The Senate

Environment and Communications References Committee

Australia Post

May 2021

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List of recommendations

Recommendation 1

2.36 As previously recommended by the Senate Environment and Communications Legislation Committee, the committee recommends that Australia Post provide regular training and support to senior staff and Board members to ensure they can better meet their responsibilities to the Senate and its committees through understanding Senate procedures.

Recommendation 2

5.103 The committee recommends that the Australian Government strengthen the Performance Bonus Review (the Review) into Commonwealth entities by consulting with a wider selection of stakeholders and canvassing public opinion. The Review should seek to reform the way bonuses are used by Commonwealth entities to ensure the remuneration practices of these entities meet public expectations and conform to the *Public Governance, Performance and Accountability Act 2013*.

Recommendation 3

5.109 The committee recommends that the Australian Government conduct a review into the expenditure of corporate Commonwealth entities focussing on incentive payments, rewards, gifts and other discretionary expenditure, including short and long term incentives and other payments to highly paid staff, to ensure they meet public expectations and conform to the requirements of *Public Governance, Performance and Accountability Act 2013*.

Recommendation 4

6.118 The committee notes the advice provided by the Senate Standing Committee for the Scrutiny of Delegated Legislation that there was no formal direction issued under section 49 of the *Australian Postal Corporation Act 1989*. As such, the committee recommends that the Australian Government refer the actions of the Minister for Communications, the Hon Paul Fletcher MP, on 22 October 2020—in particular his "instruction" to the Australia Post Board that it stand Ms Holgate aside—to the Auditor-General for investigation, including into any breaches of relevant legislation and policies of Australia Post.

Recommendation 5

6.157 The committee recommends that the Australia Post Board and Shareholder Ministers and the Prime Minister apologise to Ms Holgate for denying her the legal principles of procedural fairness and natural justice in her departure from Australia Post.

Recommendation 6

6.158 The committee recommends that the Solicitor-General investigate the legality of the instruction from Shareholder Ministers to the Australia Post Board on 22 October 2020 that the Board should stand Ms Holgate aside while an investigation takes place into the purchase of the watches.

The instruction should be investigated in relation to the provisions of the *Australian Postal Corporation Act 1989*, in particular sections 49, 50 and 84, and any relevant sections of the *Public Governance, Performance and Accountability Act 2013*.

Recommendation 7

6.159 The committee recommends that the government re-set the relationship between the Shareholder and Australia Post, clarify the proper role of the Shareholder, and restore an appropriate level of independence to the Board.

Recommendation 8

8.63 The committee recommends that the Australia Post Board be restructured to ensure that its makeup is consistent with the original intent of the *Australian Postal Corporation Act 1989*, and so that it functions properly as a public enterprise. A restructured board should include nominees of:

- **the House of Representatives;**
- **the Senate;**
- **the employees and unions; and**
- **the licensees.**

Recommendation 9

8.64 The committee recommends that the Australian National Audit Office conduct an audit—of a similar type to the audit conducted into the governance of the Australian Broadcasting Corporation in 2002—into Australia Post's corporate governance arrangements, including its relationship with government, to identify areas in which its governance structures and processes are in need of reform. The audit should also include a review of Australia Post's post-separation arrangements.

Recommendation 10

8.65 The committee recommends that Australia Post, in its annual report, detail the findings of any Board evaluations and actions that the Board might have taken to improve its performance, processes, policies, skillset and composition throughout the year.

Recommendation 11

8.66 The committee recommends that the Australian Government ensure it duly considers the advice from Government Business Enterprise boards related to skills gaps and prospective appointees, and acts upon this advice as far as appropriate when appointing new board members.

Recommendation 12

8.67 The committee recommends that the Department of Finance review the Government Business Enterprise guidelines with a view to ensuring ministerial appointees to Government Business Enterprises are more diverse and more representative of a broader range of skills and experience.

Recommendation 13

8.68 The committee recommends that the Chair of Australia Post resign in acceptance of his responsibility for the organisation's failings with respect to the Holgate matter, the veracity of his evidence provided to the committee, his capacity to defend the independence of Australia Post and the lack of effective robust policies and financial oversight processes in place throughout his tenure.

Recommendation 14

9.106 The committee recommends that the Australian Government consider requiring authorised deposit-taking institutions (ADIs) to allow Australia Post to process basic banking transactions for their customers as a condition of their licence; and that fees be levied on ADIs that are sufficient to cover the cost to post offices of providing this service.

Recommendation 15

9.121 The committee recommends that Australia Post establish an Innovation Council formed on a tripartite basis that brings government, business and unions together to build a strong, productive and competitive public postal service with stronger community service obligations.

Recommendation 16

9.131 The committee recommends that the Australian Government immediately release the Boston Consulting Group *Review of Australia Post's Financial Sustainability.*

Recommendation 17

9.132 The committee recommends that the Australian Government expressly rule out privatising or divesting of Australia Post, or any of its services, including parcels.

Recommendation 18

9.133 The committee recommends that Australia Post review its procurement principles and seek to incorporate sections of the Commonwealth Procurement Rules into these principles, particularly relating to local content of purchases.

Recommendation 19

9.137 The committee recommends that the Australian Government bring forward amendments to the *Australian Postal Corporation Act 1989* and associated regulations, to incorporate parcel-related benchmarks in Australia Post's community service obligations and performance standards, to ensure parcel services are affordable and equitable for all Australians, and that parcel delivery remains a core element of Australia Post's services. In developing these amendments and associated regulations, the committee recommends that the government and Australia Post consult a wide range of stakeholders, such as business, employees and their representatives, and interested communities, including those representing regional and rural Australia.

Recommendation 20

9.145 The committee recommends that:

- **the Australian Government publicly release the reports or final findings of the Boston Consulting Group relating to the ongoing impact of COVID-19 on Australia Post's business, including any evaluation of the efficacy of the temporary regulatory relief; and**
- **Australia Post release the findings of the McKinsey report into the development of forward-looking delivery network strategies and plans for Australia Post.**

Recommendation 21

9.146 The committee recommends that the Senate oppose any extension to the temporary regulations now in force.

Recommendation 22

9.147 The committee recommends that the Australian Government consult widely and extensively on any proposed continuation of the current temporary regulations or introduction of any future regulatory changes, including with post users, businesses, licensees, and employees, contractors and their representatives.

Recommendation 23

10.49 The committee recommends that the Australian Government work with Australia Post, licensees, employees, contractor and worker representative organisations, and other stakeholders, to explore new ways to support the network of licensed post offices around Australia to benefit communities, particularly rural and regional communities.

Recommendation 24

10.50 The committee recommends that the Australian Government consider excluding regional capitals with a population of over 100 000 from the definition of 'metropolitan' in the regulatory relief and Alternative Delivery Model, should these regulations be extended.

Recommendation 25

10.56 The committee recommends that Australia Post improve its consultation arrangements with regional, rural and remote communities across Australia in the development of future policies and implementation plans.

List of relevant names

Name	Position
Albanese MP, the Hon Anthony	Leader of the Opposition
Belling, Mr Bryan	Lawyer representing Ms Christine Holgate
Bennett, Ms Anna	General Manager, Corporate Strategy, Australia Post
Birmingham, Senator the Hon Simon	Minister for Finance *(from 30 October 2020)*; Shareholder Minister for Australia Post (in capacity as Minister for Finance)
Bloxsom, Mr Ryan	Chief of Staff to the Minister for Communications, Urban Infrastructure, Cities and the Arts
Boys, Mr Rodney	Chief Financial Officer, Australia Post; Acting Group Chief Executive Officer and Managing Director, Australia Post *(from 23 October 2020)*
Clennell, Mr Andrew	Political Editor, Sky News
Cormann, Former Senator the Hon Mathias	Former Minister for Finance *(to 30 October 2020)*; Former Shareholder Minister for Australia Post (in capacity as Minister for Finance)
Cox, Mr John	Executive General Manager, Transformation and Enablement, Australia Post
Cramp, Ms Angela	Founder and Director of Licensed Post Office Group (LPOGroup); Australia Post licensee
D'Orazio, Mr Mario	Non-Executive Director, Australia Post
Davies, Ms Sue	Executive General Manager, People and Culture, Australia Post
Di Bartolomeo, Mr Lucio	Chair, Australia Post

Name	Position
Fahour, Mr Ahmed	Former Group Chief Executive Officer and Managing Director, Australia Post *(December 2009 to July 2017)*
Fletcher MP, the Hon Paul	Minister for Communications, Urban Infrastructure, Cities and the Arts (Communications Minister); Shareholder Minister for Australia Post (in capacity as Communications Minister)
Giles, Ms Rebekah	Lawyer representing Ms Christine Holgate
Graham, Mr Paul	Incoming Group Chief Executive Officer and Managing Director, Australia Post *(commencing September 2021)*
Holgate, Ms Christine	Former Group Chief Executive Officer and Managing Director, Australia Post *(2017 to 2 November 2020)*
Hopkins, Ms Janelle	Former Chief Financial Officer, Australia Post *(to April 2019)*
Jaggers, Mr Andrew	Deputy Secretary, Commercial and Government Services, Department of Finance
Keetelaar, Ms Deanne	General Manager Payments and Financial Services, Australia Post
Kunkel, Dr John	Chief of Staff to the Prime Minister
Macdonald, Mr Nick	General Counsel and Corporate Secretary, Australia Post
McIver AM, Mr Bruce	Non-Executive Director, Australia Post
Morrison MP, the Hon Scott	Prime Minister
Moses AC, Mr Arthur	Barrister representing Ms Christine Holgate
Murphy, Mr Shane	National Divisional President of the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia
Muscat, Ms Brooke	Deputy National President of the Community and Public Sector Union

Name	Position
Nutt AO, Mr Tony	Non-Executive Director, Australia Post
Ronaldson, the Hon Michael	Non-Executive Director, Australia Post
Rue, Mr Stephen	Chief Executive Officer, NBN Co Limited
Staines OAM, Ms Andrea	Deputy Chair, Australia Post
Stanhope AO, Mr John	Former Chair, Australia Post *(2012 to November 2019)*
Starr, Mr Gary	Executive General Manager, Business, Government and International, Australia Post
Sutherland, Mr Gary	Former General Manager of Business Development, Australia Post
Taylor SC, Mr Ingar	Legal Advisor to Ms Christine Holgate
Thornton, Mr Ross	Communications advisor to Ms Christine Holgate
West AM, Ms Jan	Non-Executive Director, Australia Post
Wilmott, Ms Deidre	Non-Executive Director, Australia Post

Executive summary

This inquiry was established to investigate two interconnected issues:

- the events relating to the standing aside and resignation of former Australia Post Group Chief Executive Officer and Managing Director (CEO), Ms Christine Holgate, and whether the Board of Australia Post exercised its role with appropriate care and due diligence; and
- issues related to the secret Boston Consulting Group review and the future of Australia Post's service delivery obligations.

More broadly, the inquiry explored fundamental questions regarding the financial viability of Australia Post and potential changes to the service model to improve sustainability and access, including in rural and regional Australia.

The Holgate matter

On 22 October 2020, Ms Holgate, then-CEO of Australia Post, appeared at Senate Estimates and disclosed the purchase of Cartier watches for the senior executives involved in negotiating the Bank@Post deal in 2018. This deal was a major financial success for Australia Post that secured significant additional revenue for licensed post offices, especially in rural and regional areas. Although Ms Holgate's decision to reward the watches was certainly regrettable, a Shareholder Ministers' commissioned investigation of the purchase found 'no indication of dishonesty, fraud, corruption or intentional misuse of Australia Post funds'.

The events that transpired on 22 October 2020, and in the weeks that followed, exposed serious shortcomings in Australia Post's governance, the Board's processes and its relationship to government.

