

*Tabled: Mr Ahmed Fahour
Australia Post
20 November 2014*

Senate Estimates Opening Statement – Ahmed Fahour
Thursday 20 November, 2014

Thank you, Chair.

... Yes, I **would** like to make a short statement.

Senators may be aware that our most recent annual results show that we continued to provide a reliable ... and accessible postal service for **all** Australians, during the 2013/14 financial year.

We delivered 94.5% of letters on time or early – exceeding our 94% Community Service target ... for the 14th consecutive year.

And, we had 4,417 Post Offices ... which is in-line with the number of Post Offices we had back in 2010.

However ... the Report also highlights the financial pressures we face as the community's use of the letters service continues to decline.

Addressed letter volumes were down 5% for the financial year ... and the volume of Ordinary Mail (i.e. letters carrying a full priced stamp) declined by 6% on the previous year.

In a cumulative sense ... the amount of letters sent, per letterbox, is down approximately **one-third** over the past six years ...

Over that same period ... we have incurred almost \$1 BILLION in losses in our “monopoly” reserved letters services.

Managing this on-going volume decline – in a sustainable way – remains a very **real** and **urgent** challenge for our whole business.

The decline in letter volumes was the major factor contributing to the 35% fall in our full-year profit ...

Of most concern to us, was the fact that our business incurred a \$106 million loss in the second half of the financial year.

This is the **first time** that we've made a loss in **any** six-month period since Australia Post was corporatised in 1989.

And this also explains why last week, independent credit rating agency S&P put Australia Post on credit watch for a potential credit downgrade within the next month.

The second-half loss underlines the fact that we can no longer expect the profits from Parcels to offset the growing losses in the Letters service.

It also underlines the urgent need for reform and changing our letters service.

As a result, we are in discussions with the Government about urgent reform to the regulatory framework that applies to the letters service.

This reform is important to ensure Australia Post remains a self-funding business – and doesn't become a drain on the tax-payer ... or, indeed, continue to serve as a form of corporate welfare.

As you may know ... 97% of Australian letters – today – are sent by corporations, businesses and government.

We have embarked on an extensive engagement program, over the past 6 months, to ensure that our staff, customers, licensees and community understand the challenges we face.

Ultimately, the reforms we are seeking are about ensuring the sustainability of Australia Post and its licensees in communities, everywhere.

The reform of our letters service will not only enable Post to remain a self-funding business offering employment to tens of thousands of Australians ... It will also support the continued viability of around 2,900 **Licensed** Post Offices across Australia.

On that subject, we note the recent release of the Senate Inquiry Report into Australia Post's relationship with our Licensed Post Office partners.

The Report accurately concludes that the future of our postal service is at an important cross-road.

We will continue to work with the Government – and our stakeholders – to address the Committee's recommendations.

I am pleased to say that we have already had a number of meetings with a range of stakeholders – including the community, staff and their representatives.

But, in particular, we have met with all of the representatives of the Licensee network – including the LPO Group ... POAAL ... and the leaders of the Licensee Advisory Council.

I am pleased to report that we have broadly agreed to a 4-point action plan that we will be implementing shortly.

We have recognised through continued dialogue and the Committees efforts, that the issues raised by our Licensee partners are real – and we have already taken action this year to address them.

- To assist with Licensee cash flow ... we brought forward \$35 million in fees for Private Box Sorting, from April to January.
- We have doubled our fee for handling a scanned parcel this year
- The 10-cent increase in the stamp price has delivered an extra \$25 million in payments to LPOs in this financial year.
- The Rural Sustainability Package that we announced in June ... includes new guaranteed minimum annual payments ... as well as increases for accommodating contractors and representing our brand.
- And we have offered a new technology package for 430 small post offices that operate on manual systems.

In this current financial year ... our total payments to Licensees will increase by over 10% – or approximately \$40 million – which is the largest annual increase in payments to Licensees ever.

Senators – together we have made a tangible difference this year, more than we have made in any other year. But we still have much to do.

Meanwhile, we've been very focussed on creating new revenue streams for the corporation – **and our partners** – by investing heavily in our customer growth opportunities.

We **have to** keep investing in – and upgrading – our services to align with the community's shifting behaviour and expectations.

One example of this is the expansion of our Sydney and Melbourne parcel-sorting centres ... where we have doubled the capacity ... so that we can efficiently handle the expected future growth in eCommerce.

Our Board ... our management team ... and all of our employees and partners are united in our commitment to a sustainable Australia Post.

We know that if we simply continue to do what we've done in the past ... we will not be a viable community service in the future.

Thank you, Senators.

... We welcome your questions.