15 as well.

**Senator DASTYARI:** So you will take it on notice that you will?

**Mr Stanhope:** Yes.

**Senator DASTYARI:** Do you give the committee a commitment that, regardless of the regulation requirement, from now on you will be releasing that information?

**Mr Stanhope:** I will give you that commitment now.

**Senator DASTYARI:** I just want to get an understanding of how contractual arrangements work. You have the two, obviously, shareholding ministers—the Minister for Communications and the Arts and the Minister for Finance. Is that correct?

**Mr Stanhope:** Correct.

**Senator DASTYARI:** How regularly are you in contact with the minister or is the board in contact with the minister or the department?

**Mr Stanhope:** It is usually me who is the chairman, and we would have meetings as necessary. I would go and talk to the minister about the business and the direction of the business. We would have those sort of discussions. But it is not set every fortnight or anything like that.



**Senator DASTYARI:** Is a quarterly, monthly or bimonthly?

**Mr Stanhope:** It is not a set quarterly meeting, but we catch up as required. It can be more frequent or less frequent.

**Senator DASTYARI:** Without having to pin the exact number, are we talking half a dozen times or are we talking a dozen times in the last year?

**Mr Stanhope:** I probably met with the minister about three times over the last 12 months.

**Senator DASTYARI:** Is that roughly your recollection, Minister?

**Senator Fifield:** That is probably about right, but there are the phone conversations as well.

**Senator DASTYARI:** Are you able to take on notice how many meetings there has been with the minister since the minister became the minister for this portfolio? So since, what is it, December 2015.

**Senator Fifield:** It was September 2015.

**Senator DASTYARI:** Is that something, Minister, you are able to provide us? We cannot get your diary, so I was wondering if you could—

**Senator Fifield:** Sure. We can collectively take that on notice.

**Senator DASTYARI:** Thank you. Mr Fahour, when was the start of your contract with Australia Post?

**Mr Fahour:** It was 1 February 2010.

**Senator DASTYARI:** You began on 1 February 2010. How many years was that first contract for?

**Mr Fahour:** I am not on a yearly contract; I am not on a set time frame contract. My contract is a contract that states that I am only there as long as the board wants me there.

**Senator DASTYARI:** Mr Stanhope, can you explain to me this term that keeps coming up that I do not quite understand. What are stretch incentives?

**Mr Stanhope:** They are what I would term as achieving results beyond what I would call normal business. What we try to do with incentive plans is to drive the performance of the executives and business outcomes harder than just turning up every day and doing a normal job.

**Senator DASTYARI:** Again, if I was in the corporate sector, would I be calling these bonus goals? Is that what they are?

**Mr Stanhope:** Yes, they are incentive goals. There are incentive KPIs.

**Senator DASTYARI:** When was the last time they were set?

**Mr Stanhope:** For this year we are in—2016-17—they would have been set in June going into the financial year because they are fiscal year goals.

**Senator DASTYARI:** So you set them every year?

**Mr Stanhope:** Yes, we do.

**Senator DASTYARI:** So when were the goals for the year 2015-16, which is where the media debate has been around—the \$5.6 million remuneration—set? In 2014?

**Mr Stanhope:** They would have been set in around June 2015 to go into the 2015-16 year.

**Senator DASTYARI:** Do you relay what those incentives are? Who knows what those incentives are? How are they made publicly available?

**Mr Stanhope:** The board knows, and the executives who are impacted by them know.

**Senator DASTYARI:** Does the government know?

**Mr Stanhope:** No.

**Senator DASTYARI:** So the government is not aware of the incentives that you are setting up?

**Mr Stanhope:** No, because it is part of the remuneration that is the responsibility of the board.

**Senator DASTYARI:** It strikes me as somewhat odd. The company is managed—well, I am not sure 'managed' is the right word. There are two shareholding ministers who sit above you. Is that right, Chairman?

**Mr Stanhope:** Yes, indeed.

**Senator DASTYARI:** In effect, because it is a GBE it is trying to have a kind of corporatised structure, as if they were the owner—they are doing it on behalf of the Australian people, but they would be the owner. Correct?

**Mr Stanhope:** Yes, that is correct, but let's not forget the ministers also get the corporate plan and what we are trying to achieve. The board's role is to incent the management team to make sure we achieve those outcomes.

**Senator DASTYARI:** Have you had a conversation with the minister at any point about remuneration of senior executives before—I will be clear here—before the last Senate estimates round, where this became a kind of an issue?

**Mr Stanhope:** No. Since the last Senate estimates round, and recently, we have had a number of conversations, but not beforehand.

**Senator DASTYARI:** Never?

**Mr Stanhope:** No. Not about remuneration.

**Senator DASTYARI:** The minister gave evidence this morning that he had brought to your attention community concerns regarding the—

**Mr Stanhope:** And he did.

**Senator Fifield:** In an early meeting with the chair I conveyed that.

**Senator DASTYARI:** So what was it—he did or did not?

**Mr Stanhope:** I beg your pardon?

**Senator DASTYARI:** He did?

**Mr Stanhope:** Yes, he did.

**Senator DASTYARI:** You just said he did not.

**Mr Stanhope:** He did bring to my attention the community expectations.

**Senator DASTYARI:** I just asked you a minute ago whether or not you had had a conversation regarding executive remuneration with the minister, and you said no. Now you just said you did. It cannot be both!

**Mr Stanhope:** No, senator, you were giving me a time frame.

**Senator DASTYARI:** I said before September.

**Mr Stanhope:** Before September?

**Senator DASTYARI:** Before October.

**Mr Stanhope:** I do not recall one.

**Senator DASTYARI:** Minister, did that conversation happen?

**Senator Fifield:** I think that, early in my time as minister, I mentioned in an early catch-up that the issue of remuneration is something that was raised by the community from time to time. That was the extent of it.

**Senator DASTYARI:** Mr Chairman, you do not recall that conversation?

**Mr Stanhope:** No, I do not. But I may have just forgotten it. It was a long time ago.

**Senator DASTYARI:** It must have made a huge impact on you.

**Mr Stanhope:** We were talking about a lot of things at that time—the strategy of the company and so on.

**Senator DASTYARI:** Minister, why don't you run through with us—because you did say it early this morning—what exactly you outlined or raised with the chairman, who does not seem to remember?

**Senator Fifield:** It was, from my recollection, early in the piece of my being minister. In an early meeting with the chair one of the things I mentioned, amongst a range of things, was that it is one of the issues that is periodically raised by members of parliament and by the community. That was the essence.

**Senator DASTYARI:** Was the department in that meeting as well?

**Senator Fifield:** I do not think so, no. I think my first meeting with the chair was—

**Senator DASTYARI:** It was just the two of you?

**Senator Fifield:** To my recollection.

**Mr Stanhope:** It may well have happened. If the minister says it did, it probably happened.

**Senator DASTYARI:** It must have had a huge impact on you, Chairman.

**Mr Stanhope:** At the end of the day the board is trying to attract executive talent to the organisation to get the outcomes of the business.

**Senator DASTYARI:** Did you have any discussion with the previous minister for communications—who is now, obviously, the Prime Minister, Mr Turnbull—around executive remuneration?

**Mr Stanhope:** When he was the Minister for Communications we did have a conversation about remuneration.

**Senator DASTYARI:** When was that?

**Mr Stanhope:** Gee, it is pretty hard to recall, but it was fairly early in his term as the Minister for Communications.

**Senator DASTYARI:** Fairly early in his term—so some time between, obviously, September 2013 and September 2015. You are saying it was closer to 2013 than 2015?

**Mr Stanhope:** Yes, it was early in his tenure as the minister.

**Senator DASTYARI:** And you remember that conversation?

**Mr Stanhope:** I do remember it.

**Senator DASTYARI:** That was a more memorable than the conversation with Senator Fifield?

**Mr Stanhope:** It must have been.

**Senator DASTYARI:** What did the Prime Minister—sorry, the then minister, but obviously now the Prime Minister—say to you in that conversation?

**Mr Stanhope:** It was about the remuneration of the CEO, and it was quite high. I responded that it has to be a competitive salary because we compete with—

**Senator DASTYARI:** So the Prime Minister expressed to you—or the shareholding minister, a shareholding minister—

**Mr Stanhope:** The shareholder minister. He was not Prime Minister.

**Senator DASTYARI:** He was not the Prime Minister, in fairness, at that point. He was planning to be, but was not yet. The shareholding minister expressed to you concern around the levels of executive remuneration.

**Mr Stanhope:** Correct. And I explained the reason the levels were as they were.

**Senator DASTYARI:** Do you believe the levels are right?

**Mr Stanhope:** I do believe that they need to be competitively placed against the executive talent market we need to run this business.

**Senator DASTYARI:** You are saying you believe that \$5.6 million is an appropriate level of pay for the CEO of Australia Post?

**Mr Stanhope:** Yes, and it is comparable with the salaries set by the benchmark companies we use.

**Senator DASTYARI:** There has been quite some media commentary around this that it is a very, very high figure compared to postal chiefs across the world?

**Mr Stanhope:** And it is the wrong comparison because they do not run competitive parcel businesses, and there is a whole lot of reasons why it is the wrong benchmark. It is the wrong comparison to make, as I said in my opening statement. I would like to follow-up. I do believe that we need to be comparable with the talent pool that we compete with and that is why I am saying it is a reasonable salary in those circumstances. Mr Fahour's salary was set in 2010 when he initially came to be employed by Australia Post and it was a board decision. It was set at a level to be competitively attractive to Mr Fahour and it was recognised that that level of remuneration was required to have him join the business. I said in my opening statement that 2010 is quite some time ago and now community expectations have changed, and that is why I said we now have an opportunity to reset.

**Senator DASTYARI:** The stretch incentives get set every year? They are the moving part of it—correct?

**Mr Stanhope:** Yes.

**Senator DASTYARI:** The stretch incentives obviously get set at an annual level—correct?

**Mr Stanhope:** Correct; the short-term incentive plan.

**Senator DASTYARI:** Do you know how many executives at Australia Post are on a million dollars a year?

**Mr Stanhope:** Yes, it is on a website.

**Senator DASTYARI:** Can you tell me the figure? I was not aware you had updated the web page.

**Mr Stanhope:** It is part of me following through on disclosure.

**Senator DASTYARI:** I think it was the right thing to do.

**Mr Stanhope:** In 2015-16, one has since left and there were some termination benefits; there are three.

**Senator DASTYARI:** So three executives on over a million a year?

**Mr Stanhope:** Correct. That is total package, so it is their incentives as well.

**Senator DASTYARI:** Did you discuss the stretch incentives with Mr Turnbull?

**Mr Stanhope:** No.

**Senator DASTYARI:** And you have never discussed them with the department?

**Mr Stanhope:** No.

**Senator DASTYARI:** And you have never discussed them with this minister?

**Mr Stanhope:** No.

**Senator DASTYARI:** So the board sets stretch incentives for senior executives that only the board see and you do not share that information with the effective owners of your company?

**Mr Stanhope:** No, because it is a board responsibility to set those. We give the ministers the corporate plan and the board is responsible to make sure everything is in place to achieve it.

**Senator DASTYARI:** Mr Fahour, I want to take you to a radio interview that was done on the Jon Faine program. It may have been at the end of last week—maybe Thursday or Friday last week. In talking about executive remuneration, you make two observations. Firstly, you said that it is a matter for the board, which it is and the board sets it. Obviously you have a say in that, but it is a matter for the board in that the board independently makes that decision. Secondly, you said that it was something that was known to government. I may be misquoting you there. Could you elaborate on that?

**Mr Fahour:** I am very happy to. As outlined by the chairman, the responsibility for setting the managing director's compensation—as defined in the act—is a matter for the board. As the minister has said, the setting of that is a board responsibility. The second point I would make is that, when I started in 2010, the annual report laid out every single aspect of my compensation, including base salary, incentives, superannuation—everything. So, in 2010, all of the information was available not only to the government but to the entire Australian public. Therefore the senators who were here at that time should all have been fully aware. From 2010 to 2014—the first five years of my seven years—it was very transparent. Unless you are not reading your documentation, therefore, all of you are and were aware of what I was being paid. The annual report clearly stated that I received a base salary of approximately \$1.8 million, and the rest was either some form of superannuation or incentives. All of that was transparent to all who cared to look.

In 2015, the rules around reporting CEO remuneration changed. The company complied with those new rules. But, in that year, the media reported extensively that in the year 2014-15, the first year under the new rules, I had announced that I was foregoing my bonus—and this committee thanked me. Somebody asked me, 'Is it true that you gave up your bonus?' and I said, 'That is correct.' As a result my compensation fell to \$2.4 million in that year, 2015. The previous year it had been approximately \$4.7 million. My compensation halved because my incentives went to zero. It is interesting that nobody asked me for any disclosure in the first year under the new rules, when I forewent taking any of those incentives in the interests of doing the right thing.

**Senator DASTYARI:** The chairman has outlined his view that, in hindsight, not making that information available in the annual report was a mistake. I put the same question to you, Mr Fahour. In hindsight, was not putting that information out there publicly a mistake?

**Mr Fahour:** That is not a matter for me anymore. I am leaving Australia Post and my opinion is no longer relevant. If you are asking whether we did everything that was required of us under the regulations and the act—

**Senator DASTYARI:** That is not what I am asking.

**Mr Fahour:** I know that. I am giving you my view about whether we did everything required by the act and so forth. Absolutely we did. As we outlined to the Senate committee, my compensation is well known to the senators and well known to the Australian public. What is regrettable is that some people accuse us of not being transparent. That was certainly not our intention.

**Senator DASTYARI:** Nobody is disputing that you met the requirements for disclosure in the act. But, if you yourself say that that had the potential to leave a perception that you were not being fully transparent, would you not then, Mr Fahour, share the view of Mr Stanhope that, in hindsight, not coming out with that information in the annual report was a mistake? If it let people wrongly believe that Australia Post was not being transparent, surely that—

**Mr Fahour:** Clearly it is regrettable, and I fully stand by the chairman's statement.

**Senator HUME:** Can I just ask a follow-up question on that?

**CHAIR:** One follow-up question and then we will go to Senator Di Natale.

**Senator HUME:** Mr Fahour, I do not have a problem at all with the salary that you negotiated in 2010. You came from the private sector and you were highly skilled. I think that if you are capable of negotiating a salary with those skills, and the government agrees to it, good luck to you. Whether that was a mistake or not at the time I suppose is—

**Senator Fifield:** If the board agrees to it.

**Senator HUME:** If the board agrees to it, sorry. Forgive me, Minister. In 2015, when you said the rules changed, you forwent the \$2 million bonus. There was a year when Australia Post made a significant loss, and it was the first time it had made a loss in about 30 years. Did that coincide? Was that the same time?

**Mr Fahour:** One hundred per cent.

**Senator HUME:** It did.

**Mr Fahour:** We made a loss that year and I forwent a bonus closer to \$3 million. That bonus was forgone not because I did not meet the KPIs. It was forgone because the company made a loss and everybody in the executive team, led by me, in consultation with the board, agreed that it was the right thing to do.

**Senator HUME:** So really the transparency issue is more around the KPIs than the dollars involved. Is that correct?

**Mr Fahour:** I think in hindsight we should have spent significantly more time in the annual report highlighting what those KPIs are—what are those things that we are trying to do? As the chairman correctly said, I really do not think the magnitude of all the issues the company was facing was outlined clearly enough to explain why we are paying what we are paying—what it is linked to. The chairman has now addressed that by setting in place a new framework and a new level of transparency that is way over and above the minimum the new rules state. I think it is a wonderful thing, because it will highlight to the Australian people the level of complexity that is required to run Australia Post, in its two-pronged business, and what it would take to attract and retain the kinds of people that are required to take on these global giants.