Within hours of Ms Holgate's fateful estimates appearance, a high performing and well respected CEO of one of Australia's most significant and valued government institutions, was placed in an untenable position by the Prime Minister's declaration during Question Time that if Ms Holgate did not wish to stand aside, 'she should go'.

The evidence before this Committee indicates the ultimatum that 'the chief executive has been instructed to stand aside and, if she doesn't wish to do that, she can go' was not a spur of the moment reaction, but rather a calculated response aimed at achieving a predetermined outcome.

Evidence to this inquiry revealed the Minister for Communications had, on two separate occasions prior to Question Time, verbally instructed the Chair of Australia Post that the Australian Government (government) wanted Ms Holgate stood aside, but Ms Holgate had refused these demands.

Notably, similar scandals around the same time involving high ranking public officials—such as the exorbitant taxation expenses of the Chair of the Australian Securities and Investments Commission, and the hugely inflated purchase price of the 'Leppington Triangle'—were not accompanied by unreasonable and ill-informed ultimatums in the most public of forums.

Lack of procedural fairness

The Australia Post Board, apparently acting on informal instructions from the Minister for Communications, decided that Ms Holgate should be stood aside without being afforded procedural fairness and an opportunity to defend her actions. The intense public scrutiny and lack of support from Australia Post resulted in Ms Holgate starting 22 October 2020 as one of the most influential women in Australian business and a successful and popular CEO, and ending the day disgraced and humiliated, hiding from reporters and feeling suicidal. It is undeniable that the Board and the government (including the Shareholder Ministers and the Prime Minister) abandoned Ms Holgate to suffer immeasurably and ultimately to tender her resignation only ten days later.

Phone records, Board's minutes and the timing of statements released by the Shareholder Ministers and Australia Post provide strong circumstantial evidence to support Ms Holgate's assertion that she did not agree to stand aside. It is disingenuous to suggest that Ms Holgate *chose* to stand aside, or that her later resignation was anything other than inevitable, given the pressures she faced from the government, the Board and the unrelenting gaze of the media.

An apology to Ms Holgate

Given the central role of the Prime Minister in this matter, the committee believes that the Prime Minister should apologise to Ms Holgate for his improper threat in Question Time that she should 'stand aside or go'. Indeed, this intervention by the Prime Minster suggests a lack of respect for due process and procedural fairness as well as a concerning double standard when contrasted with the standards of conduct and procedural principles applied to members of the Cabinet. The evidence suggests there is a culture operating outside the legislated framework that results in so-called 'independent' government agencies being controlled by ministers and their advisers through informal directions in a completely unaccountable manner. This is yet further evidence of why a robust Federal Integrity Commission is required.

The treatment of Ms Holgate is indicative of a wider pattern of behaviour towards women in workplaces, including Parliament. As both an employer and legislator of workplace laws, the Australian Government must set an example. Its practices must be beyond reproach and it can no longer treat women, and workers more generally, as if they are disposable.

Failings of the Board and Chair

Whether the Board complied with its statutory obligations also needs further examination. The *Australian Postal Corporations Act 1989* clearly designates the Board—not the Shareholder Ministers—as the responsible authority in any action to remove or stand down the Managing Director. There is no doubt the Prime Minister and Shareholder Ministers created a very public expectation that Ms Holgate would be stood aside, to which the Board dutifully acquiesced. This pressure appears to have led the Board to breach its duties under the Act, standing Ms Holgate aside without any evidence that she had acted improperly.

The subsequent investigation into the purchase of the watches cleared Ms Holgate of any 'dishonesty, fraud, corruption or intentional misuse of Australia Post funds', and admonished the Board for failing to have adequate policies in place. The outcome of this investigation highlights recurring governance issues and oversight failures of the Board and, more broadly, concerns regarding the appointment of political apparatchiks to the boards of government business enterprises (GBE). In this case, the Board has neither taken responsibility nor been held to account for its failures in the Holgate matter, despite its accountability under the relevant Act and guidelines.

The process through which board appointments are made to Australia Post, and no doubt other GBEs, has compromised its independence from government and undermined its ability to implement effective processes and make decisions free from undue political influence. This situation significantly risks the Board's ability to oversee Australia Post's strategic direction in the best interest of its individual and business customers, and of its employees, licensees and contractors.

Proportionality

More broadly, the Holgate matter has focused attention on the sheer magnitude of bonuses and incentives paid to executives, senior managers and other highly paid staff across the Commonwealth. If the purchase of $20 000 worth of watches for senior executives fails the 'pub test', what does the Australian public think of the tens of millions of dollars that are given in bonuses each year to highly paid staff at Australia Post, in government departments, and at other GBEs?

Finally, a comparison of other events during that period puts in stark perspective the inconsistent treatment of public officials by this government when faced with a scandal. On one hand, the high performing CEO of Australia Post was effectively forced to resign over the purchase of $20 000 worth of watches for securing a deal worth more than $200 million in revenue to the organisation. On the other hand, there appears to have been no action taken against the responsible public servants involved in the purchase of the 'Leppington Triangle' for $30 million of public funds, ten times more than the land's market value.

The future of Australia Post

Australia Post is a trusted and valued national institution that provides a variety of essential services to millions of Australians and is a major employer of Australians all around the country. In many areas, the local post office and postal workers are part of the economic and social fabric and can be a linchpin for community engagement. This is particularly true in rural and regional areas and for those Australians suffering social isolation and adversity, as has been seen during the recent bushfires and in the ongoing pandemic.

In particular, the services provided by Bank@Post are a lifeline in many regional and rural communities, where high street banks have closed branches and where residents heavily rely on the local post office to conduct their banking activities. Given Bank@Post is an essential service in these areas, the committee considers that the renewal of agreements with banks to continue this service should be a priority for Australia Post.

As a GBE, Australia Post is operated on a commercial basis but is owned by the Australian public. Postal services are regulated and subject to Community Service Obligations. These obligations ensure fair and equitable access to postal services regardless of where Australians reside.

However, the rise of affordable online and mobile communication technologies is steadily reducing the volume of letters posted, meaning Australia Post must continue to improve productivity and innovate to remain sustainable. Without careful oversight and management, the organisation may not be profitable in the future. That said, there are profitable parts of the Australia Post business, such as parcel delivery, and financial and other services, that have significant growth potential and the ability to keep Australia Post financially sustainable.

The secret Boston Consulting Group report

Recognising these challenges and opportunities, the Shareholder Minsters and Board have regularly investigated future possibilities for the Australia Post business model. To this end, in mid-2019 the Shareholder Ministers engaged Boston Consulting Group (BCG) to undertake a strategic review. The resulting report was provided to the Shareholder Ministers on 21 February 2020 but has never been publicly released.

Despite repeated requests, the government has refused to release the Final Report. However, the committee has obtained two BCG Steering Committee papers from December 2019; a presentation given by BCG to the Board on 20 February 2020 and an executive summary of the 'Final Draft' dated 21 February 2020. From these sources, the committee understands that the BCG review examined options for reduced delivery services, rationalising post office locations in metropolitan centres and the privatisation of the profitable Parcels business. The secret BCG report was provided

to the government and the Australia Post Board more than 12 months ago, but it has never been shared with the effective owners of Australia Post, the Australian people.

Temporary regulations

With the onset of the COVID-19 pandemic and the subsequent significant increase in demand for parcel services, the Board sought a temporary change to some of the Community Service Obligations and performance standards. The government provided regulatory relief from 1 July 2020 to 30 June 2021 which, among other things, allowed Australia Post to implement the Alternative Delivery Model in metropolitan areas, suspend the regulated priority mail service and extend the maximum delivery times for regular interstate letters. In effect, many of the proposals put forward by the BCG review were able to be trialled under the guise of Australia Post's response to COVID-19.

Various stakeholders suggested that the temporary regulations have led to poorer services and significant uncertainty over the future of Australia Post for its employees. Despite the government's promise that the reduction in service levels would only apply to metropolitan areas, Australia Post relies on a classification scheme from the 1990s that classes regional centres with populations of greater than 100 000 people as 'metropolitan', capturing towns like Bendigo, Cessnock and the Hunter Valley.

Despite committing to consult widely on any future regulatory changes, key stakeholders have reported that the government and Australia Post have only undertaken limited consultation, such as seeking the unions' support for the extension of the temporary regulations beyond 30 June 2021. It has not consulted with licensed post office holders, affected industries, or the Australian public more broadly. The committee is deeply concerned that the Australia Post Board and government might seek to entrench lower Community Service Obligations and performance standards for postal services in Australia without adequate consultation and appropriate parliamentary oversight. Accordingly, the committee considers that the temporary regulations altering Community Service Obligations and performance standards for Australia Post services should not be extended beyond 30 June 2021.

Exploring privatisation

Further, it is concerning that neither the government nor any Board members ruled out the privatisation of the most profitable parts of the Australia Post business at any time from the finalisation of the BCG review in February 2020 until there was active questioning of the matter in May 2021 as part of this inquiry. Despite Board members telling the committee that privatisation was never discussed, it seems highly doubtful to the committee that the Board did not discuss this important recommendation from the BCG review at any time during the previous 15 months—especially as the Minister for Finance in March 2020 actively encouraged the Board to 'take into account' the BCG proposals in the upcoming corporate plan process.

Having been stacked with political appointments, the Australia Post Board appears to be implementing a government-driven agenda to reduce service standards without appropriate consultation and transparency. Accordingly, the committee believes that the government should release the BCG review in full, along with any additional work undertaken by BCG as part of the evaluation of the temporary regulations under COVID-19. Finally, the committee considers the government should secure the future of Australia Post by categorically ruling out the privatisation of any part of the Australia Post business.

Part 1
Introduction, Engagement and Background

Chapter 1
Introduction

Referral of the inquiry

1.1 On 25 February 2021, the Senate referred to the Environment and Communications References Committee (committee) an inquiry into Australia Post for report by 30 April 2021, with particular reference to:

The circumstances leading to the direction by the Minister for Communications to the Chair of Australia Post on 22 October 2020, that the Chief Executive Officer of Australia Post, Christine Holgate, be stood down pending an investigation into her gifting in 2018 of watches to four managers who secured a $225 million investment into the organisation, with particular reference to:

(a) if the gift of the watches was with the knowledge of the then Australia Post Chair and within existing Australia Post policy;
(b) how the gifting of four watches compares with bonuses and gifts provided during the term of the previous Chief Executive Officers and within other government owned corporations such as the National Broadband Network;
(c) actions of the Board of Australia Post following Ms Holgate's offer of resignation on 2 November 2020 leading up to the Chair's request for her to sign an amendment to her contract which would mean the immediate termination of her employment without any benefits, as against the $11 million bonus paid to her predecessor when he stepped down;
(d) the veracity of evidence provided by the Chair of Australia Post to the Environment and Communications Legislation Committee during an estimates hearing on 9 November 2020;
(e) the current status of Ms Holgate's employment with Australia Post;
(f) the issues surrounding the secret review of Australia Post by the Boston Consulting Group leading to the introduction of changes to Australia Post's service model;
(g) the future of reductions to Australia Post's service model; and
(h) any other related matters.[1]

1.2 On 16 April 2021, the committee presented a progress report recommending that the Senate grant an extension to report until 17 May 2021.[2] On 13 May 2021, the Senate granted a further an extension until 25 May 2021.[3]

Conduct of the inquiry

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1 *Journals of the Senate*, No. 92—25 February 2021 p. 3212.

2 Granted by the Senate on 11 May 2021. *Journals of the Senate*, No. 97, 11 May 2021 p. 3393.

3 *Journals of the Senate*, No. 99—13 May 2021, p. 3474.

1.3 The committee advertised the inquiry on its webpage and wrote to number of relevant organisations and individuals, inviting submissions by 19 March 2021.

