

Thank you, Chair.

I've been invited here, today, as I understand to discuss the issue of executive remuneration and how it is set at Australia Post.

This obviously 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:

1. The first issue relates to how we set executive remuneration – particularly the CEO's salary – and how that aligns with the community's expectations.
2. And 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* of 1989, which defines two key 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 executives' salaries with that of politicians and 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's focussed on winning in the highly competitive, global parcels and logistics market.

Our core business, today, is eCommerce and Parcels.

Last year, we earned 73% 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're 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 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 the community's expectations.

As Senators would have seen, Mr Fahour has 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 to offer 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 have also placed the 2015/16 detailed disclosure on our website.

The disclosure includes an explanation of the business, total remuneration for each executive and the details of how it is structured ... as well as the performance hurdles that our Executives have met to earn incentive payments...and where the remuneration sits against benchmarks and explains how the benchmarks are set.

Before I conclude, I would like to put on the record that it's 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 have been 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 letters service.

He has created significant value for the Shareholder and the Shareholder has received 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 that appointment before Ahmed vacates the role later this year.

... I will now pass over to the CEO to say a few words.