**Senator HUME:** Terrific. I just have one more question and then I can—

**CHAIR:** Sorry, Senator Hume, you did say just one point of clarification.

**Senator HUME:** That is fine. I did.

**Senator DI NATALE:** I will perhaps start with you, Mr Stanhope. It sounds like you have a dilemma at the moment. In your opening statement you said, 'We recognise times have changed and it is clear the current CEO's remuneration is inconsistent with the community's expectations.' But you are also competing with the private sector—those enormous and excessive CEO salaries. So you are in a bind. How are you going to work out how much to pay the next CEO?

**Mr Stanhope:** It is a very difficult question for the board, but we will put a proposal to the Remuneration Tribunal, as we are now required, and we will get a response that tells us what is an appropriate package for the new CEO. I am yet to discover whether that package will attract the talent that the organisation needs, but time will tell, because nothing else has changed. We are still competing with companies that attract very good talent with higher salaries, more than likely. I do not know what it is for the new CEO yet.

**Senator DI NATALE:** So what are the principles you are going to use to inform that decision?

**Mr Stanhope:** The decision on what the salary is going to be is really taken out of the board's hands, although we obviously can submit a proposal to the tribunal to suggest what it might be. We will be putting all the arguments as to what should be paid for what talent and so on, but at the end of the day it will be set by the Remuneration Tribunal. We will have to try and find the talent we need to take the CEO role. But I still have the dilemma—you are right.

**Senator DI NATALE:** Yes, you do. You are not the only publicly owned entity that faces that problem. It seems to me that, until something is done to level the playing field, you are unable to reconcile the dilemma. It strikes me that one option would be to talk about CEO remuneration within the private sector and whether there is any way to intervene in that space.

**Mr Stanhope:** I am not sure the government can do anything about exec rem in the private sector. Again, it is set by boards and they make the same sorts of decisions that we were making as the board of Australia Post. How do we attract the talent? They can do what they need to do. So that is what the board was doing in Australia Post. Now we have different circumstances and we will have to attract the talent we can with whatever the package is that we can take to market—or offer good internal executives, I might add.

**Senator DI NATALE:** Would it help to have some guidance from the parliament in some way, perhaps through a parliamentary inquiry of some sort that looks at these issues in more detail? You are faced with a significant dilemma. Do you think that might provide some additional assistance and perhaps avoid what we have seen happen so far?

**Mr Stanhope:** I am not sure I am equipped to answer that question. I think that is up to the government, surely, and the parliament.

**Senator DI NATALE:** Can I ask a few questions first to get some clarity around discussions between members of the current government and you and the board regarding the pay not just of the CEO but of executives. We have had some slightly contradictory evidence here, so I want to be clear. Did you have discussions prior to the previous estimates hearings with any members of the government? Senator Fifield, the minister, has indicated that perhaps early on in his tenure there may have been a broad discussion. Have you had discussions with any other member of the government, to your recollection, around remuneration?

**Mr Stanhope:** I have already talked about—I probably forgot the first one.

**Senator DI NATALE:** Yes, I get that. It was a long time ago.

**Mr Stanhope:** I already referenced the previous minister for communications—

**Senator DI NATALE:** Yes, I am asking about beyond that.

**Mr Stanhope:** but no others, no.

**Senator DI NATALE:** Since this has become a public issue, and obviously something that has created some difficulty for your organisation, have you had any discussions with any members of the current government that have put any form of pressure on you to act?

**Mr Stanhope:** No, no pressure. I received a letter from the two ministers—I referenced it in my opening statement—suggesting to me, as chair of the board, that the board ought to take into consideration community expectations in setting salaries.

**Senator DI NATALE:** What about outside of that letter? Have there been any other meetings?

**Mr Stanhope:** No. The minister and I had—

**Senator DI NATALE:** No, not the minister. I am talking about the Prime Minister—

**Mr Stanhope:** No.

**Senator DI NATALE:** Has there been any other correspondence from the Prime Minister on this issue?

**Mr Stanhope:** No.

**Senator DI NATALE:** Was the finance minister involved at any point? Were there any discussions with the finance minister?

**Mr Stanhope:** I have not had a conversation with the Minister for Finance.

**Senator DI NATALE:** Have any members of the board had conversations with the finance minister?

**Mr Stanhope:** Not to my knowledge, and I would hope not. I have asked my directors that discussions with the shareholder be channelled through me.

**Senator DI NATALE:** So no ultimatum—

**Mr Stanhope:** Mr Fahour is just reminding me of the phone call that I received from the Prime Minister, but I am assuming you already know that.

**Senator DI NATALE:** Do you want to talk about the nature of that conversation, to put that on the record?

**Mr Stanhope:** Sorry, I did not think you meant that, because that is clearly what happened and was on the public record. He phoned me and said to me, 'I think the CEO's salary is too high.' I listened to him. I said, 'I note your concern.' That was about the sum of the conversation.

**Senator DI NATALE:** Did he put any ultimatum to you?

**Mr Stanhope:** No, he did not. He said he would speak to the minister, and he did.

**Senator DI NATALE:** There was clearly a debate around the role of the board here—and I will come to that in a moment—in terms of a debate in the parliament, put forward by a senator, about the tenure of the board on the basis of the CEO. Do you know the debate that I am referring to?

**Mr Stanhope:** No.

**Senator DI NATALE:** I am talking about a debate that was put forward by Senator Hanson calling for the removal of the board if this issue was not addressed. Was that discussed at any point during that conversation?



**Mr Stanhope:** No.

**Senator DI NATALE:** Mr Fahour: firstly, I did not have an opportunity to thank you for your service. I was not here at the very start of the proceedings, so I would like to put on the record my gratitude for your service. The 2014-15 bonus was close to \$3 million at the time. Is that right?

**Mr Fahour:** Yes.

**Senator DI NATALE:** Is that the only time you have given up a bonus?

**Mr Fahour:** No. The year before that I also agreed to forego the long-term incentive of that year.

**Senator DI NATALE:** What was that worth?

**Mr Fahour:** Approximately, on a pre-tax basis, \$2.8 million.

**Senator DI NATALE:** That is the 2013-14 year?

**Mr Fahour:** Yes.

**Senator DI NATALE:** So \$2.8 million in 2013-14, and then \$2.8 million in 2014-15?

**Mr Fahour:** Approximately. It is all history, because I did not see any of it.

**Senator DI NATALE:** Was that the issue of the bonus discussed previously during Senate estimates?

**Mr Fahour:** Both were.

**Senator DI NATALE:** Okay. You outlined in your opening statement an impressive list of achievements; I will not go through them again, but they obviously include a significant turnaround in the bottom line for Australia Post. We have heard about the discussion and the dilemma that Australia Post has, in terms of where it sits in its competition with the private sector, and we also know about the CEOs of some of the companies you are competing with. But you have been singled out for criticism here—you personally, along with Australia Post.

In terms of the chronology of events, I think Senator Hanson was one of the first people to single you out personally for the remuneration you received. To my recollection, I do not believe that she singled out any other CEOs. She also put on the public record that you had made a donation of \$2.8 million to the Islamic Museum—please correct me if you believe any of this information is not correct—and then, following on from that, we had the Prime Minister intervene.

There was a lot of debate in the parliament—and I do not expect you to respond to it—about who is actually setting the agenda here. Some people would argue that the current government is responding to Senator Hanson by adopting her policies—

**CHAIR:** Senator Di Natale—

**Senator DI NATALE:** I am about to ask a question.

**CHAIR:** That is a very long monologue, and, so far, you are asking for speculation.

**Senator DI NATALE:** Let me come to the elephant in the room. Mr Fahour, do you think that your faith or ethnic background has played a role in what has brought us here today?

**CHAIR:** Sorry, Mr Fahour, before you answer that: Senator Di Natale, I do not think that question is in order.

**Senator DI NATALE:** On what grounds, Chair?

**CHAIR:** Mr Fahour, you are welcome to answer it, if you choose to. But you asked him 'do you think'—it is opinion. I think that is not in order.

**Senator DI NATALE:** I do not think that is actually correct, Chair. I think it is up to Mr Fahour to decide whether he is prepared to—

**Senator DUNIAM:** Or he can choose not to answer.

**Senator DI NATALE:** He does not have to answer the question.

**CHAIR:** If you like—because I can see this is probably not going to be the last time that this issue comes into play—what I might now do is call a quick private meeting so we can—

**Senator DI NATALE:** On what basis?

**CHAIR:** I want to call a quick private meeting to discuss this. If you do not agree with my ruling, I would like to go out there and get some more advice about what is appropriate questioning. If it is appropriate questioning then I will of course allow the question. The committee is suspended for a quick private meeting.

**Proceedings suspended from 14:29 to 14:35**

**CHAIR:** We will resume the hearing. Mr Fahour, the committee has just discussed that last question and I will permit the questioning along these lines. However, the senators asking the questions will put them in a little more context and be more succinct in terms of the questions. And, of course, you have a right to answer or not to answer. But because in this case this issue was on the public record, I will hand over to Senator Di Natale to continue his questioning.

**Senator DI NATALE:** I will just quote Senator Hanson who said, 'I do have a problem with his religion if he's actually a fundamentalist and follows the Koran to the letter'. I think you have said publicly that your background may have played a role in what happened. I would like to ask whether you believe it is possible that it has been a factor in this outcome?

**Mr Fahour:** This is obviously a very difficult conversation. I heard, read and watched the YouTube videos that the senator had put out, and I felt really sad for the senator that she would descend to that level of commentary. I felt that it was very ill-informed, and I also felt that it was quite hurtful to my wife, who is English-Irish and went to a Catholic school, and to my four beautiful children, who were born and have grown up all over the world.

We love our country. I love our country so much, and I am grateful for every opportunity that it has given me and my family. So I feel sorry for Senator Hanson that she feels the need to say those things about a person whose 100 per cent objective is to do the right thing for our country—to work hard, to pay their taxes and to save jobs. That is what I am here for. I am here to help stop Australia Post from going down the Kodak path. Australia Post was going to be wiped out in 2010. Thirty thousand people's livelihoods depended upon it—10,000 licensees, 10,000 contractors—and I got given a mission by the board of Australia Post. At the time, the minister who hired me had one thing on his mind: he said, 'Save these people's jobs. Save this company; don't let it go down and be the next Kodak.' There was no consideration for anything other than saving this iconic company.

You see, I look at the workers of Australia Post and I see so much of my own family's history through their eyes. Yes, I am proud to say that English was not my first language and, yes, I am an immigrant. But I came here legitimately, and we grew up and went to school and worked really hard. We assimilated and we loved being in this country. The law of this country is the most important thing for me, and through the law we are allowed to practice privately our beliefs and to live peacefully and to contribute. That is what it is all about—contributing.

I feel that my team and I have worked so hard in the interests of the taxpayer and the country, and it is with a very heavy heart that I hear these comments. I think to myself how sad that is, because that is not what I think you all believe here in this Senate committee. I have been coming to this Senate committee for seven years, and every single one of you that I have dealt with is an honourable, decent and caring person, and you want the same thing that I want. That is what I would like to believe is really going on here. I did not resign because of pressure from anybody. Nobody pressured me. As a matter of fact, if I were pressured I probably would not have resigned, to be honest. I would have deliberately stayed. I would have worked for zero pay just on that principle basis.

**Senator WHISH-WILSON:** I will ask you a quick question in relation to that, Mr Fahour. I believe you when you say that, but did you put pressure on yourself? For example, given the MPI we had in parliament that called for the sacking of the board, were you concerned that the board would get sacked if you did not resign and that other people would pay?

**Mr Fahour:** You are asking me for my opinion. That is history now—

**Senator WHISH-WILSON:** Is it something that you factored into your—

**Senator Fifield:** I will make an observation here. I do not think that the fate of the nation, and even significant events in the nation, turn on Senate MPI debates. I might be crazy, but—

**CHAIR:** Minister and Senator Whish-Wilson, you can take this side discussion up later. Senator Whish-Wilson, if you would like to rephrase that, because it was a hypothetical and asked a personal opinion, that would be appreciated.

**Senator WHISH-WILSON:** I will rephrase it. Was it a factor that you considered when you quickened or sharpened your mind, as you said in your opening statement—that others may pay if you did not fall on your sword?

**Mr Fahour:** I will do anything it takes within the law to protect this brand and to protect the employees of this company. If my departure allows the team and the organisation to continue to save those jobs, to provide a vital community service, to take care of those post offices all over the country—if it takes away the noise and allows people to focus on their jobs—then of course. That is what a real leader does. They lead from the front, not from behind.

**Senator DI NATALE:** What is next for you, Mr Fahour?

**Mr Fahour:** I just want to catch a flight and go home!

**Senator WHISH-WILSON:** In terms of the sharpening of your mind, that perhaps indicated to me that you were not ready to go right now, that you had other things that you wanted to achieve with Australia Post. You are hanging around until July. What do you want to finish up at Australia Post before you go, or am I perhaps misinterpreting that?

**Mr Fahour:** There are two parts to this. The first thing is, there is a very short-term need right now to secure a fair EBA for the employees of Australia Post. It is really important to get an EBA up and running so we can create the industrial environment to give people security of their jobs but at the same time give the company the certainty to allow it to tackle this huge threat to its existence. The second thing that is really important is that we began a process three years ago—Senator, you were part of that, and Senator Xenophon was a key part of it. I know there are some Johnny-come-latelys, but you guys were the original core—Senator Urquhart was part of it—or maybe I should have said 'Muhammad-come-lately'! I could take that a lot of places but I will not.

**CHAIR:** It is probably better that you do not, Mr Fahour, at this point!

**Senator WHISH-WILSON:** Strike that off *Hansard*!

**Mr Fahour:** I am trying to cheer myself up here. But there are some very big and important initiatives that began late last year around the third phase of the network integration and post office sustainability. We are going to take that to the board. We promised the board that we would get to them by no later than the middle of the year, so that it can be incorporated into the corporate plan. I need to get those two short-term outcomes, plus some other things that we are working on, in the right shape. But then there are the longer-term opportunities that the new CEO will need to grab hold of. I am hopeful that it is an internal candidate. I do not think you will get anybody from the outside. I am hoping somebody from the inside can grab those and really make sure. One of those—the most important one—is to put in place the sustainability of those 4,000-plus post offices scattered across the country who are finding right now that it is the scariest time because of what the internet is doing to their core business, the flow of people out of regional areas and the rising costs of running their small businesses. Getting a program that supports them is really high in my mind.

**Senator WHISH-WILSON:** Could I, as a comment, say thank you for turning up today. I do note it is a matter of public record that Senator Hansen said you were not coming because you wanted to avoid tough questions after you quit, and I note she is not here today. Thank you, Mr Fahour.

**Senator DUNIAM:** Back on the issue of senior executive remuneration, I just want to get a full understanding of how the packages are structured. I am referring here to the *Australia Post 2016 remuneration report*, available on the publications page. First I might ask: is that document something you publish regularly, or is that an addendum to the—

**Mr Stanhope:** No, this document is my drive for more fulsome disclosure. I made the commitment today to that level of disclosure.

**Senator DUNIAM:** Okay. Excellent. Using this document as a base for my question, the remuneration packages for the senior executive team—the managing director and others—are a combination of the short-term benefits and the long-term potential benefits; is that right? Do you have that document in front of you?

**Mr Stanhope:** Yes, I do—the website page, yes.

**Senator DUNIAM:** I was looking at pages 6 and 8. Is that how you determine the annual salary package?

**Mr Stanhope:** Correct. There is a base salary and then there are short-term incentives, superannuation. Then there is a potential long-term incentive, which is three-yearly, not annual.

**Senator DUNIAM:** Okay. So if we look at the figures on page 8, that long-term potential benefits section talks about things like long service leave and the accrual of potential long-term incentive. Those figures there are over a three-year period; is that right? Is that what you are saying?