1.4 The committee received 104 submissions, which are listed at Appendix 1 and available on the committee's website.[4] Among the published submissions are many from individuals, including postal workers and licenced post office holders, who wrote to express their support for Ms Christine Holgate, Australia Post's former Group Chief Executive Officer and Managing Director (CEO), and to share their experiences of the organisation under her leadership.

1.5 The committee also received around 150 campaign submissions from individuals expressing support for Ms Holgate and advocating for her reinstatement as CEO of Australia Post. The committee accepted these as correspondence and has taken into account the views expressed.

1.6 The committee held three public hearings in Canberra: on 13 April 2021; 27 April 2021; and 3 May 2021. A list of witnesses that appeared at these hearings is available at Appendix 2.

1.7 Submissions published, Hansard transcripts of evidence from the hearings, tabled documents, answers to questions on notice, and other information received, are available on the committee's website.

Acknowledgement

1.8 The committee thanks all those who made submissions and gave evidence at the public hearings.

1.9 The committee wishes to acknowledge the intensity of the inquiry, and the challenges faced by participants, both in terms of the heightened levels of scrutiny and pressure, and the demands of the inquiry process.

1.10 In particular, the committee especially acknowledges the contributions of Ms Holgate, noting that the inquiry process has been a very difficult experience for her as it required her to re-experience the trauma caused by the events of late 2020.

1.11 The committee also acknowledges the considerable efforts of Australia Post staff in responding to requests for detailed information, often in tight timeframes.

Note on references

1.12 References to the committee Hansard are to the proof Hansard. Page numbers may vary between the proof and official transcript.

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[4] The committee's website is at: www.aph.gov.au/senate_ec.

Structure of the report

1.13 This report has three parts:

- Part I provides the background to the inquiry and an examination of Australia Post's engagement with it. It also sets out some relevant information on Australia Post, including its legislated community service obligations, recent changes its regulatory environment, and previous reviews undertaken into its operations.
- Part II considers in detail the standing down and resignation of Ms Holgate, plus consideration of the adequacy of the Board's oversight of Australia Post; and
- Part III looks to the future challenges and opportunities for Australia Post, as well as its service of provisions to regional and rural Australians.

1.14 Within these Parts, the chapters of this report are:

Part 1: Introduction, Engagement and Background

- Chapter 1: sets out details on the inquiry's referral, terms of reference and conduct;
- Chapter 2: examines Australia Post's engagement with the inquiry and the Senate; and
- Chapter 3: provides a background to the inquiry, including recent reviews and inquiries into Australia Post, and the current operational changes to Australia Post's regulatory requirements implemented during the COVID-19 pandemic.

Part 2: The Holgate matter

- Chapter 4: provides a timeline of relevant events;
- Chapter 5: considers evidence received on the rewarding of watches to Australia Post officers;
- Chapter 6: outlines the circumstances surrounding Ms Holgate's standing down;
- Chapter 7: examines Ms Holgate's offer of resignation, as well as the actions of the Chair and Board; and
- Chapter 8: details issues related to Board governance.

Part 3: The future of Australia Post

- Chapter 9: considers the future of Australia Post, including matters emerging from the review undertaken by Boston Consulting Group (BCG), and the temporary regulatory changes to Australia Post's service model; and
- Chapter 10: concludes the report by outlining the regional and rural aspects that have arisen during the course of the inquiry.

Chapter 2
Australia Post's engagement with the Senate

2.1 The Senate Environment and Communications References Committee (committee) wishes to express its respect and support for the important institution of Australia Post. It is one of the country's oldest enduring entities that provides a vital public service to millions of Australians and countless businesses. The committee also acknowledges the tens of thousands of hard working employees, licensees and contractors that ensure its ongoing operations.

2.2 The committee further acknowledges the significant efforts made by the Board during the course of this inquiry, as well as those of Australia Post's senior management and staff. Various members of the Board and the executive management team appeared at each of the three public hearings. Australia Post management also responded to many questions on notice and other requests for information—often at short notice.

2.3 The committee nevertheless has significant concerns about Australia Post's engagement with this inquiry, each of which will be discussed in turn:

- respect for the Senate's authority and processes;
- potential interference with individuals, including Australia Post employees and contractors, wishing to make submissions or give evidence to this inquiry; and
- allegations of false or misleading evidence provided by the Chair of Australia Post, Mr Lucio Di Bartolomeo, to this inquiry and to the Environment and Communications Legislation Committee (Legislation Committee) at Senate Estimates.

Respect for the Senate's authority and processes

2.4 Australia Post representatives repeatedly expressed support for the committee processes and specifically for this inquiry. For instance, at the committee's first public hearing, the Chair, Mr Di Bartolomeo stated that 'we are treating this process seriously, in line with our longstanding commitment, as a government business enterprise, to meet all of our obligations with the parliament'.[1]

2.5 However, the actions of Australia Post often directly contradicted this stated commitment. For example, despite the committee's express invitation and strong preference for Board members to appear in person at the second hearing

[1] Mr Lucio Di Bartolomeo, Chair, Australia Post, *Committee Hansard*, 13 April 2021, p. 33. See also letter from Australia Post re: treatment of potential witnesses and submitters, 26 April 2021, www.aph.gov.au/DocumentStore.ashx?id=95f966fc-7ade-4569-a259-3955def5d4dd; and Mr Di Bartolomeo, *Committee Hansard*, 3 May 2021, p. 27.

on 27 April 2021, the Board declined to do so, citing personal and other professional commitments. This resulted in the day's proceedings being significantly disrupted and delayed due to technical difficulties. The Board's remote participation also caused significant communication issues and poor engagement between committee members and witnesses.[2] As a direct consequence, the committee scheduled a subsequent public hearing on 3 May 2021 at which six Board members appeared in person.

2.6 The committee also notes with concern the announcement by Australia Post and the Australian Government (government) of the appointment of the new Group Chief Executive Officer and Managing Director (CEO), Mr Paul Graham, the day before the committee's first public hearing and the much anticipated appearance of the former CEO.[3] Given that the new CEO is not due to start in the role until September 2021, it appears that this announcement was rushed out to deliberately disrespect the committee's inquiry and without regard to the impact such an announcement would likely have on the committee's key witness.

Provision of inadequate or incomplete information

2.7 The Senate recognises that there may be instances where it is not in the public interest for certain information to be disclosed. The Senate's standing and other orders provide a process by which witnesses may make a public interest immunity claim. Whether such claims are accepted is a matter for the committee and ultimately the Senate.[4]

2.8 The committee notes that in certain answers to questions taken on notice, Australia Post declined to provide information, or withheld or redacted information that may have been relevant to this inquiry, citing confidentiality or commercial sensitivities. Australia Post did not, however, properly substantiate these claims.

2.9 At a public hearing in Canberra on 3 May 2021, Senator Kitching requested the minutes of the Australia Post Board meeting held on 23 October 2020.[5] This request related to the committee's understanding that the minutes of the 22 October 2020 Board meeting (which are central to this inquiry, as discussed later) would have been approved at the following day's meeting. It eventuated that the 22 October 2020 minutes were not approved until a Board meeting on 29 October 2020. The committee welcomes Australia Post proactively sharing the additional minutes of the 29 October 2020 meeting alongside the

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[2] The committee acknowledges that Australia Post had limited notice of the 27 April 2021 hearing due to the constrained inquiry timeframe.

[3] Details are set out in Chapter 4.

[4] The Senate, *Standing orders and other orders of the Senate*, Procedural Order 10.

[5] Senator Kimberley Kitching, *Committee Hansard*, 3 May 2021, p. 30.

23 October 2020 minutes, but regrets that the document was heavily redacted and without adequate justification.

2.10 With respect to these documents, Australia Post stated in correspondence to the committee that the redactions related to 'irrelevant and privileged content' and later clarified that parts of the 29 October 2020 minutes were 'confidential and commercially sensitive'.[6]

2.11 The committee was eventually provided with portions of the redacted text that appeared most relevant to this inquiry. However, this was only provided after a subsequent request to Australia Post, pointing out that it had committed to provide the minutes with only irrelevant material redacted.[7] The committee is concerned by Australia Post's overly narrow, literal, and legalistic interpretation of the committee's request for documents, and its failure to understand that merely stating that content is 'privileged' is not an acceptable justification for refusing to provide it to the committee.

2.12 It is well recognised that Parliamentary committees play a number of key roles in Australia's democratic system. Among these is the responsibility to 'probe and check the administration of the laws, to keep [the Senate] and the public informed, and to insist on ministerial accountability for the government's administration'.[8]

2.13 Clearly, committees cannot effectively perform these roles without sufficient and appropriate access to the information required to address the terms of their inquiries.

2.14 The committee reminds Australia Post that information withheld from the Senate must be based on a properly substantiated claim of public interest immunity. Such a claim must state the recognised grounds on which it is being made and must specify the harm that may result from the disclosure of the information. The committee may then determine whether the claim is warranted. It is not the role of a witness to determine whether evidence is privileged.[9] Regrettably, Australia Post has been reminded of the Senate's well

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6 The committee has elected to publish these minutes, see Australia Post, responses to questions taken on notice from 3 May 2021, [pp. 5–21], www.aph.gov.au/DocumentStore.ashx?id=844906ba-fe38-4de4-99a8-a370cee6660d.

7 Mr Nick Macdonald, General Counsel and Corporate Secretary, Australia Post, in correspondence with the committee: Supplementary to Australia Post Answers to Questions taken on Notice at the public hearing on 3 May 2021, (received 18 May 2021), www.aph.gov.au/DocumentStore.ashx?id=844906ba-fe38-4de4-99a8-a370cee6660d.

8 Harry Evans and Rosemary Laing, eds, *Odgers' Australian Senate Practice*, 14th edition, Department of the Senate, 2016, pp. 28–29, www.aph.gov.au/About_Parliament/Senate/Powers_practice_n_procedures/Odgers_Australian_Senate_Practice.

9 The Senate, *Standing orders and other orders of the Senate*, January 2020, Procedural Order 10.

established public interest immunity processes as recently as August 2020 by the Senate Environment and Communications Legislation Committee.[10]

2.15 The committee also reminds Australia Post of its important accountability obligations. In this regard the committee endorses comments from the recent report of the Senate Legislation Committee, which raised similar significant concerns:

> …officials representing publicly-owned entities [such as Australia Post] have particular…responsibilities to engage in a way that is honest and transparent, upholding various legislated rules and codes of conduct under which they are employed.
>
> While statutory authorities and GBEs like Australia Post are not 'subject to direction or control by the executive government' in relation to their operational decisions and day-to-day operations, the Senate has resolved on multiple occasions that such entities 'are accountable to the Senate for their expenditure of public funds and have no discretion to withhold from the Senate information concerning their activities'. However, the Senate has also recognised that there may be instances where it is not in the public interest for certain information to be disclosed. Senate procedural orders provide a process to be followed by public sector witnesses for making public interest immunity claims.[11]

2.16 It is highly regrettable that for the second time in less than 12 months a parliamentary committee has been compelled to remind Australia Post of these important obligations.

Allegations of interference with submitters and witnesses

2.17 The Senate and Senate Committees take any obstruction or interference with its processes extremely seriously. These matters may be treated by the Senate as a contempt.[12]

2.18 The committee received several verbal reports of potential submitters or witnesses being actively discouraged from participating in the inquiry. Allegations were also made that Australia Post had attempted to 'vet' submissions before they reached the committee.

2.19 To avoid the possible continuation or escalation of these alleged interferences, the committee pre-emptively wrote to the Acting CEO of Australia Post, Mr Rodney Boys, advising Australia Post of these concerns to ensure the organisation was fully aware of the protections afforded to witnesses to Senate inquiries. The letter cautioned Australia Post that taking action against a

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[10] See for example Senate Environment and Communications (E&C) Legislation Committee, *The future of Australia Post's service delivery*, August 2020, pp. 3–5.

