

14 February 2023

# Mr Paul Graham Senate Estimates opening statement Tuesday 14 February 2023

Thank you Chair and Senators.

My name is Paul Graham and I am the Group Chief Executive Officer and Managing Director of Australia Post. Today I am joined by Tanny Mangos, Executive General Manager Community, Sustainability and Stakeholder Engagement and Nick Macdonald, our Group General Counsel and Corporate Secretary.

I would like to begin by acknowledging the traditional custodians of the Canberra region, the Ngunawal and Ngamberi peoples, and pay my respects to their elders past, present and emerging.

I would like to thank the Committee for the opportunity to provide this opening statement.

As I said when I last addressed this committee, Australia Post is at a crossroads.

I would like to acknowledge the dedication and hard work of our 65,000-strong extended workforce over the past six months, including one of the busiest Christmas peak periods in our history. Despite this our half year results released last week demonstrated a continued and material decline in our financial performance. It's clear we have a distinct two-speed business with our Letters business weighing heavily on our high-performing parcels business.

Group revenue for the half was 4.69 billion dollars, down 2.4 per cent, while our profit declined by 88.2 per cent to 23.6 million dollars. This result was largely driven by the losses in our letters delivery business, which increased a very significant 171.5 per cent from the first half of last year to almost 190 million dollars.

This result should not be a surprise. As many of you know, Australia Post has been flagging the significant structural headwinds facing the business, for more than a decade. It also mirrors global trends, with other postal services worldwide experiencing a dramatic decline in the use of letters and Post Office foot traffic, due to digital disruption and online service delivery.

Australia Post is entirely self-funded, and the forewarned challenges are again materialising in our business performance.

But we are not sitting still as these headwinds buffet our business, our Post26 Strategy is making inroads. We are introducing new corporate support model efficiencies, trialling new systems, enhancing technology and infrastructure, and working closely with our workforce, unions, licensed post office associations, and business partners to address the challenges we face.

This includes renewing deals with banking partners like Westpac for Australia Post to continue providing essential Bank@Post services to Westpac customers until 2032, which is good news for personal and small business customers in rural and regional areas. Australia Post now has long-term agreements in place with Westpac, CBA and NAB, meaning Bank@Post is now available to customers at 81 financial institutions.

We are also making targeted investments in new facilities to ensure we capture and maintain market share in the all-important – and highly competitive – parcels sector.

In December, I was delighted to join the Communications Minister, Michelle Rowland to open our new state-of-the-art facility in Perth. As our first dual-named site, Boorna Wangkiny Mia, means home of the message stick in the language of the Noongar nation. This new facility will allow us to process parcels more quickly and more safely, which is a great outcome for our customers and the Australia Post team in WA.

The \$81 million Perth facility was part of \$208 million worth of investments in the first half to uplift and enhance our infrastructure across Australia to ensure we remain the national leader in eCommerce.

We are also continuing to meet and exceed our performance standards for the community despite the headwinds confronting the business.

To help deal with the recent flood crisis that halted rail services to Western Australia, for example, we absorbed a 50 per cent loss on road-

based deliveries to the state even after introducing a temporary levy to offset the increased cost of delivering parcels to the west.

We also provided free mail redirection for 1,600 Australians who were made homeless by flooding late last year.

Our commitment to the community is unwavering, although it is coming at a significant and growing cost that necessitates changes in the way we operate.

With ongoing letters losses, and parcels growth moderating, we have introduced a new operating model for Australia Post's corporate support office to simplify and streamline the business. Importantly, there are no frontline roles impacted by this change.

The new operating model aligns with our Post26 Strategy that aims to further embed Australia Post as the nation's preferred choice for eCommerce, digital, mail and retail services.

Under Post26, we are determined to continue meeting our customers' needs despite the deteriorating operating environment.

We just completed a very successful Peak period, under trying conditions with flood and infrastructure disruptions. We delivered a record-equalling number of parcels over the cyber sales and Christmas period, as more and more Australians embraced online purchases.

Our team's dedication and commitment to delivering for all Australians has seen our customer and business satisfaction scores increase across the past 12 months, reinforcing Australia Post as one of the nation's most trusted brands.

This outcome is a great credit to our dedicated team and I have thanked them all for their commitment and focus on safety, and their resilience in the face of disruptions including major natural disasters. Our team remains our greatest asset.

To conclude, Chair, I would like to reiterate the unprecedented scale of the challenges facing the business.

Our Letters business is in an unstoppable decline, as volumes continue to fall and costs increase. Fewer customers are visiting Post Offices to make retail transactions, as the digitisation of services continues.

We have strategies in place and the determination to ensure that Australia Post is financially, socially and environmentally sustainable, so we can continue making a positive contribution to the nation, but we will have to explore further changes to the way we operate to return the business to a stable financial footing.

We look forward to continuing to serve and helping to deliver a better tomorrow.

Thank you, Chair.

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Phone +613 9106 6666 | Email [media@auspost.com.au](mailto:media@auspost.com.au)

**About Australia Post:** *As Australia's postal service for more than 200 years, we're at the heart of every community. Last year we delivered more than 2.7 billion items around the country and carried out more than 220 million transactions across one of Australia's largest retail networks of more than 4,300 Post Offices. We employ people of all ages, genders and abilities in our extended workforce of more than 64,000 to reflect the diverse communities we operate in. We are proud to be included in the inaugural Indigenous Employment Index with 3 per cent of our workforce identifying as Aboriginal or Torres Strait Islander and we are the largest Australian employer to be certified as a Disability Confident Recruiter.*





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Australia Post acknowledges the Traditional Custodians of the land on which we operate, live and gather as employees, and recognise their continuing connection to land, water and community. We pay respect to Elders past, present and emerging.