**Mr Stanhope:** With the long service leave, you have to at least have completed seven years before you get any long service leave payment. Yes, the LTI is over three years, but I do want to point out that it is potential, and we are following accounting standards that you should accrue. You put those in your accounts and that is why it is disclosed.

But after the three-year period, for Mr Fahour and the other executives, it comes to the board, there are milestones with the long-term incentive scheme, and it is at the board's discretion as to what gets paid. So you should not assume that this is the amount that gets paid. It is an accrual of some suggestion of how much might be paid.

**Senator DUNIAM:** So it is a potential figure, though?

**Mr Stanhope:** It is a potential figure.

**Senator DUNIAM:** The figures that have been quoted in our debate, particularly with reference to the managing director salary, or package, have been the \$5.6 million or thereabouts on page 6, relating to the short-term benefits. I just want to understand, though—if you look at it for the case of this financial year, and given Mr Fahour's resignation—how that plays out with regard to the long-term benefits as well, which total—

**Mr Stanhope:** He has the potential to earn some long-term incentive.

**Senator DUNIAM:** Okay. Up to, according to page 8, \$2.4 million; is that right?

**Mr Stanhope:** That is the amount accrued. It could be more; it could be less.

**Senator DUNIAM:** It could be more?

**Mr Stanhope:** It depends on what milestones he has achieved and, say—

**Senator DUNIAM:** Okay. We have talked a lot about transparency and full disclosure, but I just want to understand this. On the basis of the documents you have provided, and looking at this financial year and the circumstances with Mr Fahour resigning, it will be \$5.6 million, potentially plus \$2.4 million—

**Mr Stanhope:** Correct.

**Senator DUNIAM:** but you are saying it could be more or it could be less.

**Mr Stanhope:** If you read the note under the table it talks about the accrual being 80 per cent of maximum annual value. So it could be 100 per cent. That is all I am saying.

**Senator DUNIAM:** So that \$2.4 million is the 80 per cent.

**Mr Stanhope:** Yes. So for him it is 80 per cent and for the senior executives it is 100 per cent. Sorry, the other way around—it is 80 per cent for the senior executives and 100 per cent for him. So for him it would not be likely to be more than that amount.

**Senator DUNIAM:** So that takes you up for the financial year 2016 to a value of around \$8 million or thereabouts, based on those two figures.

**Mr Stanhope:** Let me remind you, he has not passed 30 June.

**Senator DUNIAM:** There is a process to go through.

**Mr Stanhope:** The board has to assess it and so on. So there is a process to go through.

**Senator DUNIAM:** That is fine. Thank you for that. Are there any other entitlements beyond what is listed in this documentation here?

**Mr Stanhope:** You have full disclosure of what the entitlements are.

**Senator DUNIAM:** Just looking at the history and going back to 2010, the arrangements that are in place now with regard to the managing director's employment contract—to what extent were they put in place back in 2010 and have continued on?

**Mr Stanhope:** Just about all of what is in place now was in the contract back in 2010. I think in about 2014 we introduced a stretch incentive. That was an incentive of 100 per cent, so if you actually blow the lights out you can earn some more. That was an amendment. That is the only thing that has occurred to me.

**Senator DUNIAM:** But broadly speaking the contractual arrangement has remained the same, with some of those variables and stretch incentives.

**Mr Stanhope:** Yes.

**Senator DUNIAM:** Do the senior executives and the managing director still receive the short-term and long-term incentive payments if they do not meet all of their KPIs?

**Mr Stanhope:** No.

**Senator DUNIAM:** They do not?

**Mr Stanhope:** No.

**Senator DUNIAM:** Nothing at all or a part?

**Mr Stanhope:** No. There have been occasions where the full potential has not been achieved, and so they get a proportion. There are a number of KPIs, and you will see some of them in this document. They all have to be achieved to receive the full amount. Then it will ratchet down. There are various weightings.

**Senator DUNIAM:** Is that specified? When you set those goals in June of each year—is that right? Is that when you talked about setting those goals for the senior executive?

**Mr Stanhope:** Yes.

**Senator DUNIAM:** Do you specify the weighting clearly?

**Mr Stanhope:** We do. Usually there is a higher weighting on financial outcomes because—

**Senator DUNIAM:** You have a business to operate. Sure. Finally on this stream of questions, are there any short-term or long-term incentive payments linked to the ongoing success of the licensed post office network which we speak of quite a lot in this committee?

**Mr Stanhope:** The CEO has just confirmed with me what I was about to say. Yes, actually getting an outcome for the LPOs was one of the KPIs.

**Senator HUME:** I have a follow-up question from earlier. The last six or seven years of Australia Post have been quite transformative and it has been in a highly disruptive market. There will always be change. Change is always with us; it is the one constant. Do you think that the vast majority of the transformation is now done and dusted and that perhaps you had the right man in the right job for that transformative process, but that potentially Mr Fahour's replacement will be doing a completely different task and therefore will require a completely different approach to his remuneration?

**Mr Stanhope:** My view is that there will always be disruption. In fact, in my four years as chair of Australia Post I have seen customers' definition of convenience change at least four times. We have a very 'now' sort of world of, 'I want my parcel where I am when I want it.' So the definition of customer convenience continues to change. For us going forward, we have to figure out how we meet that customer requirement and still make money. It will continue to change. We will need somebody who has the intellect and who understands the potential change and how to deliver for the customer. I am very much a customer person. The customer experience is everything. A good customer experience is everything. That is how you keep your customer. They pay the bills. It will keep transforming. The CEO talked about the post offices. There will be a transformation there as well. It will need highly intelligent people to work all that out. Talented executives are important.

**Senator XENOPHON:** I have a series of questions. I not being curt, I just want to get through as many as I can. Mr Stanhope, thank you for being here. Was there a remuneration committee set up in relation to setting the remuneration for your senior executives?

**Mr Stanhope:** There is a nominations and remuneration committee of the board, yes. It happens to be the full board, but we meet in committee.

**Senator XENOPHON:** Do you chair that committee or does someone else do it?

**Mr Stanhope:** I do chair that committee.

**Senator XENOPHON:** You chair the committee. So there was a process of deliberation in terms of this? How long were the deliberations?

**Mr Stanhope:** What do you mean 'this'?

**Senator XENOPHON:** In terms of remunerations.

**Mr Stanhope:** We consider, all the time, the remuneration of executives and the CEO, yes.

**Senator XENOPHON:** But it will now go the Remuneration Tribunal?

**Mr Stanhope:** Yes, it will. But the proposal from Australia Post will go through that committee of the board.

**Senator XENOPHON:** So there will still be some input from Australia Post that will feed into the Remuneration Tribunal?

**Mr Stanhope:** Yes.

**Senator XENOPHON:** I will just go to the issue of the LPOs: Mr Fahour, with the LPOGroup and Angela Cramp, there was initially a pretty feisty relationship between you and the LPOGroup. They actually issued a statement expressing regret at your departure and to wish you well, because there has been some significant improvement. Would you acknowledge that there is more to be done? I want to acknowledge that their LPOs and their post officers are now in a much better position than they were before this process began. I think that needs to be acknowledged publicly in the Senate process. The work that you and your executives do needs to be acknowledged. There is an issue though in terms of improving payments for LPOs where there is no street delivery and licensees do—as Angela Cramp would put it—triple the work in delivering the committees parcels through their LPOs. Is that something that is under review and consideration?

**Mr Fahour:** Thank you very much for noting the progress that we have made. The job is far from done. There is much still to do and this is a 208-year-old company that has faced a near-death experience. The LPOs are struggling, particularly in regional and rural communities, every day. Even with those fundamental changes that we made where the average LPO, on average, is \$30,000 a year better off than what they were before, it would be a really silly outcome if anybody thinks that the job is done. The LPOs are facing pressure every day because of what the internet is doing to our core business. The mail business is 50 per cent less. A lot of their business is tied towards the mail business and BPR.

**Senator XENOPHON:** But the parcel business is—

**Mr Fahour:** The bigger issue is that right now, unfortunately, some of them are making money off a revenue stream that is going to die away. The revenue stream that they are making money on in parcels is when the parcel fails to be delivered to the customer in their hand and then gets redirected back to the post office. The post office then holds it and makes a payment for those. That is not a viable source of income. What we need to do—as those sources of revenue decline, because first-time success is actually a critical KPI to keep the customer—is find new revenue streams and we have to reduce their cost base and reduce their capital base. That is the task of the new CEO that they must do and take into consideration.

**Senator XENOPHON:** There is an acknowledgement that there is still real scope for improvement in terms of remuneration of LPOs, because getting 36 cents for some parcels—or whatever the amount is—does not reflect the actual time that they take.

**Mr Fahour:** Senator Xenophon, you would know better than anybody. I would love to bring you on to be the head of payments structures for the post office network if your political career does not work out. You understand incredibly well that there is huge upside here, if we can get this right, to help the post offices.

**Senator XENOPHON:** I just want to race you through a few things. I still get occasional complaints from people. That is what you would expect in a large organisation. The most recent one was relating to someone to do with passport photos and cameras. The fees that Australia Post wanted to charge were much higher than they could, to get a camera that was up to standard for those passport photos. Without going into that particular issue, what robust mechanism is there to deal with those disputes so that, if people have a grievance, it can be dealt with quickly and fairly?

**Mr Fahour:** Senator Xenophon, the second most informed person about this after you is Ms Christine Corbett. She is more than happy to answer the question about the processes that we put in place at the LPOs.

**Senator XENOPHON:** You might want to take it on notice. I do not want to have to contact Ms Corbett every time there is a specific complaint. The fewer the complaints that I get and other members of parliament get, the better.

**Mr Fahour:** Would you like us on notice to give you the detailed process of how we handle it?

**Senator XENOPHON:** I think that might be more appropriate. I just want to say that there is an issue there.

Mr Fahour, out of left field, I just met with some residents of Kimba, in South Australia on the Eyre Peninsula. I told them that I was late for the meeting because I had to ask you questions, and they said: 'Please ask Australia Post why we have lost our regional postbox,' which basically means that, if someone in Kimba wants to send a letter to somebody else in Kimba, instead of it being delivered 10 metres away to the next postbox, they have to pay a \$1.50 premium for that to happen; otherwise, it now goes to Adelaide and then back to Kimba.

**Mr Fahour:** Firstly, if it is 10 metres away, I think they can save themselves a lot of time and money by just walking over and giving it to the person.

**Senator XENOPHON:** No, this has to be a formal letter in the post office.

**Mr Fahour:** Sure, but—we will take that on notice.

**Senator XENOPHON:** They have lost their regional post office, which means that letters from Kimba within Kimba have to go via Adelaide. I will not go any further than that.

I will go to the issue of remuneration. What termination payment are you entitled to as a result of your resignation from Australia Post?

**Mr Fahour:** In terms of termination payments, the one thing I can say very clearly is that all my termination payments are outlined in the annual report and have been in every annual report since 2010. They have been documented. It is on the public record. The Senate is fully aware of it. The Australian people are fully aware of it. So there is no ambiguity about what those termination payments are. In my case, if it is a termination payment without cause and not performance related, what the contract says is that the contract is terminated and it is a 12-



month payment. I have structured my departure as a resignation. That does not trigger the payment of the 12-month payment. So my termination payment will be zero.

**Senator XENOPHON:** Okay.

**Senator DI NATALE:** Can you just explain that a bit further? You are entitled to it? I did not quite get that. Would you mind?

**Mr Fahour:** I structured my departure as a resignation without cause, without anything, deliberately so that I do not get a termination payment.

**Mr Stanhope:** Under the contract, Senator, it is not a termination. He has resigned, so it does not trigger a termination payment.

**CHAIR:** Just to clarify that further: in colloquial language, a termination would be when you are asked to leave?

**Mr Stanhope:** Yes.

**Mr Fahour:** Yes, without cause, not performance related.

**CHAIR:** Clearly that is not the case in this instance—

**Mr Stanhope:** Correct.

**CHAIR:** so a termination payment would not have been an issue. Is that correct? Or it could have? That is just in terms of the layman. Most of us think of termination in that way.

**Mr Fahour:** Just to be clear: there is no golden handshake. There is no goodbye. There is not even a watch. I am hoping to get a stamp though!

**Senator XENOPHON:** My final question is: of course you are still entitled to your statutory rights in terms of superannuation?

**Mr Fahour:** Yes.

**Senator XENOPHON:** It is a defined benefit scheme, as I understand it.

**Mr Fahour:** Yes, I was in the defined benefit scheme, but I stopped accumulating the defined benefit scheme three years ago, so I have been suspended from that account.

**Senator XENOPHON:** Of your own volition?

**Mr Fahour:** Of my own account.

**CHAIR:** Just for the benefit of senators and also witnesses: we still have several more rounds of questions, but what I would like to do is this. We have moved on from remuneration to LPOs. I think we will conclude remuneration first, and then we will come back to LPOs and other issues after that so that you do not have to repeat the same issues for senators.

**Senator LEYONHJELM:** I only have a couple of relatively minor remuneration questions. I will come back to my more important ones about the business and its constraints when I get an opportunity. My remuneration questions are these. Mr Fahour, have you resigned as a director of Aramex and Aramex Global Solutions, as well as from Australia Post?

**Mr Fahour:** No, I have not. I am still the managing director until July; therefore, there is no need for me to resign from that position. But obviously, as I resign, it is a matter for the board of Australia Post if they wish me to step down from that role, and, if the board wishes me to, I will absolutely do so.

**Senator LEYONHJELM:** Did you say you are managing director of Aramex as well? Have I misunderstood?

**Mr Fahour:** No, I am managing director of Australia Post.

**Senator LEYONHJELM:** Yes, indeed. Sorry.

**Mr Fahour:** I said 'as a director'.

**Senator LEYONHJELM:** Just on the remuneration issue: did you receive directors fees through those board positions?

**Mr Fahour:** No, I did not.

**Senator LEYONHJELM:** None at all?

**Mr Fahour:** Zero.

**Senator LEYONHJELM:** That is all I have. Thank you very much.

**Senator DASTYARI:** Just finishing off on the remuneration issue, I want to acknowledge and note, Mr Fahour, that I thought your answer previously to the question quite politely put by Senator Di Natale was fantastic and meaningful, and I think that that should be acknowledged for the incredible contribution you made. Sometimes in politics and public life it is easy to go low when other people go low. To rise above it I think shows a lot about your character.

Mr Fahour, I know we had this conversation before with Mr Stanhope, who gave an answer to that, but have you ever discussed your remuneration package with the minister? Had it come up in conversations with the minister?

**Mr Fahour:** As the minister indicated, as it relates to the Senate questions on notice, in one of our meetings, that was one of the five or six topics, as we would ordinarily do when we get together for follow-up on the questions on notice—

**Senator DASTYARI:** Let me reword that, because that is a fair answer. Obviously, post the last round of estimates, there was back and forth; there were letters, and there were conversations. Prior to that point, had you had a discussion regarding your remuneration with Minister Fifield?

**Mr Fahour:** It has been my recollection that, in the many times that he and I have caught up about the day-to-day business, there have been occasions where the minister has indicated that there is a general issue out there about my remuneration and a government funded business—that there is some angst in the community. As he indicated, this is something that he has mentioned, but it was no more than a general conversation, not a specific, detailed contract negotiation or discussion, because, as the act says very clearly, my remuneration and the discussion of my remuneration are a responsibility that is given by the Parliament of Australia to the board of Australia Post.

**Senator DASTYARI:** Were they also the same conversations you had with the previous minister?

**Mr Fahour:** The previous minister had the same general conversations and thoughts, but I did not enter into any detailed conversation with the current or the previous minister about my—all my conversations of any detailed nature occurred through the board of Australia Post.

**Senator DASTYARI:** Mr Stanhope, just to confirm: the stretch incentives—that is the term your board uses—are bonus incentives?