[11] E&C Legislation Committee, *The future of Australia Post's service delivery*, August 2020, pp. 2–3.

[12] The Senate, *Standing orders and other orders of the Senate*, Privilege Resolution 6.

submitter or witness to a parliamentary inquiry may constitute a contempt of Parliament.[13]

2.20 In a written response, Mr Boys stated that Australia Post had communicated with its 'people leaders' in relation to the inquiry, including to 'reference the key themes referred to in [the committee's] letter'.[14]

2.21 The committee notes that it received no written allegations of interference with witnesses.

Allegations of false or misleading evidence

2.22 The term 'parliamentary privilege' refers to the privileges or immunities of the Houses of Parliament and the powers of the Houses to protect the integrity of their processes, including the power to punish contempts. These powers, privileges, and immunities are essential in enabling the Parliament and its committees to carry out their functions of inquiring, debating, and legislating. The committee therefore takes very seriously any allegation of false or misleading evidence and its potential to harm or undermine the work of the committee and the Senate.

2.23 In light of this, four key allegations of providing false and misleading evidence to the Senate have been made against the Chair of Australia Post, Mr Di Bartolomeo, in relation to this inquiry.

(a) The first example relates to the standing aside of Ms Holgate from her position at Australia Post. Mr Di Bartolomeo gave apparently inconsistent evidence to the Legislation Committee about whether Ms Holgate was 'stood aside' or 'agreed to stand aside'. Evidence to this committee from Mr Di Bartolomeo and Ms Holgate also differed as to the facts of the matter, as detailed in Chapter 6.

(b) The second example relates to the extent of Mr Di Bartolomeo's knowledge of the BCG review into Australia Post commissioned by the Shareholder Ministers. During a Senate Estimates hearing on 9 November 2020, Mr Di Bartolomeo responded to a question about the content of the review, claiming, 'we haven't seen the report… [it] remains with the shareholders'.[15]

(c) The third example relates to whether Mr Di Bartolomeo gave false or misleading evidence to the Senate regarding discussions on privatising Australia Post's parcel business. In evidence given to the Legislation Committee on 23 March 2021, Mr Di Bartolomeo claimed, 'there has been no discussion, no plans and no undertakings to privatise any aspects of

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[13] Letter from Committee to Australia Post re: treatment of potential witnesses and submitters, 6 April 2021, www.aph.gov.au/DocumentStore.ashx?id=c14a6769-07e0-438d-9dad-99a81367263f.

[14] Letter from Australia Post re: treatment of potential witnesses and submitters, 26 April 2021, www.aph.gov.au/DocumentStore.ashx?id=95f966fc-7ade-4569-a259-3955def5d4dd.

[15] Mr Di Bartolomeo, *E&C Legislation Committee Hansard*, 9 November 2020, p. 52.

Australia Post's business.'[16] Mr Di Bartolomeo similarly stated to this committee:

> There is no secret privatisation agenda. Privatisation has consistently been ruled out by government, and I can confirm to the committee that it has never been discussed by the board.[17]

(d) The fourth example relates to whether Mr Di Bartolomeo gave false or misleading evidence to the Senate regarding the existence of recommendations in the BCG report. On 13 April Mr Di Bartolomeo told the committee:

> There were no recommendations in that report, and if that was the report that was sent to the government then it doesn't have any recommendations on what should take place.[18]

This position was restated to the Committee on Tuesday, 27 April 2021.[19]

2.24 On the knowledge of the BCG review, Australia Post subsequently clarified Mr Di Bartolomeo's position in writing, informing the committee that:

> *An Australia Post witness* advised the Committee that Australia Post had not seen the report arising from that review. To clarify, *Australia Post did not see a final report but was provided with a draft report during the later stages of the review*.[20]

2.25 However, evidence subsequently put before both this committee and the Legislation Committee indicates that Mr Di Bartolomeo was significantly engaged with the BCG review on multiple occasions, including:

- chairing a lengthy Board meeting the evening before the BCG report was handed to the government. This Board meeting considered the findings of the BCG review, including receiving a detailed presentation from BCG of the

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16 Mr Di Bartolomeo, *E&C Legislation Committee Hansard*, 23 March 2021, p. 59.

17 Mr Di Bartolomeo, *Committee Hansard*, 3 May 2021, p. 28.

18 Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 36.

19 A clarification of evidence was received from Australia Post on 24 May 2021 regarding its evidence of 27 April 2021 and 3 May 2021, which was too late to be properly considered by the committee for inclusion in this report. Available at: Australia Post, Clarification of evidence given at public hearings, 27 April and 3 May 2021 (received 24 May 2021), www.aph.gov.au/DocumentStore.ashx?id=2bc52365-2f23-406a-a31b-2ccbed9a52b7 (accessed 25 May 2021).

20 Australia Post, Letter from Nick Macdonald, General Counsel and Corporate Secretary, Australia Post, correcting evidence provided to the committee on 22 October and 9 November 2020, 21 December 2020 (emphasis added), www.aph.gov.au/-/media/Estimates/ec/bud2021/addinfo/Australia_Post_Corrections_Letter__Chair__Budget_Estimates_202021_Clarifications__21_December_2020Re.pdf?la=en&hash=A6FACAF3FB07D8841BE535629B22FBAD2C930C17 (accessed 25 May 2021).

review's findings and 'pathways to reform' (discussed further in Chapter 9);[21] and

- receiving a 'final draft' of the report on the day it was handed to Shareholder Ministers.[22]

2.26 With regard to the discussions on privatising Australia Post's parcel business, evidence was subsequently published by the committee showing that on 20 February 2020, BCG presented to the Board of Australia Post a series of potential 'pathways for reform'. One such pathway consisted of 'exploring the potential for a divestiture of Parcels'.[23] Mr Di Bartolomeo confirmed the content and timing of the BCG presentation to the Board, but reiterated that the Board had neither considered nor discussed the recommendations.[24]

2.27 On the existence of recommendations in the BCG report, Mr Di Bartolomeo's evidence conflicts with that given by BCG and with BCG's report (tabled by Ms Holgate on 12 April 2021), which states clear and specific recommendations on page 10.[25]

2.28 When asked to take on notice and clarify the evidence given by Mr Di Bartolomeo and the BCG report provided to the committee, Australia Post responded with:

> Australia Post reiterates the position that has been repeated on a number of occasions during inquiry proceedings – the Australia Post Board has at no time discussed privatisation.
>
> Australia Post acknowledges that, during a presentation from BCG on 20 February 2020, at which Shareholder Department representatives were also present, BCG presented to the Board a summary of the considerations and findings of its review. That presentation involved BCG informing the Board of its work but did not involve a Board discussion relating to

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[21] Ms Stacie Hall, First Assistance Secretary, Commercial Investments Division, Department of Finance, *Committee Hansard*, 27 April 2021, p. 65; and Ms Christine Holgate, BCG Presentation to Australia Post Board of Directors, 20 February 2020, p. 5, www.aph.gov.au/DocumentStore.ashx?id=6c2efeb7-3f89-4c4a-8c0f-4271c49531f3 (accessed 25 May 2021).

[22] Ms Hall, *Committee Hansard*, 27 April 2021, p. 66; and confirmed by Australia Post, Clarification of evidence given at public hearings on 27 April 2021 and 3 May 2021, (received 24 May 2021), www.aph.gov.au/DocumentStore.ashx?id=2bc52365-2f23-406a-a31b-2ccbed9a52b7 (accessed 25 May 2021).

[23] Ms Holgate, BCG Presentation to Australia Post Board of Directors, 20 February 2020, pp. 15, 20 and 22.

[24] Mr Di Bartolomeo, *Committee Hansard*, 3 May 2020, p. 46.

[25] Ms Holgate, BCG Presentation to Australia Post Board of Directors, 20 February 2020, p. 10.

> privatisation—either in full or partial—and the Board has not had any such discussion since.[26]

Committee view

2.29 The committee notes with concern the apparent inconsistencies and discrepancies with the evidence provided by the Chair of Australia Post, Mr Di Bartolomeo. The committee has decided to examine these matters thoroughly and will decide when and how to report its findings on this issue to the Senate after detailed examination and deliberation.

2.30 In the committee's view, such inconsistencies and discrepancies raise serious questions about the veracity of evidence provided by Mr Di Bartolomeo and about his ability to defend the independence of the Australia Post Board as outlined in *Australia Postal Corporation Act 1989* (the APC Act). The content and recommendations of the BCG report are discussed further in Chapter 9. This view also leads the committee to Recommendation 13 on Mr Bartolomeo's unsuitability to hold the position of chair, as further outlined in Chapter 8.

2.31 The committee further notes with respect to the provision of partial, inadequate and redacted information, that committees have drawn similar issues to the attention of Australia Post on previous occasions.[27] Related to this, the committee is concerned at what appears to be a recurring pattern in which the directors and senior executives of Australia Post repeatedly demonstrate inadequate transparency in their dealings with the Senate and its committees.

2.32 The committee notes that the Legislation Committee recommended in August 2020 in its report on *The future of Australia Post's service delivery*, in line with Procedural Resolution 53,[28] that:

> All Australian Government entities including Australia Post, provide regular training and support to senior staff and officials to ensure they can meet their responsibilities to the Senate and its committees through understanding Senate procedures, including the:
>
> - principles governing the operation of Parliament, and the accountability of departments, agencies and authorities to the Houses of Parliament and their committees;
> - proper processes for raising claims of public interest immunity including:

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[26] Australia Post, Answers to questions taken on notice, 3 May 2021 (received 13 May 2021), p. 3, www.aph.gov.au/DocumentStore.ashx?id=844906ba-fe38-4de4-99a8-a370cee6660d (accessed 25 May 2021).

[27] See for example E&C Legislation Committee, *The future of Australia Post's service delivery*, August 2020, pp. 3–4, parlinfo.aph.gov.au/parlInfo/download/committees/reportsen/024512/toc_pdf/ThefutureofAustraliaPost%e2%80%99sservicedelivery.pdf;fileType=application%2Fpdf. (accessed 25 May 2021).

[28] The Senate, *Standing orders and other orders of the Senate*, Procedural Resolution 53.

- acceptable and unacceptable grounds for making a claim of public interest immunity; and
- the requirement to specify the *actual harm* that may result from the disclosure of information.[29]

2.33 The committee understands that Australia Post employees subsequently undertook training on parliamentary accountability and privilege, but regrets that this does not seem to have been sufficient to address the issues raised above. It is the committee's view that renewed efforts are needed to address these failings and that such training should be coordinated and conducted in partnership with the Senate to ensure its effectiveness.

2.34 The committee also notes the importance of Australia Post taking a more open and transparent approach to Senate inquiries in the future. The committee reminds Australia Post of its obligation to be open and accountable to Parliament, including its committees, consistent with Procedural Resolution 50.[30] It is the committee's view that throughout this inquiry, Australia Post has not adequately fulfilled its accountability obligations to the Senate or to this committee.

2.35 Noting the repetition of issues related to Australia Post's engagement with the Senate, the committee observes that the Legislation Committee may in the future consider inquiring into and reporting on the performance of Australia Post under Standing Order 25.[31]

Recommendation 1

2.36 As previously recommended by the Senate Environment and Communications Legislation Committee, the committee recommends that Australia Post provide regular training and support to senior staff and Board members to ensure they can better meet their responsibilities to the Senate and its committees through understanding Senate procedures.

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[29] E&C Legislation Committee, *The Future of Australia Post's service delivery*, August 2020, p. 5.

[30] The Senate, *Standing orders and other orders of the Senate*, Procedural Resolution 50.

[31] The Senate, *Standing orders and other orders of the Senate*, Standing Order 25(a)(v).