**Mr Stanhope:** Yes.

**Senator DASTYARI:** Sorry, I am not in that world, so perhaps I am using the wrong language, but we are talking about the same thing. When did you become chairman, Mr Stanhope?

**Mr Stanhope:** November 2012.

**Senator DASTYARI:** In your time as chairman, you have never had a discussion with anyone in either the department or government about what the incentives are, either formally or informally?

**Mr Stanhope:** No.

**Senator DASTYARI:** It has never come up?

**Mr Stanhope:** No.

**Senator DASTYARI:** Prior to this all coming out in the process around estimates, you did indicate that you obviously had not spoken to the previous minister. What about Mr Clarke, the former secretary of the department?

**Mr Stanhope:** I would have had probably two conversations with the previous secretary but not on this topic.

**Senator DASTYARI:** What topics were they on, broadly?

**Mr Stanhope:** Just the business. The business.

**Senator DASTYARI:** I just want to quickly run through the series of events that happened post estimates. Putting aside the dates that the minister himself outlined for certain events, I just want to get your understanding of what happened. Obviously, there were a series of questions that were taken on notice. There was a back and forth of letters between you—I think they were signed by Mr Fahour, or were they signed by you, Mr Stanhope?—and the chair of the committee.

**Mr Stanhope:** I do not think I signed it, from memory.

**Senator DASTYARI:** And then the decision was made to make them public. You said that there was a telephone conversation between you and the Prime Minister; is that correct?

**Mr Stanhope:** Yes. This was—

**Senator DASTYARI:** Recently—two weeks ago.

**Mr Stanhope:** This was when the information came out about Mr Fahour's salary, and the Prime Minister called me.

**Senator DASTYARI:** Explain to me how that works. The Prime Minister just has your number? He just calls you? Or was it prearranged that someone else at his department or his chief of staff set up the call?

**Mr Stanhope:** He has my number, and I am sure it is from previously being the Minister for Communications, and he rang me.

**Senator DASTYARI:** Were you called out of the blue, or were you expecting a call?

**Mr Stanhope:** I was not expecting a call.

**Senator DASTYARI:** Out of the blue, the phone says 'Prime Minister'.

**Mr Stanhope:** Sure.

**Senator DASTYARI:** No, I am asking.

**Mr Stanhope:** Yes, it did.

**Senator DASTYARI:** Prior to that—I am just trying to get the dates here right—you had already received the letter from Senator—

**Mr Stanhope:** No.

**Senator DASTYARI:** No, that happened afterwards?

**Mr Stanhope:** He called me at probably 8 am on 8 February—

**Senator DASTYARI:** On the eighth?

**Mr Stanhope:** Yes. That was when the information came out about Mr Fahour's salary. He rang me, and, as I have said, he suggested to me, 'The salary's too high,' and I said, 'I note what you have to say, Prime Minister.' Fundamentally, that was the end of the conversation. He said he would speak to the minister, and I am sure he did.

**Senator DASTYARI:** The Prime Minister was the former minister, obviously. That is a matter of—

**Mr Stanhope:** Yes, he was.

**Senator DASTYARI:** And he was not aware—if the evidence that we are being presented with quite clearly is that there was no kind of secret, if you will, as to the remuneration structures in Australia Post and the pay levels, surely the former minister would have a pretty good idea of what the CEO of Australia Post was getting paid?

**Mr Stanhope:** I think I said earlier that the CEO's level of remuneration has been reported in annual reports, and you can clearly see in 2012-13 that he got \$4.8 million. We said it before. In 2013-14, he got \$4.6 million. So clearly it has been reported. It has become an issue here because in 2014-15 and 2015-16 it was not reported, and I have already said that I guess we should have, and it was a mistake that we did not keep the continuity of reporting.

**Senator DASTYARI:** Finally—I will be very, very quick here, and then I am done—just on the issue that Senator Leyonhjelm was asking about, the Aramex investment, can you just explain what Aramex is? There was a \$200 million Australia Post investment?

**Mr Fahour:** I can give you that explanation. Very excitingly, last year—I explained this to the committee—two years ago, actually, one of the issues that we were facing, or one of the opportunities, was that the international e-commerce market was growing at roughly 20 per cent per annum, and the domestic market had started to slow down. One of the big opportunities was to say: we have a great opportunity to protect the local jobs and to protect the company by capturing some of the customers internationally at source, because, in the space of nearly one decade, the international inbound volume of parcels went from zero to roughly now 25 per cent—25 per cent and growing, the fastest segment of the growth.

So, what we wanted to do was be able to capture more of the business before it hit Australian shores, because that is where all of our competitors were swooping the business away from Australia Post. We were losing income, revenue and an opportunity to make this place sustainable. So we began a process two years ago of starting to identify what are those growth opportunities particularly in Asia and the Asian e-commerce market. What we saw happening around us was that Japan Post bought Toll, FedEx bought TNT and CouriersPlease was bought by Singapore Post. All of these players, who we were competing with, were being snapped up in Australia, and we were getting isolated and they were consolidating and getting bigger. Therefore, what happened

was that we did this analysis and we said, 'Who can we partner with?' We did not feel we were big enough in size to be able to set up in Asia. So what we did was go through this global scan, we did all this work and we identified that Aramex was our preferred partner.

**Senator DASTYARI:** When did you make that decision?

**Mr Fahour:** We presented it to the board two years ago or so—maybe a year and a half or so ago. We went about a process, we put it into our corporate plan and we informed, obviously, the government of the day. We then set about a process of buying their domestic business and selling them a share in our international activity, which was a small business called StarTrack International, and the first thing that we did was agree to that and set up a joint-venture in Singapore, which we did about a year ago. It is basically headquartered in Singapore.

**Senator DASTYARI:** This is the StarTrack investment?

**Mr Fahour:** StarTrack International. It is a small business, but it was a really good opportunity for us to participate in the \$1 trillion Asian market.

**Senator DASTYARI:** Just to follow on from what Senator Leyonhjelm asked: because of the 10 per cent stake, Australia Post obviously has a position on the board?

**Mr Fahour:** Yes, which we wanted, to control our destiny.

**Senator DASTYARI:** Completely understandable. And you are the representative on the board?

**Mr Fahour:** Well, I am the CEO—yes.

**Senator DASTYARI:** Completely understandable. And the decision of whether you stay as the representative on the board or not is effectively a decision of the—

**Mr Fahour:** I am not there in my personal capacity. I am there as a representative of Australia Post.

**Senator DASTYARI:** Do you expect to still be there when you are not CEO of Australia Post?

**Mr Fahour:** That is a matter for the board. If the board think I have got something to add and I can help protect and grow this investment, then the board will ask me and I will make a decision as to whether I wish to do so.

**Senator DASTYARI:** Mr Stanhope, because of all these recent events, has the board—

**Mr Stanhope:** No, we have not discussed this yet.

**Senator DASTYARI:** But has the board met recently? Obviously, with something as significant as the CEO announcing his retirement, has the board met in the past two weeks to discuss any of this?

**Mr Stanhope:** No, we have not discussed Aramex yet.

**Senator DASTYARI:** No—has the board met in the past two weeks?

**Mr Stanhope:** Yes.

**Senator DASTYARI:** Which is understandable in response to a major event, which is the CEO announcing his departure.

**Mr Stanhope:** Actually, as it turned out, it was an ordinary scheduled board meeting.

**Senator DASTYARI:** What date was that?

**Mr Fahour:** Wednesday, committee, and Thursday, board.

**Mr Stanhope:** The 22nd.

**Senator DASTYARI:** But Aramex was not discussed at that? Is that for a future meeting?

**Mr Stanhope:** In passing we said: 'Well, he was on the board. We'll have to think about what happens with Aramex in due course.' He is here until July. It was not urgent at the time and we had far more urgent things in front of us like the CEO resigning.

**Senator DASTYARI:** Mr Fahour, at this stage you will obviously stay on the board until July, including the Dubai board meeting and those other matters that are coming up?

**Mr Fahour:** Of course. It is a really important investment.

**Senator DASTYARI:** And the board will make a decision at a future date about whether or not you remain their representative or not?

**Mr Fahour:** Senator, could I please say one thing, because this will be my last time here with you guys: do not do anything that causes jeopardy is my advice to you. It is just parting advice; it is worth what it is worth. I am yesterday's man. This is a great opportunity to secure jobs in Australia and to participate in the \$1 trillion e-

commerce market in Asia. It is a very exciting opportunity to internationalise our business and to be participating in e-commerce around the world. There are not many opportunities out there. Some newspapers like to prod all sorts of things. This is really serious stuff and I encourage you: please, do not do anything that undermines the hard work that we have done.

**Senator WHISH-WILSON:** I have some questions that are similar to Senator Dastyari's questions to Mr Stanhope. Did you receive a phone call from the Prime Minister, Mr Fahour, after your resignation or in the weeks prior to it?

**Mr Fahour:** Unfortunately, no, I did not.

**Senator WHISH-WILSON:** Have you had a good relationship with him over the years?

**Mr Fahour:** We have a very professional relationship. He was the minister and I have known the Prime Minister for a long time.

**Senator DI NATALE:** You said 'unfortunately'. What did you mean by that?

**Mr Fahour:** When he is not so busy it would be nice for him to ring me up and say, 'Thanks very much.' I heard it on the radio. He thanked me. But when he gets a chance I am sure he will.

**Senator DI NATALE:** You mean after your announcement.

**Mr Fahour:** Yes. I heard the comments and I am sure in the fullness of time he will ring me up and offer to buy me a beer and thank me for my years of service. Maybe that is asking too much.

**Senator WHISH-WILSON:** No doubt you will point out that he could buy and sell you before breakfast if he wanted to.

**CHAIR:** Senator Whish-Wilson, you have only got a very limited amount of time. Editorialising would be better outside this room.

**Senator WHISH-WILSON:** Okay. I have a couple of serious questions. In relation to this issue around executive pay, obviously your pay is being debated, Mr Fahour, and it has become a matter of public interest. We have talked about this today. My question is to Mr Stanhope in this regard. It has been reported that across the executive team nearly half the net profit—it might have been from last year—was paid across the executive team. Has Australia Post over the years also recruited outside the talent pool to bring in good people like Mr Fahour and will this kind of community expectation factor into the payment of other executives left at Australia Post?

**Mr Stanhope:** It is something we will have to consider. But I will repeat: we have to attract good talent and we have to keep good talent. When Mr Fahour took up the CEO role he attracted good talent to the organisation, and they are awarded accordingly, and we have got good talent that was already in the organisation. Again, they are on the executive market and I do not want to lose any of them.

**Senator WHISH-WILSON:** Once again, you have got a dilemma on your hands.

**Mr Stanhope:** I do.

**Senator WHISH-WILSON:** It was seven years as a CEO. Cultures always start at the top and hopefully one of them will put up their hand for the CEO position. We would be very interested in keeping in touch with you on whether this is going to be a bigger issue than just the CEO's salary within Australia Post. I will finish by saying that my party has always been open and up-front. I have actually gone head-to-head with Mr Fahour about his salary at estimates previously. We have been open that we want to have a public discussion, a conversation, around executive pay—and capping executive pay—because we do believe that at a time of inequality this is a very important issue. But to finish I would like to say to you personally, Mr Fahour, that I am sorry that, whether it was intentional or not, you seem to have been singled out in this national debate. It is an important national debate and I hope that something good comes out of this issue. Once again, thank you for your public service. Anyone who has been in public service knows that that is important.

**CHAIR:** Thank you. Senator Urquhart.

**Senator URQUHART:** I want to clarify. I am not sure whether I heard you correctly before. You talked about the fact that on 8 February this year you had a phone call from the Prime Minister. I want to wind back to the 2014-15 financial year. Did you have a discussion with Mr Turnbull during that year about the CEOs salary?

**Mr Stanhope:** Not that I know of.

**Senator URQUHART:** That was obviously the first year that it was not put in the annual report.

**Mr Stanhope:** Not that I recall, no. I just do not recall. There might have been a conversation about Ahmed forgoing his bonus, but nothing more than that—if there was one at all. It is hard to recall, I am sorry.

**CHAIR:** We will move on to Senator Hanson-Young. You have other issues to discuss.

**Senator HANSON-YOUNG:** I want to move on from the issue of salary and ask about the legal challenge that Australia Post is involved in with Sendle over the use of trade marks. I want to know how much money that is currently costing Australia Post to challenge them over the use of 'Post without the Office'.

**Mr Fahour:** I can give the exact numbers, as you wish. I could take those questions on notice. I do not have that here with me.

**Senator HANSON-YOUNG:** That would be helpful.

**Mr Fahour:** Our competitors come in all shapes and sizes—big ones and little ones. The new technology companies that are coming on all want to chip away at this company and make an inroad. I do note that the particular company that you are referring to has made it an art form to use the media to attract attention to its name. I feel sorry for them that they have to do that to get their little business going, but my job is to protect Australia Post on behalf of the taxpayer and the jobs that are in there, and it is fair to say we will use every possible means to protect those jobs and protect this company.

**Senator HANSON-YOUNG:** So it is not so much then that you actually think that the tag line 'Post without the Office' is misleading; this is about squashing competitors.

**Mr Fahour:** It is actually quite the other way around. This is a little competitor trying to steal 200 years of investment by the taxpayer in the post-office network. There are 4,400 post offices across the country, employing 10,000 small business owners, who are struggling to make ends meet. To have a business that they have bought, a licence that they have bought, being undermined by an individual who is seeking to enrich themselves at the expense of Australia Post will be something that we will not tolerate.

**Senator HANSON-YOUNG:** This is about competition. If Sendle is able to provide a door-to-door service and do it on a carbon-neutral basis—something that their consumers obviously feel passionate about—and do it for 40 per cent less of the cost, that is competition. Surely, we do not waste taxpayers' money fighting off legal cases just because there is a small player in the market who is delivering a niche service.

**Mr Fahour:** You are asking me a question that I find quite surprising, Senator, because my job is to protect this company, grow this company and commercially succeed and look after the jobs of this company. I will take on, head-on, any competitor that tries to take away business from us. Separately, if the government wishes to encourage—

**Senator HANSON-YOUNG:** I just want to make something clear. The reason I am asking this question is that not only am I worried about the money that Australia Post is spending on this legal battle but I am also speaking on behalf of consumers. As a senator representing the community, the consumer has a right to know what is going on and to be able to access things at a fair price.

**Mr Fahour:** Sure. I can assure you, Senator, the people of Australia are much better off using Australia Post than using any of these riffraffs. They are unreliable. They are not cheaper. They cannot provide an extensive network like we can. We provide an excellent level of service, and I might add that our parcels business grew market share. We increased profit by 16 per cent. We grew the business, and we took them all on. If these people were better, if they did have better services or better prices, then they would beat us in the marketplace. Clearly, we are winning and, therefore, I would encourage the people of Australia to use Australia Post because it is more reliable and will produce a better outcome. It is great for the shareholder, too, because they get a dividend out of it.

**Senator HANSON-YOUNG:** There has been at least one other case where you have lost a legal battle over the use of the trademark. There was the unsuccessful case in the Federal Court in relation to Digital Post Australia. How much money did the Australian taxpayer lose on that?

**Mr Fahour:** Is that the company that wound up and went out of business?

**Senator HANSON-YOUNG:** Yes.

**Mr Fahour:** Yes.

**Senator HANSON-YOUNG:** I am asking how much Australian taxpayer money was spent on that case when you lost it.

**Mr Fahour:** We won in the long term, and that is our job.

**Senator HANSON-YOUNG:** You crushed them.



**Mr Fahour:** No, we do not crush competitors; we beat our competitors. The Australia Post brand is a very valuable brand. We have invested 200 years in this brand—as the Postmaster General and then, for the last 20 years, as a commercial company.