Chapter 3
Background to the inquiry

3.1 Australia Post has been a Government Business Enterprise (GBE) since 1989, under the *Australian Postal Corporation Act 1989* (the APC Act). The Department of Infrastructure, Transport, Regional Development and Communications (Department of Communications), stated that:

> Australia Post is wholly owned by the Australian Government represented by two Shareholder Ministers, the Minister for Finance and the Minister for Communications, Urban Infrastructure, Cities and the Arts.[1]

3.2 The Department of Communications administers the APC Act, and in this capacity provides advice to the Minister for Communications on:

- Australia Post's performance against its regulatory obligations;
- broader postal policy issues; and
- general postal legislative and regulatory policy matters.[2]

3.3 As a GBE, Australia Post is subject to the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), for which the Department of Communications provides administrative support and oversight.[3]

3.4 The Department of Communications also submitted that it provides advice to the Minister, in consultation with the Department for Finance, to support the Ministers' roles in exercising strategic control of Australia Post, including on:

- matters pertaining to the governance of Australia Post, including its reporting and accountability arrangements, and its regulatory obligations; and
- the performance, financial returns and strategic direction of the business.[4]

3.5 Australia Post is overseen by a Board, appointed 'by the Governor-General on the nomination of Shareholder Ministers'. The Board Charter provides that it must comprise a Chair, Deputy Chair, the Managing Director, and 'not more than six other directors'. Moreover, the Charter states:

> The Board will regularly monitor the ongoing independence of each director and the Board generally, to ensure that they continue to exercise unfettered and independent judgement. Specifically:

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1 Department of Finance, 'Australia Post', www.finance.gov.au/government/government-business-enterprises/australia-post (accessed 25 May 2021).

2 Department of Infrastructure, Transport, Regional Development and Communications (Department of Communications), *Submission 16*, p. 1.

3 Department of Communications, *Submission 16*, p. 1.

4 Department of Communications, *Submission 16*, p. 1.

- the Board will ensure that a director does not have any interest that derogates from carrying out the role intended with diligence and care; and
- the Board will establish and maintain a formal register of directors' interests to ensure potential conflicts can be identified and managed.[5]

3.6 The Board is the accountable authority for Australia Post. As the report of Maddocks investigation into the proper use of public resources by Australia Post clearly stated:

> [Australia Post's] day-to-day operations are the responsibility of the Board and management. Under the PGPA Act, the Board is the accountable authority.[6]

3.7 Under the PGPA Act, the accountable authority is responsible for governing in a way that promotes the proper use and management of public resources, and promoting both the purposes of the entity as well as its financial sustainability.[7]

Board membership and executive management

3.8 This section briefly sets out relevant changes in board membership and in the Group Chief Executive Officer and Managing Director (CEO) role.

3.9 Regarding board membership and positions, current board members at the time of writing and their dates of appointment are:

- Mr Lucio Di Bartolomeo (Chair) from November 2019;
- Ms Andrea Staines OAM (Deputy Chair) from June 2020;
- Mr Mario D'Orazio (Non-Executive Director) from March 2019;
- Mr Bruce McIver AM (Non-Executive Director) from December 2015;
- Mr Tony Nutt AO (Non-Executive Director) from March 2018;
- The Hon Michael Ronaldson (Non-Executive Director) from May 2016;
- Ms Jan West AM (Non-Executive Director) from May 2016; and
- Ms Deidre Willmott (Non-Executive Director) from June 2017.[8]

3.10 The previous Chair of Australia Post was Mr John Stanhope AO, from 2012 to November 2019.[9]

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[5] Australia Post, 'Board Charter', pp. 1–2, auspost.com.au/content/dam/auspost_corp/media/documents/board-charter.pdf (accessed 25 May 2021).

[6] Maddocks, *Australia Post Investigation into the proper use of public resources at Australia Post*, [p. 2]. Available as Attachment A to Department of Finance, *Submission 2*. Published by Department of Finance on 22 January 2021, www.communications.gov.au/documents/investigation-proper-use-public-resources-australia-post (accessed 25 May 2021).

[7] *Public Governance, Performance, and Accountability Act 2013*, s. 15.

[8] Australia Post, 'Board of Directors', auspost.com.au/about-us/corporate-information/board-of-directors (accessed 25 May 2021).

[9] The Hon Paul Fletcher MP, Minister for Communications, Cyber Safety and the Arts (Minister for Communications) and Senator the Hon Mathias Cormann, Minister for Finance, 'Chair of the Board

3.11 Regarding changes in the executive leadership of Australia Post, Ms Christine Holgate was the CEO from October 2017 to 2 November 2020.[10] Since her departure from Australia Post, Mr Rodney Boys has been the Acting CEO. Mr Boys' permanent position is Australia Post's Group Chief Financial Officer (CFO), which he commenced in May 2019.[11]

3.12 On 12 April 2021, Mr Paul Graham was named as the incoming CEO of Australia Post, who will take up his role in September 2021. At the time of writing, Mr Graham is the Chief Supply Chain Officer at Woolworths Group.[12]

3.13 Some evidence considered during this inquiry refers to Ms Holgate's predecessor, Mr Ahmed Fahour, who served as CEO from 2009 to 2017.[13]

Australia Post's community service obligations and performance standards

3.14 Under the APC Act, Australia Post must adhere to a set of community service obligations (CSOs). These are to ensure that Australia Post provides a reliable and accessible letters service for all Australians. Some key CSOs include:

- Subsection 27(3): Australia Post shall make the letter service available at a single uniform rate of postage for the carriage within Australia;
- Subsection 27(4a): Australia Post shall ensure, that in view of the social importance of the letter service, the service is reasonably accessible to all people in Australia on an equitable basis, wherever they reside or carry on business; and
- Subsection 27(4b): Australia Post shall ensure that the performance standards (including delivery times) for the letter service reasonably meet the social, industrial and commercial needs of the Australian community.

3.15 Australia Post's CSOs are underpinned by performance standards set out in the Australian Postal Corporation (Performance Standards) Regulations 2019 (the regulations). The performance standards include standards relating to the 'frequency, accuracy and speed of delivery, and standards relating to

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of Australia Post', *Joint Media Release*, 1 July 2019, minister.infrastructure.gov.au/fletcher/media-release/chair-board-australia-post (accessed 25 May 2021).

[10] Australian Broadcasting Corporation (ABC), 'Australia Post names Christine Holgate as new CEO, replacing Ahmed Fahour', *ABC Online*, 27 June 2017, www.abc.net.au/news/2017-06-27/christine-holgate-new-australia-post-boss/8654762 (accessed 25 May 2021).

[11] Australia Post, 'Our Executive Team', auspost.com.au/about-us/corporate-information/executive-team (accessed 25 May 2021).

[12] Australia Post, 'Paul Graham named as new Australia Post Group CEO and MD', *Media Release*, 12 April 2021, newsroom.auspost.com.au/article/paul-graham-named-as-new-australia-post-group-ceo-and-md (accessed 25 May 2021).

[13] Patrick Durkin, 'How Ahmed Fahour delivered Australia Post back into the black', *Financial Review*, www.afr.com/companies/retail/how-ahmed-fahour-delivered-australia-post-back-into-the-black-20170828-gy5rzz (accessed 25 May 2021).

accessibility of services via retail outlets (i.e. Post Offices), and via street posting boxes and other mail lodgement points', including standards for non-metropolitan areas in regional, rural and remote communities.[14]

3.16 Regarding frequency of delivery, the regulations in force prior to the commencement of temporary regulations on 16 May 2020 stipulated that:

> Australia Post must service:
>
> (a) daily (except on a Saturday, a Sunday or a public holiday in the place where the delivery point is located)—98% of all delivery points; and
> (b) at least 2 days each week—99.7% of all delivery points.[15]

3.17 Regarding accuracy, the performance standards require Australia Post to deliver at least 94 per cent of all reserved services letters to the correct address location, and within the delivery time outlined in the following table:

[14] Australia Post, *Annual Report 2020*, p. 86.

[15] *Australian* Postal Corporation (Performance Standards) Regulations 2019, Part 2, paragraph 7.1. Note: the relevant regulations provide that 'a delivery point is a mail address that, taking account of accessibility, delivery cost and general volume of mail for the address, it is practicable and reasonable to service frequently'. Examples of delivery points provided are: Street and roadside letter delivery boxes, post office private boxes and locked bags, private and community bags. 'Service' means that Australia Post must 'be available to visit the delivery point and, if there is a postal article addressed to the delivery point, deliver the article' (Part 2, 5(2) and (3)).

Figure 3.1 Delivery times for reserved services (prior to the introduction of the temporary regulations)

Address of letter	Delivery time
Letters for delivery intraState:	
(a) within metropolitan area of capital city of lodgment	Next business day after day of posting
(b) within any other city or town of lodgment, or within adjacent town	Next business day after day of posting
(c) outside city or town of lodgment and adjacent towns	2 business days after day of posting
Letters for delivery interState:	
(a) within capital city metro-politan area if lodged in capital city metropolitan area of another State	2 business days after day of posting
(b) within capital city metro-politan area if lodged outside capital city metropolitan area of another State	3 business days after day of posting
(c) outside capital city metro-politan area if lodged in capital city metropolitan area of another State	3 business days after day of posting
(d) outside capital city metro-politan area if lodged outside capital city metropolitan area of another State	4 business days after day of posting

Source: Australian Postal Corporation (Performance Standards) Regulations 2019, Part 2, paragraph 8.6 (superseded version)

3.18 Part 3 of the regulations prescribes performance standards relating to access and availability of services. This includes the lodgment points that Australia Post must maintain for articles other than bulk mail:

> Australia Post must maintain the following mail lodgement points in Australia for the lodgment of postal articles other than bulk mail:
>
> (c) lodgment facilities at each of its retail outlets; and
> (d) at least 10,000 street posting boxes.
>
> 2) A lodgment facility at a retail outlet may be a street posting box.[16]

3.19 Part 3 also sets the minimum retail standards that Australia Post must maintain, including in non-metropolitan locations:

> Australia Post must maintain, in Australia, at least 4,000 offices (retail outlets) at which persons can purchase Australia Post products and services.

[16] Australian Postal Corporation (Performance Standards) Regulations 2019, Part 3, paragraph 10.

> In places that are in a rural or remote zone (within the meaning of the areas classification) there must be, at any time:
>
> (e) at least 50% of all retail outlets in operation; and
> (f) no fewer than 2,500 retail outlets.
>
> A retail outlet must be located so that:
>
> (a) at least 90% of residences in a metropolitan area (within the meaning of the areas classification) are located within 2.5 kilometres of a retail outlet; and
> (b) at least 85% of residences in the area comprising the non-metropolitan zones (within the meaning of the areas classification) are located within 7.5 kilometres of a retail outlet.[17]

3.20 Performance against the performance standards are subject to assessment by the Australian National Audit Office (ANAO).[18]

Recent temporary regulatory changes

3.21 In response to the COVID-19 pandemic, Australia Post sought regulatory relief from the Australian Government (government) in March 2020. Following this, on 21 April 2020, the government announced the Australian Postal Corporation (Performance Standards) Amendment Regulations 2020 (the temporary regulations), which would:

> …temporarily adjust Australia Post's Performance Standards to reflect the operating constraints and limitations that have resulted from COVID-19. These adjustments provide Australia Post with flexibility to meet increased demand for online ordering and delivery as people practise social distancing.[19]

3.22 These temporary regulations were introduced to commence on 16 May 2020 to last until 30 June 2021.[20]

3.23 Australia Post's *Annual Report 2020* describes the rationale behind the request for temporary regulatory 'relief', and the nature of changes to Australia Post's activities and services:

> As we continued to manage significant disruption under COVID-19 restrictions, we sought temporary regulatory relief from the Australian Government to help manage the unprecedented parcel volumes.