**Senator HANSON-YOUNG:** And you have a monopoly because of that history.

**Mr Fahour:** Exactly. So these trademarks that are registered are there to protect the taxpayer's investment in the intellectual property we have built up. It is our fiduciary responsibility to protect those intellectual trademarks.

**Senator HANSON-YOUNG:** What is the objection to the tagline 'post without the office'? It sounds to me as if that is the exact opposite of the post office.

**Mr Fahour:** I do not wish to go into the legal tactics right now, because we are going into court. I do not think you—

**Senator HANSON-YOUNG:** My understanding is that the hearing has already happened and that you are waiting for a result.

**Mr Fahour:** We are in all sorts of discussions on a legal case. We put our case to the courts. We have argued our case. Our job is to protect this intellectual property. As you well know, that is our fiduciary responsibility. We will hear what the umpire's decision is. If they rule against us, we will look at whether we appeal or not. But we will use, appropriately, a level of resources to protect the intellectual property of Australia Post. This really has nothing to do with competition.

**Senator HANSON-YOUNG:** Hang on a minute—I feel you have contradicted yourself. You said that you take on players like this because you want to protect Australia Post's position in the market. How is that not about competition?

**Mr Fahour:** I am answering two different questions. The first is our obligation to protect the intellectual capital, the intellectual rights and the trademarks we have. That is what I initially thought your question was about.

**Senator HANSON-YOUNG:** But you went straight to the need to protect Australia Post from competitors. You are the one who linked it.

**Mr Fahour:** Correct. I did not say it was inappropriate. I am just saying is that they are two different points. I am saying that this particular company wishes to do that in order to compete with us. They want to undermine our intellectual property. I am more than happy to give you whatever you need to have on the legal case. But the principle is that an appropriate amount of resources will be put aside to protect our trademarks.

**Senator HANSON-YOUNG:** If a small independent player like this can deliver door-to-door packages for what they report to be 40 per cent less than it costs to line up at the post office, what is Australia Post doing wrong? How can they even compete on that level? If we have this amazing network, which we do, and all of this history, which we do—what, from a consumer perspective, is going wrong?

**Mr Fahour:** It is quite amazing that you would want to give this info ad opportunity for a competitor against a company that is owned by the people of Australia, but that aside—

**Senator HANSON-YOUNG:** No, I am interested in making sure consumers have all the information and that consumers are protected.

**Mr Fahour:** This is the beauty of the commercial land we operate in, the competitive land we operate in: consumers have choice. This business—

**Senator HANSON-YOUNG:** Not if there is no competition.

**Mr Fahour:** There is plenty of competition: Japan Post, Singapore Post—

**Senator HANSON-YOUNG:** This is an Australian start-up. This is a start-up that employs dozens and dozens of young Australians.

**Mr Fahour:** We take care of 54,000 Australians as well, so to answer your question—

**Senator HANSON-YOUNG:** Answer my question, then. What is Australia Post doing wrong if a small outfit like this can deliver a product 40 per cent more cheaply?

**Mr Fahour:** The answer to the question is: in 2010 our business was generating \$1.3 billion of revenue. Today it generates over \$3 billion of revenue. We must be doing something right. These people, I am sure, are doing wonderful things. I am sure they are. But people choose Australia Post. Why?

**Senator HANSON-YOUNG:** I think the bulk of the market would, but you seem worried about them, because you want to crush them in court.

**Mr Fahour:** No, I tell you what I am concerned about—

**Senator HANSON-YOUNG:** And you want to spend Australian taxpayer money doing it.

**CHAIR:** Senator Hanson-Young, if you ask questions, please give Mr Fahour the opportunity to answer them.

**Mr Fahour:** I worry about all competitors. I worry day and night. I do not sleep easy at night—because I know technology changes so rapidly that we could wake up tomorrow morning and find our business wiped out. The 54,000 people whose livelihood depends on it and the 10,000 people who work in the licensed post offices will not be grateful if I do not take competition seriously.

**Senator HANSON-YOUNG:** You have not really answered though; have you?

**Mr Fahour:** I feel like I have answered so many questions.

**Senator HANSON-YOUNG:** I know you have had a long day and I really wanted to get to what it is that Australia Post does, and the money that is being spent on cases like this. Can you tell me how much it cost the taxpayer last time you lost one of these cases in the Federal Court?

**Mr Fahour:** I am happy to take that on notice.

**Senator HANSON-YOUNG:** Are there any other IP cases or cases that Australia Post has been engaged in in regard to opposing trademarks in the last five years? Could we have a list of those?

**Mr Fahour:** I will take that on notice.

**Senator HANSON-YOUNG:** In addition to that list, how much has been spent on those cases? Thank you. Can I go to the issue of competition and the obvious monopoly that Australia Post has because of the position that we are in today after 200-odd years of great postal delivery. How many PO boxes does Australia Post have in its network?

**Mr Fahour:** Are you referring to the postal side of the business or the parcel side of the business? They are two different things. We have not been operating the StarTrack business for 208 years.

**Senator HANSON-YOUNG:** No, I am talking about post boxes.

**Mr Fahour:** Just under 16,000.

**Senator HANSON-YOUNG:** Across the country?

**Mr Fahour:** Are you talking about our street posting boxes or are you talking about private post boxes?

**Senator HANSON-YOUNG:** I am talking about the ones at the post office.

**Mr Fahour:** Roughly 1.5 million, if that is what you are referring to.

**Senator HANSON-YOUNG:** What was the one just under 16,000?

**Mr Fahour:** Street posting boxes.

**Senator HANSON-YOUNG:** Okay. How much money does Australia Post receive from consumers for the rental of the post office boxes?

**Mr Fahour:** As I am sure you are aware, 80 per cent of the Australia Post network is actually operated by the small business owners—post office operators—

**Senator HANSON-YOUNG:** And they do a good job.

**Mr Fahour:** And they do a terrific job, and most of the revenue goes to all of them. Therefore Australia Post, especially those private boxes, is one of the sources of really important revenue and income to those independent small-business owners. I do not have all of the information of what each one of them make in their private business. What I can get for you which has been part of the Senate estimates committee review that we have done over the last few years is the payment stream that we are paying for these private boxes and the return on those. But the vast majority of that income goes into their pockets directly to support their small business. That is why we work really hard to protect this business because, in effect, if this is taken away from these licensed post offices owners or opened up and they cannot get remunerated the way they are being remunerated, you are going to put into jeopardy the viability of hundreds of post offices around this country, particularly in regional—

**Senator HANSON-YOUNG:** I am not suggesting that. No-one is suggesting that.

**Mr Fahour:** But that is what our competitors want to do.

**Senator HANSON-YOUNG:** What I am asking is: how much does the consumer rental of these boxes raise for Australia Post?

**Mr Fahour:** I am happy to take that on notice.

**Senator HANSON-YOUNG:** I want some clarification. As a consumer, if I want to rent a post office box in my local post office, how much would that be per month or per year roughly?

**Mr Fahour:** It depends upon the size you wish to rent and the location. It depends upon whether you qualify for a concession card and—

**Senator HANSON-YOUNG:** Sure, there is a scale. When I pay that money, who does that go to? Does that go to the local post office in its entirety or does it go to Australia Post central and then you send it back to the local post office?

**Mr Fahour:** There is a whole system on that if you wish me to answer it right now as opposed to on notice.

**Senator HANSON-YOUNG:** I just want a quick answer to that question.

**Mr Fahour:** I will have Ms Corbett who runs that network give you the quick answer if you do not mind.

**Ms Corbett:** When a customer pays for a post office box, the money goes to Australia Post and there is a separate payment system that is then worked through with our licensees.

**Senator HANSON-YOUNG:** In your post office box terms and conditions schedule, schedule 14, which I have pulled up from the Australia Post website, it does not say anywhere that if, as a consumer, I pay Australia Post to rent a post office box, I cannot get anyone else deliver parcels to that box; does it? It does not say that you can only receive packages as delivered by Australia Post?

**Ms Corbett:** I do not have the terms and conditions in front of me, but I am happy to take that on notice.

**Senator HANSON-YOUNG:** Can you take that on notice. I have read through schedule 14 and I cannot see anywhere where it says that those conditions are put on it; that, as a consumer having paid to rent that box, I can only use delivery services as listed by Australia Post.

**Ms Corbett:** I am happy to go through the terms and conditions and take that on notice for you.

**Senator HANSON-YOUNG:** Thank you.

**Senator LEYONHJELM:** Mr Fahour, I am going to refer to your answers at previous estimates. Mr Stanhope, you would be most welcome to contribute to the response. At the previous estimates, we discussed that you are doing what you can within the constraints of your community service obligations and the memoranda of understanding to reduce losses, but you still predict losses from Australia Post over the forecast period. It seems that if Australia Post were to get into the black and deliver a reasonable return on taxpayers assets, you would need to be freed from some combination of these CSOs and MOUs, which we discussed last time. Can you nominate any particular CSOs or MOUs which would need to be dropped for Australia Post to get back into the black?

**Mr Fahour:** As I am sure you recall in our conversation, we were referring to the postal side of the business—the mail side of the business. So to be clear, the parcels business is not what we are talking about; we are talking about the letters business. I have said very clearly that it is in structural decline and that we anticipate that the best-case scenario in the forecast period was to get towards a break-even model. I am pleased to say that in the half-year results that were just presented, we came quite close to a break-even on this business. But there is no question that due to the fixed-cost nature of the network—for example, it specifies very clearly the number of street posting boxes, the number of post offices that we are to have, how many in regional and rural Australia, the percentage of homes that will have five days a week delivery—that creates a fixed-cost structure, which means that as you have declining mail revenue, you have fewer and fewer dollars to pay for your fixed costs. The way that will work is that unless the company can keep identifying approximately \$200 million to \$300 million of new cost reductions every year which it has been doing for the last seven years—and I presented a table at our half-year results that show that the cumulative cost reduction since 2011 is \$1.5 billion so far and for the full year 2015-16 the cost reduction was \$321 million; the benefits that we have put through—the ability to keep getting those is going to get more and more challenged as time goes along unless it has dramatic changes. So it is going to be a very big challenge but so far we have managed to pull it off for this half.

**Senator LEYONHJELM:** That is all interesting except that my question was about some of the assumptions that you just referred to—the CSO. In fact, at the October estimates last year, you said:

... there are requirements that are set out in the CSO that drive the fixed cost. The business is about 90 per cent fixed and about 10 per cent variable costs, so there is not a lot of movement in the variable costs versus fixed costs ... therefore, what drives the fixed cost ... is the CSO that the Parliament of Australia sets and if you want to tackle the fixed costs you have got to tackle the CSO.

So my question is: is there only one CSO—I thought there might be more than one—and is there more than one MOU—because you refer to that in another answer as well—that would need to be dropped in order for Australia

Post to get back into the black? I am not suggesting the parliament is about to do that, but I would like to at least know, if it was so inclined, what could it do to make Australia Post return to the black?

**Mr Fahour:** Firstly, thank you for reminding me. I am glad I am consistent with what I said in October. I give myself a tick on that. In regards to the point I was trying to make, I just mentioned that there were five CSO items—just the five top-of-mind ones. I mentioned post office numbers that are required to be held in both regional and rural Australia versus metropolitan, that is one; the number of street posting boxes, number two; number three, I mentioned the service delivery performance standards; I mentioned the frequency—so these all drive the cost structure. And, of course, the setting of the price of the network. What I have mentioned was that reform had allowed us to tackle some of these items, which we had put through the parliament, to allow us now to get back to and implement those changes to get back towards a break-even. Looking forward, if the Parliament of Australia wants to make sure that the losses that could be incurred in the letters side of the business do not grow again, then you will need to tackle one of those five items and say, 'Do the people of Australia still want five-days-a-week delivery of letters?'

**Senator LEYONHJELM:** Only one?

**Mr Fahour:** That is an example of one. That is the big one.

**Senator LEYONHJELM:** That is the big one. You can take this on notice if you like: do you have an assessment of the relative impact on your fixed costs of each of those five items?

**Mr Fahour:** We have done some modelling, which I had put forward previously, and we have publicly spoken about this. What we have discovered is that, even if you flex some of these, with the rate of decline of letters, assuming no change in price—this is a really important point—you will still remain in negative territory even if you flex those items.

**Senator LEYONHJELM:** All of them?

**Mr Fahour:** Correct.

**Senator LEYONHJELM:** I think you also referred in your last question to the sensitivity to price—

**Mr Fahour:** Correct.

**Senator LEYONHJELM:** so have you modelled where the return to profit level on price is?

**Mr Fahour:** Yes.

**Senator LEYONHJELM:** What conclusion did you come to?

**Mr Fahour:** We have shown that it is a correlation of roughly 0.3, which means that for every one per cent movement in price, you get 0.7 per cent to your bottom line. You lose the 0.3 per cent due to volume impact. Therefore, 97 per cent of all the mail is not consumer mail—it is not social mail—it is actually businesses, particularly large businesses, sending bills through the network. My argument has always been that the taxpayer should not be shouldering the losses associated with large businesses mailing their items, and the taxpayer should not be cross-subsidising that. They should be paying their fair share of the price, because they generate 97 per cent of the volume.

**Senator LEYONHJELM:** Yes, good. In previous estimates, I also mentioned Australia Post's legislated monopoly over letters up to 250 grams and the fact that private operators are only allowed to operate if they charge four times what Australia Post charges. I also mentioned in last estimates the 1998 Competition Policy Review recommendation, which was to remove the monopoly with respect to business letters and limit the remaining operator by allowing private operators, subject to charging at least double what Australia Post charges. I then pursued a different line of questioning, but I would now like to follow up on this issue. Would implementation of this Competition Policy Review recommendation affect Australia Post, and if so, in what way? In other words, deregulation of business mail and private operators allowed to compete, provided they charge double what Australia Post charges.

**Mr Fahour:** As I am sure you would be extremely familiar with, the world of 1998 and the world of 2017—20 years or so—a huge amount of change has occurred in the world, and the single-biggest change that occurred in the world is called the internet. What it has done—

**Senator LEYONHJELM:** Never heard of it!

**Mr Fahour:** It is this evil thing that has taken away 50 per cent of our volume in the last eight or so years, and this internet world has changed everything—everything. The reality is that in 1998 we had a monopoly, and boy would I love to have been managing director then, because the business just came in and you just did what you needed to do to print the stamps, and off you go, because there was no alternative. That world has been

completely wiped out, because now we do have competition already, and it is allowed to compete with Australia Post, and it can charge a sumly price for an email of zero. So I think, with all due respect, that the review that was done is completely outdated, and Australia Post, in its postal business today, faces the largest competitor in its entire history: it is called the internet.

**Senator LEYONHJELM:** I am assuming, then, that you do not really fear competitors who want to deliver letters? Your competition is the internet.

**Mr Fahour:** Our No. 1 competitor in the mail business, by definition, is email, but I would say one thing: it would be extremely foolish for the remaining volume that we have, where 20,000 people's livelihoods depend on it, if we were to allow other postal operators to operate in the Australian marketplace while we were restructuring and securing the transition of these people for whatever remaining letters there are. I think the Europeans have been attempting this recently, and the European situation is not very pretty at the moment, and it has caused massive problems. So, I would recommend that if we were to do this that we really think hard, not just about the CSOs, not just about the letters, but about the real big question facing Australia Post is that in the next five years, when the letter volume halves or goes down another three-quarters. What are we going to do to protect the livelihoods of the 20,000 people who depend on it or the 10,000 people who work for licensees and post offices? They are facing an existential threat.

**Senator LEYONHJELM:** All right, except that ultimately public policy has to be directed at consumers rather than maintaining particular businesses in existence. Otherwise, we would still have farriers and ice merchants and things like that. So, in terms of—

**Mr Fahour:** May I respond to that point?

**Senator LEYONHJELM:** Yes, go ahead.

**CHAIR:** Senator Leyonhjelm, I will just remind you that you have three minutes left before the break, and then I will have to go to another senator.