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[17] Australian Postal Corporation (Performance Standards) Regulations 2019, Part 3, paragraph 11.

[18] For instance, see the audit table of performance standards in Australia Post, *Annual Report 2020*, p. 139.

[19] The Hon Paul Fletcher MP, Minister for Communications and Senator the Hon Mathias Cormann, Minister for Finance, 'Supporting Australia Post through COVID-19', *Joint Media Release*, 21 April 2020, minister.infrastructure.gov.au/fletcher/media-release/supporting-australia-post-throughout-covid-19 (accessed 25 May 2021).

[20] See the full Australian Postal Corporation (Performance Standards) Amendment Regulations 2020 at www.legislation.gov.au/Details/F2020L00579 (accessed 25 May 2021).

> The temporary changes to delivery standards will help Australia Post to continue to service the broader needs of the community as quickly as possible.
>
> It will enable us to retrain 2,000 motorcycle Posties as parcel drivers, to help process and deliver parcels in line with timeframes that our business and consumer customers expect.
>
> The temporary regulatory relief includes suspending the priority mail letters service, extending the required delivery time for regular intrastate letters to five days after the day of posting, and allows us to deliver letters in metropolitan areas every second day, freeing up resources to help meet the massive demand for parcels. There have been no changes to letter delivery frequency in rural and remote locations, and also for collection from PO boxes and over the counter at Post Offices in all locations.[21]

Scrutiny by Senate Delegated Legislation Committee

3.24 In mid-2020 the Senate Standing Committee for the Scrutiny of Delegated Legislation (the Delegated Legislation Committee) scrutinised the temporary regulations, including seeking clarification on several matters from the Minister for Communications, the Hon Paul Fletcher MP.

3.25 This included seeking information on whether consultation had been adequate in developing the regulations, particularly if the views of stakeholders had been sought. The correspondence between the Delegated Legislation Committee and the Minister is summarised in Appendix 3.

Disallowance motions

3.26 Following their introduction, the temporary regulations were inquired into by the Legislation Committee, as part of its inquiry into the *Future of Australia Post's service delivery*.[22] The regulations were also subject to an unsuccessful disallowance motion in the House of Representatives on 10 November 2020.[23]

Proposed changes to Australia Post's carriage of perishable food products

3.27 In April 2021, Australia Post released a statement that signalled its intention to stop delivering perishable goods from July 2021, including meats, seafood, eggs, frozen meals and other products:

> Due to the complex food safety and regulatory requirements differing across states and territories, Australia Post will discontinue the carriage of certain foods destined for consumption across the delivery network from 30 June…

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[21] Australia Post, *Annual Report 2020*, p. 16.

[22] See later in this chapter for an overview of the Legislation Committee's inquiry and report.

[23] *House of Representatives Official Hansard*, 10 November 2020, p. 9316. The disallowance motion in the Senate was withdrawn on 25 August 2020, *Journals of the Senate*, No. 60—25 August 2020, p. 2101.

> We understand the impact of this decision on many producers, and we are currently working with our customers and industry regulators to determine a path forward.
>
> This includes meeting with food safety regulators and health authorities to discuss the regulations imposed on Australia Post.
>
> The carriage of perishable food requirements differ by state and include complex requirements on vehicle type, site and vehicle registration, licence maintenance, staff training and audit requirements.[24]

3.28 Following this announcement, a number of stakeholders from diverse sectors noted the devastating effects this would have on agricultural producers, small businesses and retailers across Australia.[25] This led to Australia Post reversing the decision on 22 April 2021, which is discussed later in this report.[26]

Background to the inquiry

3.29 This section of the report provides an overview of several relevant matters to the terms of reference for this inquiry, including:

- Australia Post's Bank@Post service;
- recent reviews and reports into Australia Post, including those undertaken by management consultancy companies, as well as Senate committees; and
- the current regulatory changes to Australia Post's charter, which were introduced in response to the COVID-19 pandemic.

Bank@Post

3.30 Bank@Post is an Australia Post service that provides access to the banking services of over 80 banks and financial institutions at over 3500 Post Offices across Australia.[27]

3.31 Australia Post significantly renegotiated their Bank@Post service in 2018. This is relevant to this inquiry, as the watches given to senior Australia Post executives in October 2018 were to recognise their work on the 'refresh' renegotiations for the Bank@Post arrangements with banks and financial institutions.

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[24] Australia Post statement released to NCA Newswire, reported in Evin Priest, 'Australia Post to stop delivering perishable foods from June 30', *The Australian*, 20 April 2021, www.theaustralian.com.au/breaking-news/small-business-owners-demand-clarity-after-australia-post-reveals-ban-on-perishable-foods/news-story/601e1540f6131f1e6a17b07ac18e2c1b (accessed 25 May 2021).

[25] For instance, see Eden Hynninen, 'Producers "devastated" as Australia Post decides to stop delivering perishable food', *ABC Online*, 20 April 2021, www.abc.net.au/news/2021-04-20/producers-devastated-by-australia-post-decision/100082016 (accessed 25 May 2021).

[26] See Chapter 10. Australia Post, 'Sending perishable food products', https://auspost.com.au/service-updates/current-updates/sending-perishable-food-products (accessed 25 May 2021).

[27] Australia Post, 'Bank@Post', https://auspost.com.au/money-insurance/banking-and-payments/bank-at-post (accessed 25 May 2021).

3.32 The Bank@Post service provides individual and business account holders of participating banks a capacity to manage withdrawals and deposits, and make balance inquiries at Australia Post outlets.[28] This includes offering banking facilities at more than 1800 Post Offices and licenced post offices in rural and regional areas, where banks and financial institutions have often closed down local branches.[29]

3.33 Australia Post's *Annual Report 2019* noted the Bank@Post 'refresh' deal as a 'landmark' and 'historic', and a highlight of the organisation's performance that financial year:

> We signed the historic Bank@Post community agreements this year [2018], first with Commonwealth Bank, NAB and Westpac and then others to cover a total of 74 financial institutions.
>
> The Community Representation Fee paid by these institutions will enable their customers to continue to conduct banking transactions in 3,500 Post Offices across Australia using the Bank@Post service.[30]

3.34 The report noted that the Community Representation Fee (CRF) paid by participating banks 'offset in part' Australia Post's 'continuing losses in the letters business'.[31] Moreover, the report also noted that it had contributed to the Australia Post key performance indicator (KPI) to 'Rejuvenate role of Post Office Network', particularly by enabling 'critical IT investment to support new and additional services', and:

> ….completing the reset of our payments to Licensed Post Offices; the first significant transition in over 20 years, and largely enabled by our refreshed Bank@Post agreements. The reset has resulted in a sustainable payments model that reflects fair returns for a contemporary range of post office services…[32]

3.35 Additionally, the report noted that the Bank@Post experience had proven 'immense value of the vital services that we deliver to rural and regional areas', and given the organisation areas to develop going forward, including providing telecommunications services for some rural and regional communities where residents could not 'currently purchase a mobile phone locally'.[33]

3.36 Australia Post has clarified that the accumulated revenue from Bank@Post agreements negotiated in 2018 has been approximately $216 million, which

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[28] Australia Post, 'Bank@Post'.

[29] Australia Post, 'Bank@Post'.

[30] Australia Post, *Annual Report 2019*, p. 15. See also p. 1 and p. 12.

[31] For instance, see Australia Post, *Annual Report 2019*, p. 15 and p. 72.

[32] Australia Post, *Annual Report 2019*, p. 72 and p. 87.

[33] Australia Post, *Annual Report 2019*, p. 37.

'enabled Australia Post to increase payments to Licensed Post Offices and further invest in [the] Post Office network'.[34]

3.37 The Bank@Post initiative went some way to addressing already-raised concerns about Australia Post, including the role of post offices in regional and remote communities, the loss of income from declining letter traffic, and potential improvements to agreements with LPOs.[35]

Reviews and inquiries into Australia Post

3.38 In the last decade there have been several reviews and inquiries that have considered the challenges facing Australia Post and its future role. This section outlines some with particular relevance to this inquiry:

- KordaMentha: work commissioned by Australia Post into finding cost savings in Australia Post's corporate centre, and other work across 2018 and 19;
- BCG: *Assessment of AusPost's financial sustainability* (2020), commissioned by Shareholder Ministers (BCG Review);
- Deloitte: *Economic Assessment of Australia Post's activities during COVID-19* (2020), commissioned by Australia Post; and
- a review being undertaken by McKinsey at the time of writing, which was commissioned by Australia Post.

3.39 A number of other reviews into Australia Post that have been undertaken since 2014 are discussed in Appendix 3.[36]

3.40 This section also considers the Senate inquiry into Australia Post undertaken by the Legislation Committee, *Future of Australia Post's service delivery* (Service Delivery Report 2020).

KordaMentha: cost savings in corporate centre and other work

3.41 Answers to questions on notice from Australia Post regarding KordaMentha's engagement were received on 21 May 2021, which was too late to be properly considered by the committee for inclusion in this report.

3.42 The committee has published the relevant question on notice on its website, which includes confirmation that KordaMentha received $965 000 before GST in 2019 to 'assist transformation of the cost base and identification and

[34] Australia Post, *Submission 3*, p. 15.

[35] See, for example, many of the concerns raised in reviews and inquiries into Australia Post, as outlined later in this chapter.

[36] See Appendix 3. Note: In 2020, Deloitte also undertook a study for Australia Post into the *Economic and social value of Australia Post in regional, rural and remote communities* (2020), discussed further at Chapter 10 of this report.

implementation of sustainable savings focused on the corporate centre', as well as five smaller contracts between $31 000 and $87 000 in 2018 and 2019.[37]

Deloitte Access Economics: *Economic Assessment of Australia Post's activities during COVID-19* (2020)

3.43 Australia Post commissioned Deloitte to undertake a review of Australia Post's activities during COVID-19, which was handed to Shareholder Departments on 8 July 2020, and released publicly.[38] Deloitte stated that this report was to:

> ...provide Australia Post with high level analysis of the value to the economy of changes in its activities to assist businesses during the COVID-19 crisis. This analysis is based on Australia Post and industry data available in late June [2020] and focuses on the benefit from increased parcel delivery activity. It is not a full assessment of the impacts of changes to performance delivery standards granted to Australia Post until June 2021.[39]

3.44 The key findings of the analysis were that:

> Australia Post's delivery activities facilitated an additional $2.4 billion in e-commerce during the COVID-19 crisis to date, including $560 million for regional and remote areas across Australia—helping businesses trade at a time two-thirds of all businesses reported revenue declines[;]
>
> some 23,000 extra small business customers used the MyPost delivery service during COVID-19 each month, on average; and existing customers will have sold higher volumes, on average, either directly or through other distributors or retailers[;]
>
> Australia Post helped facilitate an extra 26 million transactions that may not have occurred through in-store visits because of lockdowns–helping businesses, helping customers[; and]
>
> Australia Post's total economic contribution to GDP over the three months to May 2020 was $1.8 billion, contributing 58,800 jobs (in full-time equivalent terms), which is 12% higher in real terms than a typical three-month period in 2016-17 when the economic contribution was last calculated.[40]

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[37] Australia Post, Answers to written questions on notice asked by Senator Hanson-Young on 7 May 2021–KordaMentha and secondments (received 21 May 2021).

[38] Environment and Communications Legislation Committee, Department of Finance–Answers to questions taken on notice at public hearing in Canberra, 8 July 2020 (received 21 July 2020), p. 2.

[39] Deloitte, Economics, *Economic Assessment of Australia Post's activities during COVID-19*, July 2020, p. 1, https://auspost.com.au/content/dam/auspost_corp/media/documents/economic-analysis-during-covid-19.pdf (accessed 25 May 2021).

[40] Deloitte, Economics, *Economic Assessment of Australia Post's activities during COVID-19*, p. 1.

Boston Consulting Group: *Assessment of AusPost's financial sustainability* (2020)

3.45 In February 2020, BCG completed its strategic review, *Assessment of AusPost's financial sustainability*, which was commissioned by the Shareholder Ministers, Minister Fletcher and then Minister Cormann.

3.46 In announcing the review in mid-2019, the Shareholder Ministers issued a joint press release that indicated it was being commissioned to coincide with the end of the tenure of Mr John Stanhope AO as Australia Post Chair, whose second term expired on 21 November 2019. The ministers stated that the findings of the BCG review would inform the new chair, Mr Di Bartolomeo, as well as the Board and CEO:

> Australia Post remains one of the few national postal services globally which can earn profits and return dividends to government while fulfilling its customer service obligations.
>
> The Government will announce the appointment of a new Chair shortly.
>
> To inform the incoming Chair and further inform the Board and Chief Executive Officer, in addition to Australia Post's existing Corporate Plan 2023, the Australian Government has appointed management consulting firm BCG to conduct a review of Australia Post's strategy to operate as a sustainable and fit-for-purpose service provider for the longer term. This review will consider broader market conditions such as growth in e-commerce, the regulatory environment, and changes in business and consumer needs. The review is expected to report back to Government in early 2020.[41]

3.47 The final review was handed to government on 21 February 2020, and was not released publicly.[42]

3.48 In mid-2020, the government raised a public interest immunity claim so as to not release the final BCG report to the Senate's Environment and Communications Legislation Committee, which was then inquiring into Australia Post's future service delivery.[43]

3.49 In doing so, former Minister Cormann made a public immunity interest claim on the following grounds, which were accepted by the Legislation Committee:

> Both the 'Review of Australia Post' and the 31 March [2020] letter [from Australia Post to Shareholder Ministers requesting temporary regulatory relief] were used to inform the deliberations of Cabinet. Release of this information would reveal the core material and information considered by the Cabinet in its deliberations that have not been publicly disclosed.

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41 The Hon Paul Fletcher MP, Minister for Communications and Senator the Hon Mathias Cormann, Minister for Finance, 'Chair of the Board of Australia Post', *Joint Media Release*, 1 July 2019.

42 See evidence given by Mr Andrew Jaggers, Deputy Secretary of the Commercial and Government Services, and Ms Stacie Hall, First Assistant Secretary of the Commercial Investments Division, both of the Department of Finance, *Committee Hansard*, 27 April 2021, pp. 65–66.

43 This inquiry is outlined later in this chapter.

> In addition, the documents sought by the Committee also contain detailed, commercially sensitive information relating to Australia Post's operations. The release of this information has the potential to jeopardise Australia Post's commercial operations and to impact its ability to engage in commercial arrangements.[44]

3.50 The cost of the BCG Review was $1.32 million, which was paid for by a special dividend made to the Shareholder Ministers from Australia Post profits.[45] On 31 July 2020, BCG also received an extension to this contract of $589 620, to undertake further work on the effects of COVID-19 on Australia Post, which was paid by the Department of Finance.[46]

Documents available to the committee

3.51 The committee received and published an Executive Summary of the Review to inform its deliberations.[47] On 3 May 2021, the committee received a presentation of the BCG Review that was provided to the Board for an extensive Board Meeting on 20 February 2020, and published a redacted version on its website.[48]

3.52 The committee notes that the Board was given this presentation only one day before the final report was received by the government on 21 February 2020.

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44 'Letter from Senator Mathias Cormann, Minister for Finance to Senator David Fawcett, Chair of the Committee', Environment and Communications Legislation Committee, Department of Finance, Answers to questions taken on notice at public hearing in Canberra, 8 July 2020 (received 21 July 2020), p. 4.

45 Mr Andrew Jaggers, Deputy Secretary of the Commercial and Government Services, Department of Finance, *Committee Hansard*, 27 April 2021, p. 66.

46 Department of Finance, Answers to written questions taken on notice, 27 April 2021 (received 10 May 2021), Question on notice 4, p. 2; and Mr Jaggers, Department of Finance, *Committee Hansard*, 27 April 2021, p. 66.

47 The 'Executive Summary marked 'As at 21 February 2020' can be found in: *The Issues surrounding the secret review of Australia Post by the Boston Consulting Group*, tabled by Ms Christine Holgate, 13 April 2021, at appendix F4 (also called Appendix 4), at www.aph.gov.au/DocumentStore.ashx?id=33e7626b-8909-4f71-9a56-1ad05863677d (accessed 25 May 2021). Note all page numbers of appendices referenced refer to the page number of the specific appendix, not the consolidated document, which is not paginated consistently.

48 Note: the copy of the presentation received by the committee was given to the Australia Post Board on 20 February 2020 and marked as 'Draft' and 'For-Official-Use-Only'. The final report was presented to Shareholder Ministers the following day, 21 February 2020. A redacted version of the presentation is available here: Ms Christine Holgate, *BCG Presentation to Australia Post Board of Directors*, 20 February 2020, www.aph.gov.au/DocumentStore.ashx?id=6c2efeb7-3f89-4c4a-8c0f-4271c49531f3 (accessed 25 May 2021).

Content of the report and proposed reform options

3.53 BCG summarised the Terms of Reference for the Review as follows:

- the sustainability of the cost base
- the Post Office Network and retail footprint
- prioritisation of core business and potential removal of non-core functions/discretionary initiatives
- workforce reforms [and]
- optimising Post's asset base and capital structure[.][49]

3.54 The BCG Review found that Australia Post 'expects to become an increasingly parcels-focused operator by FY23, with growing sidelines in financial and identity services'.[50] It forecast a continuing decline in letter volumes, strong growth in areas—but with competitive challenges in the market, declining footfall in the post office network, and suggested that its 'cost base has grown largely in line with revenue, despite investments in automation and ongoing efficiency programs'.[51] This, BCG posited, had the following outlook:

> Conservative case shows losses starting FY21 with incremental efficiencies, AusPost remains in a somewhat precarious financial position…[52]

3.55 BCG noted that Australia Post forecasts a strong and steady growth in parcel traffic, even if this was an area in which challenges could emerge from slowing eCommerce, competition from other players in the sector, and keeping growth steady while also 'achieving price growth and cost efficiency simultaneously'.[53]

3.56 The BCG Review relied upon an Australia Post forecast of domestic parcel volumes, which suggested a significant growth in parcels from 236 million to 456 million parcels over 2019–2030, an almost doubling in volume.[54]

3.57 In setting out its approach to developing potential reform options, the BCG Review noted:

> Stakeholders have expressed a commitment to AusPost's long-term financial sustainability and delivery of relevant services, and an openness to considering a broad range of paths forward.[55]

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[49] BCG, 'Terms of Reference-Summary' in *BCG Presentation to Australia Post Board of Directors, 20 February 2020*, Introduction p. 4.

[50] *BCG Presentation to Australia Post Board of Directors, 20 February 2020*, p. 3.

[51] *BCG Presentation to Australia Post Board of Directors, 20 February 2020*, pp. 4–7.

[52] *BCG Presentation to Australia Post Board of Directors, 20 February 2020*, p. 8.

[53] *BCG Presentation to Australia Post Board of Directors, 20 February 2020*, p. 5.

[54] *BCG Presentation to Australia Post Board of Directors, 20 February 2020*, p. 5. See also 'Summary' at p. 21.

[55] *BCG Presentation to Australia Post Board of Directors, 20 February 2020*, p. 10.

3.58 In framing possibilities for reform options, the Review noted a number of advantages and constraints from Australia Post's 'structure, history and regulations'. Regarding the latter, BCG noted:

> - Limited flexibility to **change labour mix or cost** in the deliveries business, in part due to regulated delivery frequency and speed requirements (requiring large workforce of postal delivery officers, as delivery options grow and despite mail volumes decline) and relatively restricted [Enterprise Bargaining Agreement] terms.
> - Limited flexibility to **increase prices on regulated mail products**, with changes to Basic Postage Rate requiring ACCC and Government review process.
> - Challenges when attempting to **close underperforming post offices**, attributed to negative public and political response to planned closures. [Emphasis in original][56]

3.59 BCG noted that the then-current Australia Post Corporate Plan efficiency program was forecast to save approximately $920 million across financial years 2020–23.[57] BCG also identified scope for Australia Post to find some 'BCG benchmarked efficiencies' within the current regulatory and operating constraints, including in the following areas:

- Letters: reducing street mail boxes; introducing midday collection and changing start times; accelerating network consolidation; and driving automation and predictive maintenance in processing;
- Parcels: further optimisation of network, delivery routes, and fleet mix and driver workforce mix; and driving automation and predictive maintenance in processing;
- Consumer: range optimisation and pricing differentiation; leveraging in-store partnerships to reduce ownership costs and footprint; explore analytics-driven marketing; and reducing cost of goods sold and sales, general and administrative spend;
- Financial and identity services: standardising transaction, increasing automation and self-service; and reducing error and fraud; and
- Corporate functions: optimising labour size and mix, support function processing, and procurement processes and property portfolio.[58]

3.60 In addition, the BCG Review found a number of reform options, as set out in a table below. These reform options included a proposal for reforming letter delivery by reducing current stipulated delivery frequency, speed, and point of delivery, and lifting prices across 2024–30.[59]

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[56] *BCG Presentation to Australia Post Board of Directors, 20 February 2020*, p. 12.

[57] The committee agreed to publish this figure.

[58] *BCG Presentation to Australia Post Board of Directors, 20 February 2020*, pp. 14–15.

[59] *BCG Presentation to Australia Post Board of Directors, 20 February 2020*, pp. 15 and 20.

3.61 The BCG 'Overview of reform options' also found that Australia Post's current parcel services could be partially or fully privatised, through 'Targeted divestitures' or 'Full or partial divestiture with SLAs' (service-level agreements).[60]

3.62 The BCG review noted that the privatisation or divestiture of parcels would plunge Australia Post into losses, whilst providing a one-off financial benefit for government. At that time, two estimates of the net present value of Australia Post divestiture of parcels were provided, calculated on different premium rates: the 'typical premium (30%)'; and a much higher estimate using 'Toll–Japan Post Premium (48%)'.[61]

3.63 BCG's summary of its recommendations stated that:

> **Improving AusPost's financial sustainability will require additional actions beyond those identified in the current Corporate Plan. This must include additional efficiencies that can be implemented without changes to AusPost's current regulatory and operating environment.** BCG's view is that these actions would have the effect of delaying, rather than avoiding, a loss-making trajectory for AusPost.[62]

3.64 Given this outlook, BCG advised that it would be 'prudent for Government and AusPost to undertake more fundamental, sequenced reforms to AusPost's regulatory environment and operations', including:

- Reducing letters service standards (frequency and/or speed) to drive a sustainable 20-30% reduction in the letters cost base
- Streamlining the metro CPO [Corporate Post Offices which are owned and operated by Australia Post] network by closing at least 106 unprofitable outlets, while maintaining access for metro households to at least one post office within 2.5 km
- Exploring the potential for a divestiture of Parcels, while noting that this would leave a loss-making core business without meaningful reforms to Letters.[63]

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60 *BCG Presentation to Australia Post Board of Directors, 20 February 2020*, p. 15.

61 *BCG Presentation to Australia Post Board of Directors, 20 February 2020*, pp. 15 and 20.

62 [Emphasis in original] *BCG Presentation to Australia Post Board of Directors, 20 February 2020*, p. 22.

63 *BCG Presentation to Australia Post Board of Directors, 20 February 2020*, p. 22. The BCG Review is discussed further in later chapters of this report.