**Senator LEYONHJELM:** Well, I have not quite finished.

**CHAIR:** We are now due to finish with Australia Post, but we will have to come back after the break. Perhaps I could ask that you keep it snappy.

**Senator LEYONHJELM:** I think Mr Fahour is only getting warmed up.

**CHAIR:** And I would also ask Mr Fahour: I do notice that the length of your answers has become a little longer, so—

**Mr Fahour:** I am actually settling back in. I might have to reapply for the job!

**CHAIR:** We will suspend for afternoon tea and will resume with Australia Post.

#### **Proceedings suspended from 15:54 to 16:12**

**CHAIR:** The committee has resumed. Minister, you would like to make a statement or table a document?

**Senator Fifield:** Yes, Chair. I would like to table something and also add to an earlier answer. I indicated that I would table my opening statement from this morning about Mr Fahour's service and I also have something to add in response to a question earlier today from Senator Dastyari. Senator Dastyari asked a question in relation to NBN Co and putting the proposition that NBN Co should also fall within the Remuneration Tribunal for the purposes of the CEO's salary.

Can I firstly table for the committee the letter that I received from Senator Dastyari today—and I will also in a moment table a reply to Senator Dastyari from Senator Cormann and me, as the co-shareholder ministers in NBN Co. The reply constitutes the response from us—the shareholder ministers—to Senator Dastyari. It also encloses an attachment, which is a letter from the then finance minister Tanner and the then communications minister Conroy to the then and current president of the Remuneration Tribunal, Mr Conde.

In the letter to Senator Dastyari, we indicate that what the government is doing is following the practice of the former government and, in particular, the letter of 24 July 2009 from then-ministers Tanner and Conroy, which says to the Remuneration Tribunal, 'Given that the company has been established with the view to taking on private owners within the next few years, we do not propose to have the position of Chief Executive Officer of the company designated as a principal executive office or to seek a Remuneration Tribunal determination in relation to the role.' So the situation has not changed; this government has the same view that the former government had, and I table that response.

**CHAIR:** Thank you very much, minister, for both your opening statement and these additional documents in relation to the matters that Senator Dastyari raised. Here he is!

**Senator DASTYARI:** When I hear my name I just—

**CHAIR:** Appear! The minister has just tabled some documents in relation to your questions this morning relating to the remuneration of the NBN CEO.

**Senator Fifield:** Senator Dastyari, I tabled a copy of your letter to me and also a copy of my reply to you.

**Senator DASTYARI:** See how kind that is—how nice and thoughtful that is?

**Senator Fifield:** Given you were not here, Senator Dastyari, I will just quickly recap that the reply that we are sending you—me and Minister Cormann—makes reference to a letter of 24 July 2009 from then Minister Conroy and then Minister Tanner to the chair of the Remuneration Tribunal. That letter from the then government says, 'Given that the company has been established with the view to taking on private owners within the next few years, we do not propose to have the position of chief executive officer of the company designated as a principal executive office or to seek a Remuneration Tribunal determination in relation to the role.'

**Senator DASTYARI:** But you will do it for Australia Post?

**Senator Fifield:** So that situation has not changed. What this government is doing is following the practice and the rationale established by the former government in correspondence from Minister Tanner and Minister Conroy to the Remuneration Tribunal.

**Senator DASTYARI:** I just want to check, is Australia Post being treated differently to the NBN Co?

**CHAIR:** Senator Dastyari, you do not have the call. The minister has tabled these documents.

**Senator Fifield:** I have taken the earliest opportunity to reply.

**Senator DASTYARI:** We will have plenty of time this evening.

**CHAIR:** We have plenty of time. The minister has tabled those documents and we will circulate them. You have time to look at them, as does the rest of the committee, and we can resume that in fuller detail when we get to the NBN this evening.

**Senator DASTYARI:** If we get NBN.

**CHAIR:** We will resume with Australia Post.

**Senator URQUHART:** Hopefully, I will get some reasonably quick answers, which would be great. I have a number of questions around the LPO. I want to turn to your retail footprint. Does Australia Post plan to rationalise the retail network over the next, say, 10 or 20 years?

**Mr Fahour:** No, the CSO specifies what that retail footprint looks like and we will follow the rules as set out by the CSO. That is what we are planning to do at the moment.

**Senator URQUHART:** But do you have any plans to rationalise that over the next 10 to 20 years?

**Mr Fahour:** We cannot prepare plans on something—the rules are very clear.

**Senator URQUHART:** A number of my questions are about if that process happened. I know it is hypothetical if it does. I want to ask a couple of questions to get the involvement of groups, because you know the importance of the LPO Group and the POAAL in discussions. In terms of any sort of rationalisation or changes to the retail footprint, what involvement would the LPO Group and POAAL have in the process?

**Mr Fahour:** We are not intending to change our network. We have no plans to do so, and all these things are hypothetical if that were the case. Therefore, I am happy for you to note them, but the answer is that there are no changes.

**Senator URQUHART:** No changes, okay. Well, if there are no changes to that then maybe in May I will ask the same question, Mr Fahour, of the new CEO. When does the new CEO start?

**Mr Fahour:** The new CEO will be announced, according to the chairman, before I leave so that we can do an orderly transition.

**Senator URQUHART:** In terms of the May estimates, you have indicated that you will not be here. Who will be here answering those questions?

**Mr Fahour:** Whoever is the person appointed by then.

**Senator URQUHART:** So they will be in that position by that time?

**Mr Fahour:** It will be either the acting managing director or the actual managing director.

**Senator URQUHART:** So there will be someone sitting in the chair that you are sitting in, just not you.

**Mr Fahour:** There are people running with great vigour for my chair, I am sure.



**Senator URQUHART:** I am sure they are! I know Senator Xenophon raised this issue and that you took it on notice, but I want to explore a little more the use of the extended identity services and the use of a camera. Why do licensees need to use the Australia Post supplied camera to provide those extended identity services.

**Mr Fahour:** I am happy for Ms Corbett to answer that question, if you do not mind.

**Ms Corbett:** The extended identity services are part of our trusted services product range. Part of that requires training by all of our personnel, and some licensees are included in that. It is directly related to some of the new business opportunities. Our recent new business opportunities are some of the working with children checks that are done in Victoria. We will be rolling out equipment that Australia Post is funding as a result of some of the new business that is gained.

**Senator URQUHART:** It is a different type of camera, is that the case?

**Ms Corbett:** Yes.

**Senator URQUHART:** Are there instances where licensees are forced to not use the perfectly good camera of their own for EIS transactions?

**Ms Corbett:** I am not aware, but I am happy to take that on notice.

**Senator URQUHART:** That would be good. If it is the case, the question is, why? How does Australia Post set the quota for EIS passport photos?

**Ms Corbett:** Again, I am happy to take that detail on notice.

**Senator URQUHART:** You cannot just give us a quick overview?

**Ms Corbett:** No. We do a number of different trusted services transactions, so we look at how many customers our various outlets serve. Part of that, though, is also dependent on the agency principal. The agency principal will determine what level of network they need for their service. We take both of those things into account—what an agency principal requires and what really is the customer demand in the local geography that the agency principal wants to service—and then make the decisions based on that.

**Senator URQUHART:** So it could be different for different licensees. Is that a possibility?

**Ms Corbett:** It is different for different agency principals.

**Senator URQUHART:** Do they need to meet a quota when it is a service for which there will be finite demand within their area?

**Ms Corbett:** Yes. The level of demand is one factor that is taken into consideration. That is because a lot of the services in the identity space are services that happen on quite a periodic basis. When you look at a passport, it is a renewal every 10 years. When you look at a drivers licence, it is every five years. So you need to have a volume of transactions to be proficient with the training and level of service that our customers expect.

**Senator URQUHART:** If an LPO is in an area that does not have that high volume is it then disadvantaged in terms of the cost? My understanding is that if it does not meet the imposed quota then there is an increase in the rent for the EIS technology. In one instance I have heard of it was from \$10 per month to \$109 per month in rental fees, because it did not meet the imposed quota. Why is that the case?

**Ms Corbett:** I am happy to take that on notice. I am not aware of the figures you are quoting.

**Senator URQUHART:** But is there an imposed quota fine?

**Ms Corbett:** I am happy to take that on notice. I am not aware of that.

**Senator URQUHART:** You are not aware that there is a fine if they do not meet the quota?

**Ms Corbett:** Happy to take that on notice. We did have a number of years ago, you might recall, prior to the Senate inquiry such a thing as an EPOS shortfall fee—

**Senator URQUHART:** A what, sorry?

**Ms Corbett:** EPOS, which is our electronic point of sale equipment. That EPOS shortfall fee was looked at and taken away as part of the Senate inquiry recommendations.

**Senator URQUHART:** Turning to the issues around LTIs, the lost-time injuries, there have been a number of reports of serious allegations about the management of LTI claims. You have no doubt seen them in the media. For the benefit of the committee, can you explain what the current LTI targets are.

**Mr Fahour:** Sorry, I do not understand the question.

**Senator URQUHART:** There have been reports of serious allegations around lost-time injuries and the management of those claims. Can you explain what the current LTI targets are.

**Mr Fahour:** We do not set targets to manage for LTIFR. What we do is we set absolute targets to reduce the number of safety incidences and the number of safety outcomes that are negatively affecting our employees. We set that as a cultural item; we set it as a point to principle. In the past, from time to time, there has been some percentage at the lower level—and there was a whole Senate inquiry about that, and it was agreed to remove that as a metric and to find different ways to target improvements in the safety outcomes of our employees.

**Senator URQUHART:** Has the amount of lost time injuries gone down over a period of time—say, since 2010?

**Mr Fahour:** Absolutely. It is one of the things that we are really proud of. If you measure the all injury frequency rate—AOIFR—and you measure how many times our people get hurt at work, I can say to you that, probably in the last four years or so, it has roughly halved. We have gone from our highest level of injury to the lowest that we have recorded for as long as we have been recording that number. It is a huge source of pride for us, because one of the most important objectives of any officer of any company is to make sure their employees are safe. We are really proud of the effort in trying to manage for the health and safety of our employees and the people who are associated with Australia Post.

**Senator URQUHART:** So the general trend is trending down—

**Mr Fahour:** It has halved.

**Senator URQUHART:** and it has halved; so it is 50 per cent down—okay. What is the annual cost of approved LTI claims to the organisation?

**Mr Fahour:** We report that in the annual report. The workers' compensation annual expense claims that are there—

**Senator URQUHART:** Yes, but does that splice out the LTIs?

**Mr Fahour:** It is the total cost of all claims.

**Senator URQUHART:** Yes, but I am talking about lost time injury claims as opposed to all claims. Not all claims are lost time injury claims.

**Mr Fahour:** That is the all injury frequency rate—the AOIFR—and then there is the LTIFR.

**Senator URQUHART:** Okay; so they are separate.

**Mr Fahour:** Yes. These are the ones where an injury has occurred. We outline that in the annual report, and the cost of that—if my memory serves me right, it is on page 50, or something or other, of the annual report—excluding the bond rate, is in the order of about \$23 million, compared with our wages bill of approximately \$3 billion.

**CHAIR:** Are you finished, Senator Urquhart?

**Senator URQUHART:** I have a number of others, but I am happy to put them on notice, for the sake of time.

**CHAIR:** I appreciate that. Thank you.

**Senator LEYONHJELM:** I want to return to a series of questions I was asking—in fact, I think I interrupted you; you wanted a chance to respond to my point that I thought, in public policy terms, that the priority was on consumers rather than the Australia Post employees or the post offices. You wanted to respond to that. Have you thought of your answer?

**CHAIR:** Senator Leyonhjelm, was that when we discussed brevity? Is that when brevity came up?

**Senator LEYONHJELM:** Yes. I just wanted to make sure Mr Fahour did not feel I had short-changed him, that is all.

**Mr Fahour:** All I wanted to say is that my job is to protect the company and its employees from this change. All I was suggesting is that any public policy impact—that you allow Australia Post and its executives and its board the opportunity to transition the workforce as it is being affected by the digital revolution, which is what we have effectively been doing. So far, just under 10,000 employees have been given an opportunity in the growth part of the company, because we are in a very competitive business. That is the benefit of doing an orderly transition rather than recklessly firing people because of the digital revolution that is going on.

**Senator LEYONHJELM:** I have two other questions. I have to be in another committee, so I will accelerate things a little bit. The abandonment of that overseas post service—

**CHAIR:** Senator Leyonhjelm, there are a lot of side discussions; there are too many, so if I could ask senators to go outside or keep it quieter—

**Senator LEYONHJELM:** It was not Senator Dastyari; that is a change! He is usually the chatterbox.

**CHAIR:** You can take the bromance outside later, thank you. Please keep going.

**Senator LEYONHJELM:** You have ceased your overseas postal service—the one where you provide an address in the United States—that is the one that I know about—

**Mr Fahour:** I am not aware of that.

**Senator LEYONHJELM:** US suppliers would send it there, and then a purchaser in Australia would pay Australia Post to send it to Australia.

**Mr Fahour:** That is not correct. It is still open.

**Senator LEYONHJELM:** Is it still going?

**Mr Fahour:** Yes. It is called ShopMate and is to help Australians who want to buy things from overseas online sellers—

**Senator LEYONHJELM:** who insist on a local address, yes.

**Mr Fahour:** who do not have a facility to send it to Australia. So we provided the way to get it to Australia for the Australian consumer.

**Senator LEYONHJELM:** So that is still going.

**Mr Fahour:** It is a small activity, and people really like it because they want to get access to the world, but the world does not necessarily want to bring it to Australia.

**Senator LEYONHJELM:** I understand. I was told it had been terminated; that is all.

**Mr Fahour:** That is not correct.

**Senator LEYONHJELM:** Okay. This is along the same lines as what I was getting at. Let's suppose my party was in government and we said to you, 'We don't want to own the post office anymore; we want to privatise it—put it in private hands.' What are the practical impediments to doing that? You might say it will take 10 years to transition or something like that, but what are the practical impediments to that?

**Mr Fahour:** It is very kind of you, and, if you would like me to come back, I am more than happy to assist you!

**Senator LEYONHJELM:** To manage that transition, yes.

**Mr Fahour:** But I think that is a matter for government policy. As you can appreciate, my job is not to comment on government policy.

**Senator LEYONHJELM:** No, you can comment on what practical impediments there would be should that opportunity be presented. You do not have to comment on whether you think that policy should be in place, but you can comment on what the practical impediments are to that should that opportunity be available.

**CHAIR:** I think that is well and truly in the realms of asking a hypothetical question.

**Senator LEYONHJELM:** No.

**Mr Fahour:** To answer: one impediment is that 80 per cent of the network is owned independently by small business owners anyway, so I am not sure what exactly it is that you would be selling.

**Senator LEYONHJELM:** Yes. The obvious thing is similar to suggestions that the ABC could be sold: it is not profitable, so no-one would want to buy it. Would that same impediment apply to Australia Post?

**Mr Fahour:** Australia Post announced at its half-year results that it made \$197 million of profit for the taxpayer in the six months preceding, so our lack of profitability is not the problem; we are actually making money.

**Senator LEYONHJELM:** So someone might buy it. Okay. Aside from the fact that it is currently government owned and would require legislation to achieve that, are there any practical impediments—not policy impediments—that would prevent it?

**Mr Fahour:** Not that I am aware of.

**Senator LEYONHJELM:** Good. That is what I was looking for. Thank you.

**Senator ABETZ:** Welcome to your last estimates, Mr Fahour. I have a few quick questions, if I may. First of all, did the Bible Society of Australia approach Australia Post about a commemorative stamp for their 200th birthday?

**Mr Fahour:** I am not personally aware of that. I might add, by the way, it is great to see you. It has been a number of years since you have been here, and it is terrific—

**Senator ABETZ:** For reasons beyond my control!

**Mr Fahour:** But I would say to you that I hope that they do because a 200-year milestone is a truly wonderful milestone and is the kind of thing that we would be very excited to support as we do with many other organisations who reach important milestones.

**Senator ABETZ:** Good. Thank you. I was reminded that the 150th anniversary was commemorated with a stamp when they were only 4c, but that is another issue!

I go to Western Australia and the Vale Shopping Centre in Canning Vale. Does anybody have an understanding of the closure of the franchise post office there and its move to Harris Vale?

**Mr Fahour:** That is one I must admit we would probably have to take on notice.

**Senator ABETZ:** In that case, I will put some questions on notice about it. There have been exceptionally strong and very forceful representations made by an excellent local member for Southern River, who has been seeking—

**Senator LINES:** Are you going to declare an interest here?

**Senator ABETZ:** —to get a licensed post office back in the Canning Vale shopping centre, in the newsagency. Just in case Senator Lines does not know who that excellent member for Southern River is—

**Senator LINES:** I do—soon to lose.

**Senator ABETZ:** This is the arrogance. It is my good brother Peter Abetz MLA.

**Senator McKENZIE:** I think the Deputy President needs to remain impartial.

**CHAIR:** I would ask all senators not to make side comments.

**Senator ABETZ:** Moving from Western Australia—and I will leave those questions on notice—can I move to South Australia and ask about the business mail centre in Adelaide. First of all, do we have a business mail centre in every capital city in Australia?

**Mr Fahour:** From memory I think we do, but I am happy to confirm that.

**Senator ABETZ:** Right. Are there any moves to close the one in Adelaide?

**Mr Fahour:** I am not familiar with any of those. What we are doing with the mail centres right now is that we have them in all the major, major cities—

**Senator ABETZ:** Is Adelaide a major, major city?

**Mr Fahour:** Adelaide is always very important. There are some really important issues right now. We have lost 50 per cent of the volume. One of the things that is really scary since the last time you and I were discussing this, three or four years ago, is that we have lost a further 30 per cent of that mail volume. Our business is shrinking—

**Senator ABETZ:** I am concentrating on Adelaide at the moment.

**Mr Fahour:** I understand.

**Senator ABETZ:** What are the plans?

**Mr Fahour:** The business is shrinking, but as it shrinks, as we consolidate, what is really important is that we are trying to find a way that, while the letter business shrinks, how do we fill that up with parcel business? While we might lose the product, we will not lose the jobs.

**Senator ABETZ:** That is good for the people who want jobs and parcels delivered, but for those who are in the printing and mailing business it is extremely cold comfort, especially for those who have to deliver within Adelaide if the business mail centre is going to be closed. Surely somebody must know whether or not that is planned?

**Mr Fahour:** I can assure you right now—I can answer that question for you: there is no plan to close the mail centre of Adelaide. There is no plan—

**Senator ABETZ:** The Adelaide business mail centre.

**Mr Fahour:** Yes.

**Senator ABETZ:** So that will continue on?

**Mr Fahour:** The mail centre. There is only one mail centre there. We do not call it the business centre; we call it the mail centre. What people might be confused with, though, is that we have been looking at a different property, because the building that we are in is not great. I do not know if you have seen our—

**Senator ABETZ:** Yes, I understand that the ceiling is a bit low. Is that correct?

**Mr Fahour:** Not only that, but actually it is pretty unusual to have the mail centre up on levels 1 and 2. Normally it is straight through into a warehouse—it is a process. It is so antiquated, so we are thinking about moving—

**Senator ABETZ:** So you might be looking at moving, but not closing.

**Mr Fahour:** Yes. Maybe they are confusing moving with closing.

**Senator ABETZ:** All right. That will keep the printing and mail distribution people in Adelaide somewhat comforted, I think.

**Mr Fahour:** Somewhat comforted, but, Senator, you know very well that we do not control the internet and the digitisation of this society is far bigger than Australia Post.

**Senator ABETZ:** But if all the mail has to go, let's say, from Adelaide to Melbourne or Perth to then be redistributed back into Adelaide, or—

**Mr Fahour:** That I understand, but what I am referring to is the fact that 97 per cent of the mail is printed by big businesses—50 per cent has disappeared because of digitisation of corporates, to go from mail to online. Every day in those letters you are getting you are seeing offers to go online. The real question is: how fast will corporates switch from the printers to the internet? It is happening very rapidly. You can look at your own government and ask how much the government has switched from mail to—

**Senator ABETZ:** With respect, this is all very interesting—

**Mr Fahour:** I think it is really important.

**Senator ABETZ:** But for the printing sector and also for getting distribution out, it is very important. So if you do not have a mail centre in Adelaide it will, I think, just hasten the demise of the printing sector, which is the biggest manufacturing sector in Australia in fact.

**Mr Fahour:** We would love nothing more—please encourage the government to send mail and not email.

**Senator ABETZ:** You tell me it is not closing—

**CHAIR:** Senator Abetz and Mr Fahour, we are starting to get into a bit of a backwards-and-forwards debate like we did with Senator Leyonhjelm. In the interests of time—we are nearly half an hour over the agreed time—I would ask if questions and answers could be as brief as possible.

**Senator ABETZ:** I am already onto the next topic, and that is to follow on from Senator Urquhart and the workers compensation issues. Can you advise workers compensation payments as a percentage of payroll?

**Mr Fahour:** Yes. As I mentioned, the direct expense, which is in the annual report, is in the order of \$23 million. I cannot remember what page—

**Senator ABETZ:** What is that—one per cent?

**Mr Fahour:** It was less than one per cent, because the wages bill is about \$3 billion. So it is substantially below one per cent, which is, as you would appreciate, among best practice.

**Senator ABETZ:** It is below one per cent—that is all I need to know, thanks. If I may move on. Has there been any recent delay in notification of workers compensation claims from the site level to the workers compensation department—the sort of withholding of claims to make figures look good for a particular financial year, and then you download them all on 1 July or whatever it is? That is the suggestion that has been made.

**Mr Fahour:** Thank you for giving us the opportunity. Yes, I do note one ex-manager who used the run the area making those allegations against the organisation. I was surprised, and I can assure you we have been audited several times and the audits are not saying that it is happening, but if it is happening I can assure you the people who perpetuate and do that will face a very, very stiff set of questions about their career.

**Senator ABETZ:** It seems to me that doing that would only be of benefit, one assumes, for one year—

**Mr Fahour:** Correct.

**Senator ABETZ:** because in the following year—

**Mr Fahour:** Then it catches up with you anyway. But the statistic is a 50 per cent reduction.

**Senator ABETZ:** Yes, but are bonuses paid on the overall performance on various divisions? I think in some category levels you can get up to a 35 per cent bonus and in certain other bands a 10 per cent bonus, depending on the performance of your division. So has there, to Australia Post's knowledge, ever been—not the temptation; I withdraw that—the actual fiddling of the workers comp figures to push them out so you have a higher profitability in a particular division so that access to a particular bonus may be had?

**Mr Fahour:** Sure, and the answer is no, and the reason I can say that categorically is, in setting the KPIs that we referred to earlier on—there are something like 26 of them—60 per cent of the weighting goes towards the financial KPIs, the financial performance of the company; another 25 per cent also goes to the strategy of the company et cetera. So already now 80 or 90 per cent is weighted towards strategy, customer performance, financial performance. So, if there were this thing, it would be a negligible amount—that is the first comment I would make. Secondly, and very importantly in all of this, our objective here is to ensure, in the most efficient way possible, we take the fairest and leanest approach to these people who have been injured.

**Senator ABETZ:** I understand that. Are you aware of any compensation claims due to union bullying?

**Mr Fahour:** Am I aware of any compensation claims?

**Senator ABETZ:** As in a worker claiming stress leave or whatever as a result of an outside individual—

**Mr Fahour:** Yes, I am. I do not want to get the number wrong, but one or two people in our 32,000 people are suffering because of this allegation.

**Senator ABETZ:** That is being investigated, one assumes—

**Mr Fahour:** Correct.

**Senator ABETZ:** to see whether it is a genuine claim not. If it is determined to be a genuine claim, will Australia Post then be seeking compensation from the perpetrator if that perpetrator was outside of Australia Post's employ?

**Mr Fahour:** We will take all matters that are within the law and our ability within the law to do what is necessary, and I can assure you—

**Senator ABETZ:** Sometimes though, to keep the peace, one does not pursue legal avenues. So I am just wanting to ensure that, if such legal avenues were available, they would be taken, and a short-term peace would not be bought with a particular union to say: 'We'll turn a blind eye to that. We'll pay the comp, but we won't seek—

**Mr Fahour:** Absolutely not. I just want to be very clear about this: the health and welfare of my staff is my No. 1 priority, and I will not allow anybody to hurt our staff.

**Senator ABETZ:** I only asked about whether or not you would pursue that, and you have said yes, you would.

**Mr Fahour:** We would pursue all legal avenues to protect our people.

**Senator ABETZ:** Have there been any reimbursements to Australia Post by employees caught engaged in other commercial activities whilst allegedly off on workers compensation?

**Mr Fahour:** If people are not working at Australia Post, and it is due to the fact that they are not able to work, and they are doing things that are inconsistent with the rules of the scheme, then appropriate action will be taken.

**Senator ABETZ:** Right. And have there been real-life examples of that occurring within Australia Post where you have sought compensation or repayment?

**Mr Fahour:** I am not aware, personally, of individual cases because—

**Senator ABETZ:** All right, is anybody else aware of individual cases?

**Mr Fahour:** If you would like us to follow up to see if there are cases—

**Senator ABETZ:** Yes, if you can take that on notice.

**Mr Fahour:** We will take that on notice.

**Senator ABETZ:** For example, one person running an internet-based company; another allegedly as a national sales and marketing manager. Did Australia Post receive repayments? And were those people were pursued for fraud and, if they were not pursued for fraud, was there any particular union pressure placed on Australia Post not to pursue those—

**Mr Fahour:** Sure. We will definitely follow those up. But could I just make a statement, Senator, about that particular point, which is very important—

**Senator ABETZ:** Could I stop you? I doubt it! Go for it.

**Mr Fahour:** Just a quick one. We will take that on notice. But I just want to say this: it is people's right—while they are not working in their duties—at home to be able to pursue business opportunities, to be internet entrepreneurs, to have a life outside of work. Because we do not own them; we give them employment.

**Senator ABETZ:** Of course. Understood.

**Mr Fahour:** But if they are doing something—

**Senator ABETZ:** If it is inconsistent.

**Mr Fahour:** But if it is inconsistent with the framework—

**Senator ABETZ:** That is right; yes, I understand that.

**Mr Fahour:** then of course we would take action. I just wanted to be clear about that.

**Senator ABETZ:** It has been suggested to me that there have been reimbursements without proper receipts in Australia Post—that people are reimbursed for so-called work expenses without proper receipts, and that they were not followed up because of union interference.

**Mr Fahour:** I am not aware of that at all.

**Senator ABETZ:** Can you take that on notice and verify one way or the other?

**Mr Fahour:** Of course.

**Senator ABETZ:** I want to stress that these are simply allegations or assertions made, and I do not say that they are correct or incorrect, because I do not know. That is why I am asking the questions. Have any Australia Post payments been made to union officials and their family members—unrelated, of course, to any employment duties or obligations with Australia Post? Could you take that on notice please?

**Mr Fahour:** We will definitely follow up on that, and I would be pretty disappointed if the answer was yes under any circumstances, outside of their employment related to Australia Post.

**Senator ABETZ:** Yes. Can I finish off on Project Dove: when was Project Dove—which I am told was a sustainable employment program—thought of, or established? Did it ever get up and running?

**Mr Fahour:** As I have said publicly, and as the company has said publicly, until the time somebody told me it was in the newspaper—they said, there is a Project Dove—neither myself nor the executive committee nor the board were aware of Project Dove.

**Senator ABETZ:** I have a document here that talks about Project Dove, but whether it is official or not I have got no idea. Were documents from Project Dove stolen from Australia Post?

**Mr Fahour:** As I understand it, after the event this is, some project called Dove—which was, as I understand it, was a piece of analysis looking at the workers compensation area.

**Senator ABETZ:** Yes.

**Mr Fahour:** The workers compensation area is about five levels below me, five levels down in the company. It seems that somebody had been working on this aspect of it, and I was made aware of it after the event, when it became public. This analysis was looking at this issue, but neither myself nor the executive—

**Senator ABETZ:** But was it stolen or taken away from Australia Post?

**Mr Fahour:** Well, there is some information that appeared in the *Financial Review*. I read it with interest and I wondered to myself, how does some analysis that occurred in the company appear in the *Financial Review*? It is a Commonwealth document. Things that are produced in the Commonwealth are not to be taken off the company.

**Senator ABETZ:** Was it ever reported to you that that analysis—right, wrong or indifferent, whether you knew about it or not—had been stolen and removed from Australia Post? Has that ever been reported to you?

**Mr Fahour:** It does not have to be reported to me; I looked at it and I said, 'Where is this from?'

**Senator ABETZ:** No. I am asking you the question—with Project Dove, that analysis—was it ever reported to you that that analysis had been stolen and removed from Australia Post? The answer would be either yes or no, that it either has or has not been reported—

**Mr Fahour:** I am just trying to make sure that I answer the question that you are asking, because I do not want to answer a question that you are not asking. It is apparent to me that there is analysis that took place that has appeared in the newspaper—

**Senator ABETZ:** Was it reported to you? Did somebody from Australia Post come to you and say: 'This analysis that we did for Project Dove has disappeared. It is no longer on the premises, no longer in our computer system. We do not know what has happened to it.'

**Mr Fahour:** No, that did not take place.

**Senator ABETZ:** Right, that has not happened. Thank you. Do you know its current whereabouts, or do Australia Post officials know of the current whereabouts of that analysis?

**Mr Fahour:** There are clearly—as reported in the newspaper; that is the best I know—slides that were produced inside Australia Post by some people down in the bowels of the organisation that have appeared in the newspaper. So somebody has taken the document—

**Senator ABETZ:** Does Australia Post still have those documents?

**Mr Fahour:** We would have the electronic copies, I assume—

**Senator ABETZ:** Can you find out, please—

**CHAIR:** Mr Fahour, if you do not know the answer, I think it would be easier if you could just say that—

**Mr Fahour:** I do not know the answer. I tried to say that.

**CHAIR:** and take it on notice so that you provide a detailed answer to Senator Abetz, because I am also not clear on your responses. As I understand it, the document was leaked. Is the question now, Senator Abetz, about the whereabouts of these documents?

**Senator ABETZ:** Yes. Does Australia Post still have the information or analysis known as Project Dove?

**Mr Fahour:** I will take that on notice.

**Senator ABETZ:** Take that on notice. If not, do you know its current whereabouts? And were there ever discussions between a union, yourself or anybody else within Australia Post about this information?

**Mr Fahour:** I am happy to take that on notice.

**Senator ABETZ:** And why was Project Dove never followed through on or delivered?

**CHAIR:** I think it would possibly be helpful for Australia Post if you could also put those questions on notice, Senator Abetz, just to make it very clear about what questions you are asking in relation to Project Dove.

**Senator ABETZ:** How quickly will we get the answer, because I must say—

**CHAIR:** We will talk about that separately.

**Senator MOORE:** I have some questions about the Sustainable Development Goals and the work that Australia Post has done in that area. Certainly I have attended some sessions where representatives from your organisation have come and embraced the process and talked very positively about the role of business in this area. Can you tell me who is working on this process within Australia Post and also whether you are linking in with other businesses? I am trying to get a handle on what is happening with the SDGs across the country.

**Mr Fahour:** If there is one thing that I am really proud of, it is Australia Post's commitment to a sustainable future. Part of that sustainability is—when I came into my job in 2010, we set about cutting our CO2 emissions and we set a goal of achieving a 25 per cent reduction by 2020. I am really pleased to say we are very close to that goal. We are over 20 per cent, despite the fact that our business is growing. Sustainability, I know, is more than CO2 emission cutting; there are a whole bunch of other aspects to the sustainability of our organisation, including what we do for our people, jobs and other elements. In terms of environmental sustainability, one of the programs that we put in place—this is a small example, but it is really important—is about all the dispensed parts of espresso coffee. We partner with our customers and ask them, 'How can we make sure that when people finish with those pods we find a way through the postal system to deal with that?' That is just one example. In our annual report you will see that there is a whole page dedicated to this. I have it right here. It is on page 126.

**Senator MOORE:** Yes, I have read that.

**Mr Fahour:** I am sure you have, Senator. If you would like offline, a whole bunch of people in our organisation are dedicated and would be more than happy to come and spend time with you.

**Senator MOORE:** That is what I would like to do. That would be great. Can you tell me how it is done in the organisation? Have you got a dedicated team?

**Mr Fahour:** Yes, we do.

**Senator MOORE:** Are you aware of whether this model is being used in other agencies?

**Mr Fahour:** No, I am not aware of that.

**Senator MOORE:** I am not either.

**Mr Fahour:** We do have a community advisory board. One of the community members, Graz van Egmond, has a big push on this. We have a separate community report that we put out, and it is a very active area for us. Again, we would be more than happy to discuss it with you further.

**Senator MOORE:** Are you aware that at the government level the Department of the Prime Minister and Cabinet is working with a large group of departments, co-chaired with the Department of Foreign Affairs and



Trade, looking at the impact of the SDGs and how we work towards the 2020-30 agenda? Is Australia Post part of that process?

**Mr Fahour:** I have to be honest: I am not aware of that—but I will make myself aware of it and will follow up on that.

**Senator MOORE:** Minister, are you aware whether your department is taking a role in the SDG process?

**Senator Fifield:** Sorry, Senator, I was focused on something else.

**Senator MOORE:** It is around the sustainable development goals. What is happening at the government level is that the Department of the Prime Minister and Cabinet and the Department of Foreign Affairs and Trade are jointly chairing a cross-departmental committee with a whole bunch of departments—I am still trying to find out who they are—looking at our response, which has to be a public response. Are you aware of whether your department is part of that?

**Senator Fifield:** I will have to check that.

**Senator MOORE:** Please take it on notice. Thank you, Chair.

**Senator DUNIAM:** I understand that our colleague Senator Barry O'Sullivan, who dearly wishes he could be here, sent a letter in on 30 January, so you would have advance notice of some questions I am going to ask. I am going to work through them pretty quickly because I am under some time constraints. No. 1, what is the year-on-year total of licensed post office management system payments paid to licensees for the last 10 years and what do you forecast the payments will be for the next five years?

**Ms Corbett:** Business payments have grown from \$296 million in the 2007-08 year to \$409 million last year. We are anticipating payments this year to be in the vicinity of \$450 million. If you are after the specific year-by-year breakdown, in 2007-08 it was \$296 million; in 2008-09 it was \$310 million; in 2009-10 it was \$308 million; in 2010-11 it was \$320 million; in 2011-12 was \$323.1 million; in 2012-13 it was \$323.5 million; in 2013-14 it was \$338 million; in 2014-15 it was \$358 million; in 2015-16 it was \$409 million; and, as I said, we anticipate \$452.7 million this year.

**Senator DUNIAM:** Excellent. I think there was also a forecast for the next five years. Do you have that?

**Ms Corbett:** We are currently working on our forecasting as part of the corporate plan process. We do not have forecasts at this stage.

**Senator DUNIAM:** No worries. Moving on, what percentage of parcels are currently returned to licensed post offices to be delivered by LPOs and do you see that percentage changing in the future?

**Ms Corbett:** Approximately 6.5 per cent of parcels are currently returned to LPOs. As our managing director mentioned, we continue to explore a number of initiatives to improve our first-time delivery but we do not expect any material change in the future.

**Senator DUNIAM:** What was the total remuneration paid to licensees for street-carted articles delivered by LPOs year on year for the last 10 years?

**Ms Corbett:** Similarly, remuneration for street-addressed carted items was \$1.478 million in the 2007-08 year, and this year we anticipate the payment being approximately \$23 million.

**Senator DUNIAM:** Excellent. Moving to the next one. It is understood licensees are now being reasonably compensated for the handling of street-addressed parcels. What is the forecast for growth of parcel deliveries by LPOs for the next five years, year on year? What do you perceive will be the remuneration to licensees for the next five years, year on year, for this service through LPOs?

**Ms Corbett:** We are currently preparing our corporate plan and our forecast will be part of that process.

**Senator DUNIAM:** I will be very interested to read these answers when I get them. What was the total cost to Australia Post to install FlexiPOS to upgrade the manual network as part of the Rural Sustainability Package in 2014?

**Ms Corbett:** We have 398 LPOs who receive FlexiPOS, and the total cost for that project was \$1.57 million.

**Senator DUNIAM:** Business banking was highlighted in the Pitt report as significantly underremunerated—a transaction for most LPOs that provide business banking services. What corrections as per recommendation 17 have been established and what are the improved financial outcomes for LPOs as a result of the corrected payments?

**Ms Corbett:** Business banking payments to licensees represent 0.14 per cent of total payments. So it is a small amount. However, as you correctly identified, we did look at the transaction. The average per transaction cost to licensees for handling business banking, when we did that analysis in May 2015, was recorded as \$1.01. We

currently pay a \$1.38 per transaction, plus a 11.7 cent per cheque processing fee. We needed to capture additional information from our licensees for transaction volume that goes above and beyond the normal, so we introduced a transaction in October last year. We have now captured that information, and we are now in consultation with our licensee representative groups to look at increasing that payment.

**Senator DUNIAM:** We are down to the last two, so thank you very much. What increased compensation has been established to correct underpayments for delivery of parcel via rural and remote PO box addresses and counter-delivery addresses for LPOs that provide services, in particular where Australia Post does not provide delivery to any residential addresses?

**Ms Corbett:** There are currently 597 licensees who are located in rural and remote locations. Where a to-the-property delivery service is not provided, they receive three separate payments. That could be a post office box service fee, a mail management fee or a counter-mail delivery fee, plus the scanning fee for items that go to them. To answer your specific question in terms of volume, we are expecting payments this year to be in the vicinity of \$41 million, which is up from \$28.5 million in the financial year 2014-15, and the primary reason for that is those payments are aligned to the basic postage rate.

**Senator DUNIAM:** My final question—and thank you on behalf of Senator O'Sullivan and the licensees—why are licensees not paid the same individual payment for all parcel deliveries, including all PO box parcels from the LPO, instead of only some parcels attracting payments?

**Ms Corbett:** All parcels attract a payment. However, the payment of activities associated with the delivery of parcels is incorporated into a range of fees. For those outlets I mentioned previously, the to-the-property one is incorporated into the post office box fee, the counter-mail delivery fee or the mail management fee versus others which are incorporated in the carted-article fee. When we look at that and why we have a different payment arrangement, it is providing licensees a fixed fee for servicing a delivery point. This is really important in terms of normalcy of cash flow and really having certainty of payment. If we were to vary the payment, to variablise that, on a per item basis, as we do pay in other areas, that would actually create quite a variable and unstable income, and in those licensees where we do have the different payment system, which is the per-delivery-point payment system, they do have very low volumes. So, from a licensee's perspective, it really is in their best interests to pay per delivery point rather than per volume.

**Senator DUNIAM:** Thank you very much, Ms Corbett. I appreciate it.

**Senator McKENZIE:** While you are going to Sam—can I—

**CHAIR:** Is it a follow on from this?

**Senator McKENZIE:** It is.

**CHAIR:** Please make it very quick.

**Senator McKENZIE:** On behalf of Senator O'Sullivan, do the licensees have representation on the Australia Post board?

**Mr Fahour:** It is entirely the government's decision who is on the Australia Post board, but what we have—

**Senator McKENZIE:** Do you have a staff representative on the board?

**Mr Fahour:** Yes we do. It is part of our act and our charter and one director is nominated as that person, which has been in place for a long time, but generally speaking, it is people with the relevant skills. But we do have a community advisory board and we have always had somebody whose focus is purely related to licensees and that has been consistent.

**Senator McKENZIE:** And not on the board that is making the decisions?

**Mr Fahour:** Yes—on the advisory board.

**Senator McKENZIE:** Thank you.

**CHAIR:** Senator Dastyari, you have promised me to be very brief.

**Senator DASTYARI:** I note that Mr Fahour and Ms Corbett have been there for 3½ hours now, which is what is described as enhanced interrogation techniques. Workplace bargaining policy 2015: you are right now—

**CHAIR:** Senator Dastyari, we had that discussion this morning.

**Senator DASTYARI:** I was making the observation that we were talking about the same document.

**CHAIR:** Senator Dastyari—no props. You have already flashed it several times this morning.

**Senator DASTYARI:** Sorry: have we met? If I was going to do a prop, it would be much bigger than just a piece of paper!

**Senator McKENZIE:** Come on.

**CHAIR:** Senator Dastyari, you know better. You are chewing into your five minutes.

**Senator DUNIAM:** It is not even dinner time yet.

**Senator DASTYARI:** Mr Fahour, the workplace bargaining policy 2015—you are aware of, obviously, this document in this policy?

**Mr Fahour:** Yes, I am.

**Senator DASTYARI:** We are at the moment going through, I think, what is called EBA9. Is that correct?

**Mr Fahour:** That is correct.

**Senator DASTYARI:** There seems to be a bit of a grey area here. I am a bit confused myself as to whether or how the workplace bargaining policy relates to ABC and Australia Post, who are GBEs. Have you been given instruction by the government or by the shareholding ministers that the workplace bargaining policy applies?

**Mr Fahour:** Yes, I have.

**Senator DASTYARI:** And was that given in writing?

**Mr Fahour:** Yes, it was.

**Senator DASTYARI:** When did you receive those letters?

**Mr Fahour:** We received a letter a number of years ago saying that the workplace bargaining policy was something that they wished for us to do. And then I received a letter from the commissioner in October last year confirming that it is the government's intention for our award employees that in the upcoming EBA the workplace bargaining protocols would apply to Australia Post.

**Senator DASTYARI:** How many employees are on awards?

**Mr Fahour:** I can give you the precise number when I leave here, but it is approximately in the high 20s.

**Senator DASTYARI:** So out of the 36,000, something close to—

**Mr Fahour:** It is close to 30,000.

**Senator DASTYARI:** Something close to 30,000 of the—

**Mr Fahour:** Are award workers.

**Senator DASTYARI:** And the workplace bargaining policy sets pay increases at two per cent. Is that correct?

**Mr Fahour:** Which version—2014 or 2015?

**Senator DASTYARI:** The 2015 version.

**Mr Fahour:** Yes.

**Senator DASTYARI:** Previously the employees of Australia Post were getting pay increases of—was that a three-three-three arrangement for the award wage?

**Mr Fahour:** It has actually varied over the last seven years. Actually for the first three years it was around one per cent in base salary increase and two half percent bonuses that applied for meeting certain service targets. The second EBA was around three per cent, and in this EBA the policy applies to us and the two per cent is the maximum.

**Senator DASTYARI:** So there is no scope there for you to work outside the workplace bargaining policy 2015?

**Mr Fahour:** It is very clear that this policy will apply to us.

**Senator DASTYARI:** Point 28 of the policy is:

Remuneration increases for senior executive service and equivalent employees covered by individual arrangements are to be consistent with this policy. The approval of the commissioner is not required.

**Mr Fahour:** That is correct.

**Senator DASTYARI:** So have executive salaries been meeting the two per cent increase?

**Mr Fahour:** They have been below that number, because the executive salary number since 2010—in 2011 it was zero right across all—

**Senator DASTYARI:** It is the stretch incentives that have changed. Is that correct?

**Mr Fahour:** The incentives are not covered by the policy. What is covered by the policy is the wages, the pay. I can read out the numbers to you. Two thousand—

**Senator DASTYARI:** Okay, final question.

**CHAIR:** No, that was the final question. Any more questions can now be put on notice.

**Senator DASTYARI:** No, that is not in the Senate standing orders, so I can keep asking questions.

**CHAIR:** Senator Dastyari, I will allow you one more question and then we will move on.

**Senator DASTYARI:** I will ask one more question but I am allowed to ask as many questions as I have until my questions are explained.

**CHAIR:** You can, but we have had an agreement and we have gone well over time.

**Senator DASTYARI:** I know, and I will stick with that. Mr Fahour, if the negotiations were to go there, you are saying you can give a base increase of two per cent and then, say, a bonus above that to the employees?

**Mr Fahour:** For the people who are on contract wages, the bonus scheme has been in place forever. It will go up and it will go down. As mentioned, in 2014-15 the managing director—being me—was zero. The direct reports to me took a 50 per cent haircut and all managers took a 25 per cent haircut. Bonuses go up and down, but it is certainly the recommendation of myself and my management team to the board that we want the average base pay to be no more than what the award employees get. I can now say to you that the number that has been approved for the 2016 year, which we have been talking about, was a cap of two per cent and the actual outcome was 1.86 per cent.

**Senator DASTYARI:** I will put the rest on notice.

**CHAIR:** Thank you very much, Mr Fahour. That concludes Australia Post. Mr Fahour, given this will be your last estimates before this committee, I would like to say thank you very much for the seven years you have been appearing before estimates. Also, as you have heard from various representatives here on the committee today, you leave with warm regard from the committee members and, again, very sincere thanks for all the work that you have done. I have got to say that 50,000 employees, \$4 billion back to the taxpayer and now in profit in a very tough market is a real credit to you—and particularly your staff. Good luck in whatever you do after this and thank you.

**Mr Fahour:** Thank you very much, Chair, and can I at least thank the committee. You guys do your job; it is a hard job and you do your best also for Australia Post. I think we, all together, should be very proud of what we have done for the 50,000 employees and the sustainability of the company. Certainly on behalf of me, thank you very much, and may I wish you all the best in the future.

**CHAIR:** Thank you. I now call officers from the Australian Broadcasting Corporation.

#### **Australian Broadcasting Corporation**

[17:14]

**CHAIR:** Welcome back, Ms Guthrie. To you and to your officers, thank you very much for your patience today. It has been another long day here. As you can see, we had some rather contemporaneous issues to be dealt with today. Would you like to make an opening statement?

**Ms Guthrie:** No need, Chair, thank you.

**CHAIR:** I am going to go first of all to Senator McKenzie. This committee had invited you twice to appear before a hearing on a bill in Darwin and Melbourne. But you did not or were not able to make yourself available, so Senator McKenzie will ask you questions in relation to that first.

**Senator McKENZIE:** Firstly, I would like to congratulate the minister on a couple of fabulous board appointments this week, particularly, Georgie Somerset, from rural and regional Australia, and Dr Guthrie. I think that is a nice diverse—

**Senator Fifield:** There is no relation.

**Ms Guthrie:** Not that we have yet identified!

**Senator McKENZIE:** We have not done the DNA testing!

**Ms Guthrie:** We may be checking family trees!

**Senator McKENZIE:** I also want to echo my disappointment. The bill relates to rural and regional Australia and the ABC's service provision to that and making some changes around how that might be made better. But we specifically asked you and Mr Spigelman to be available, particularly given the short-wave radio decision, which was a board decision.

You both sent letters and were regrettably unable to attend. I know the committee secretariat contacted you in early December, particularly for the March 6 date, but you chose to make yourself unavailable. Mr Spigelman's