Figure 3.2 BCG Review: Overview of reform options

For-Official-Use-Only

Broader reform | Overview of reform options

Note: Letters delivery reform impacts in this summary cannot be added to yield totals, as revenue detriment from service standard changes is double-counted; adding frequency and speed would understate the combined benefit

3

Key
xx= run-rate annual EBITDA benefit
xx = potential FTE reduced
xx = one-off implementation costs

		Today's Post	Reform Options			
Efficiencies	Corporate Plan efficiencies	Approx. $920M of efficiencies	Approx. $[redacted]M of efficiencies, incl. additional BCG benchmarked efficiencies ($[redacted]M) TBC (~300 - 500 FTE[3]) ($[redacted]M one-off costs)			
Letters	Delivery frequency	5 days per week	3 days per week (suburb only) ($[redacted]M) (up to ~3,029 FTE) ($[redacted]M one-off costs)	3 days per week ($[redacted]M) (up to ~5,066 FTE) ($[redacted]M one-off costs)	Alternate weekdays ($[redacted]M) (up to ~5,066 FTE) ($[redacted]M one-off costs)	2 days per week ($[redacted]M) (up to ~5,066 FTE) ($[redacted]M one-off costs)
	Delivery speed	D+3, Priority Mail offered	Remove Priority Mail ($[redacted]M)	Shift to D+4 and remove Priority Mail ($[redacted]M) ($[redacted]M one-off costs)	Shift to D+5 and remove Priority Mail ($[redacted]M) ($[redacted]M one-off costs)	
	Delivery point	Residence	Street letterbox[2] ($[redacted]M) (up to ~3,141 FTE) ($[redacted] one-off costs)	Community letter box[2] ($[redacted]M) (up to ~4,205 FTE) ($[redacted]M one-off costs)	Post office ($[redacted]M) (up to ~10,132 FTE) ($[redacted]M one-off costs)	
	Avg. price rise 2024-30[1]	To be determined	3% per year ($[redacted]M)	5% per year ($[redacted]M)	10% per year ($[redacted]M)	
Parcels	Ownership	Wholly owned	Targeted divestitures	Full or partial divestiture with SLAs		
Additional Products and Services	Product and service offering	SoE allows AusPost "flexibility and discretion" in keeping with the Act	SoE or other instrument (e.g. CFF) sets specific criteria to guide pursuit of significant or contentious opportunities • **Profitable incumbency:** Does AusPost already have a profitable position in the service area or a clearly adjacent service area? • **Market appropriateness:** Is there scope for AusPost to foster competition or provide essential services? Is there a low risk of market distortion? • **Capability:** Does AusPost have capability that does not require material investment to create, that it can use to deliver an effective service at an efficient cost? • **Financial attractiveness:** Is the opportunity likely to deliver a financial return in excess of the marginal cost to serve - with a high likelihood of success, low capital investment/funding requirements to participate, and low risk to AusPost and Government?			
	Product & Innovation team	Grown in line with business	Maintained at current size ($[redacted]M)	Reduced by 6% overall ($[redacted]M)		
Post Office Network	Metro CPO footprint *(non-metro unchanged)*	2.5km catchment	Access within 2.5km, close 106 unprofitable metro CPOs ($[redacted]M) (590 FTE) ($[redacted]M one-off costs)	Access within 3.5km, close 190 unprofitable metro CPOs ($[redacted]M) (1,045 FTE) ($[redacted]M one-off costs)	Access within 7.5km, close 213 unprofitable metro CPOs ($[redacted]M) (1,171) ($[redacted]M one-off costs)	

1. Incremental benefit compared to 2.5% per year price rise 2. Street mail box (approx. 1 per 5 houses), community mail box (approx. 1 per 20 houses) 3. Does not include potential COO overhead reduction from efficiencies; COO FTE indicated in Draft Report is one example of several potential ways to drive further letters & parcels efficiencies
Note: SoE = Statement of Expectations; CFF = Commercial Freedoms Framework

Draft

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Source: BCG Presentation to Australia Post Board of Directors, 20 February 2020, p. 22

McKinsey and Company: ongoing review

3.65 Australia Post has commissioned McKinsey to undertake a review scoping potential reforms to its delivery network, which is currently ongoing. Australia Post provided the terms of reference for this review to the committee:

> The objective of this project is to define the future state delivery network for Australia Post. This includes transport, production and first/last mile. The future role of, and implications for, the post office network and parcel lockers also need to be tightly interwoven into this design, given their importance to the last mile and customer experience.
>
> In order to build this future state model, it will be important to develop a robust fact base on market evolution under a set of scenarios. This needs to be driven by a view on Australia Post's aspiration for customer experience (across merchants, businesses, consumers/households, etc.) This process will incorporate key strategic choices around product in to the network design (e.g., oversize parcels, business-to-business (B2B) road express business), refining these choices where necessary.
>
> The outcome will be a future state view of the delivery network, estimate of the customer service levels/experience and economics (including investment required) it will deliver, execution roadmap and required enablers (e.g. capabilities, enterprise agreement (EBA), regulatory). For clarity, this will not be a 'geospatial blueprint' of exactly what the future network looks like (e.g. location of sorting centres, where to locate fleet etc.), although it will provide the underpinning for that subsequent detailed design work.
>
> The Alternating Day Delivery Model (ADM) currently being piloted is a critical stepping stone in building the future network for Australia Post. As such, an additional objective of this project is to work with the Operations team to understand opportunities to maximise the value of this model.[1]

3.66 Australia Post stated that McKinsey commenced work on this on 18 May 2020, following some 'informal work and preparatory work in the months prior'.[2]

***Senate inquiry into the Future of Australia Post's service delivery* (2020)**

3.67 The Legislation Committee tabled a report into the Future of Australia Post's service delivery network on 25 August 2020. The inquiry had the following terms of reference:

> (a) the Australian Postal Corporation (Performance Standards) Amendment Regulations 2020 and their impact on services, the Australia Post workforce and affected businesses;
> (b) the impact of COVID-19 on the financial position of Australia Post and its future;

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[1] Australia Post, Answers to Questions Taken on Notice from the 27 April 2021 hearing (received 6 May 2021), p. 1.

[2] Australia Post, Answer to question on notice number 160, Environment and Communications Legislation Committee, Additional Estimates March 2021, received 14 May 2021, p. 1.

(c) a sustainable plan for Australia Post to provide:

(i) services that meet community needs and expectations,
(ii) job security for its workforce, and
(iii) support for regional and metropolitan licensed post offices;

(d) international and domestic trends with parcels, letters and pricing; and
(e) any related matters.[3]

3.68 The report made three recommendations, the third of which was that:

> Recommendation 3: Should the Australian government choose to implement future strategic changes to the postal service, the committee recommends the government commence a comprehensive public consultation on options for the future of Australia Post's service delivery, with the results to inform future regulatory and policy reforms.
>
> The consultation process should consider the changing domestic and global environment, reforms implemented in other jurisdictions, and proposals for reform in relation to:
>
> - the *Australian Postal Corporation Act 1989* and associated regulations, and the Community Service Obligations;
> - regulating parcel services and/or pricing, especially in rural, regional and remote areas;
> - proposals for guaranteeing accessible, reliable and affordable postal services in rural, regional and remote areas;
> - the licenced post office network, how licensees are remunerated, and the number and location of licenced post offices;
> - options for expanding the service offering of licenced post offices; and
> - ways in which Australia Post can support Australian businesses and communities during the recovery from the coronavirus pandemic and beyond.[4]

3.69 Dissenting reports were made by Labor senators and the Australian Greens. Both argued that the temporary regulations introduced by the government would reduce the quality of services provided by Australia Post for many Australians, as well as put the jobs of many Australia Post employees at risk.[5]

3.70 Both also noted there was evidence to suggest that the government was using the temporary nature of the regulations to make contentious changes to Australia Post, under cover of COVID-19. It was argued that the government would try to extend the regulations, to make the reductions to CSOs carry on beyond their expiry on 1 July 2021, or permanent.

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[3] *Future of Australia Post's service delivery* (2020), p. 1.

[4] *Future of Australia Post's service delivery* (2020), pp. vii–viii.

[5] See: 'Dissenting report by Labor Senators' and 'Australian Greens' dissenting report', pp. 63–66 and p. 71, respectively.

3.71 The dissenting reports also outlined evidence that the government had not sufficiently consulted with workers, businesses, post users and other stakeholders before implementing these temporary measures.[6]

3.72 Labor senators set out evidence that suggested the government had been looking for ways to make changes to CSOs for 'some time', and that this intention had informed the procurement of the government-commissioned BCG Report and Australia Post's own Strategic Review undertaken by PwC.[7]

3.73 Matters raised in the committee and dissenting reports are discussed further in Chapter 9 of this report, as this inquiry received evidence relating to the temporary measures and the BCG's recommendation for the potential privatisation of parts of Australia Post.

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6 See: 'Dissenting report by Labor Senators' and 'Australian Greens' dissenting report', pp. 63–66 and p. 71, respectively.

7 See: 'Dissenting report by Labor Senators', pp. 55–56 and 62–63.

Part 2
The Holgate matter

Chapter 4
Timeline of events

4.1 This chapter outlines the major events that preceded and followed Ms Christine Holgate's offer to resign from the position of Group Chief Executive Officer and Managing Director (CEO) of Australia Post in November 2020.

4.2 It provides a detailed, chronological list of relevant events, correspondence, public statements and announcements, but it is not a complete record. For instance, evidence relating to Ms Holgate's frame of mind, her detailed communications with Australia Post executives and Board members, and issues that are disputed, are not included in this timeline. Further detail on these points, and additional correspondence and evidence, are explored later in this report.

Events leading to Ms Holgate's resignation

21 November 2018

4.3 On 21 November 2018, four Cartier watches worth a total of approximately $20 000 were given to four senior managers at Australia Post (watch recipients), by Ms Holgate. The watch recipients were:

- Mr Gary Starr, Executive General Manager Business and Government;
- Mr Greg Sutherland, General Manager Business Development;
- Ms Anna Bennet, Strategy Manager; and
- Ms Deanne Keetelaar, General Manager Financial Services.[1]

4.4 The watches related to the work performed and outcomes achieved by the Bank@Post Refresh team.[2] As detailed in Chapter 5, the extent to which the former Chair and Board were aware of these purchases is contested.

22 October 2020

4.5 Thursday 22 October 2020 was a sitting day in the House of Representatives, and the Senate was conducting Budget Estimates hearings. The Australian Government (government) was facing considerable pressure over a number of integrity issues that had been raised during Senate Estimates hearings that week, including the Leppington Triangle airport deal, the launch of an investigation against the Chairman of the Australian Securities and Investments

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1 Ms Christine Holgate, *Submission 5*, p. 13.

2 Maddocks, *Australia Post Investigation into the proper use of public resources at Australia Post*, published 22 January 2021 (Maddocks report), [pp. 8 and 18]. Available as Attachment A to Department of Finance, *Submission 2*. The Bank@Post deal is detailed in the previous chapter.

Commission (ASIC), and progress on the establishment of a federal anti-corruption commission.

4.6 The Leppington Triangle airport deal involved the 2018 purchase by the Commonwealth of a 12-hectare plot of land, near the Western Sydney airport for $29.8 million. The land was valued a year later at $3 million. An investigation by the Australian National Audit Office (ANAO) 'was scathing of how the Commonwealth handled the deal',[3] and the Auditor-General, Mr Grant Hehir, confirmed before Senate Estimates that the Australian Federal Police (AFP) had been engaged to investigate whether 'fraud may have been involved' in the sale.[4]

4.7 The government faced considerable pressure during the week in relation to the Leppington Triangle deal, the ANAO report, and the ongoing AFP investigation; including questions on the floor of parliament, questions from the press, and an attempt to suspend standing orders. On Tuesday 20 October, Ms Catherine King MP, Member for Ballarat, sought and was denied leave to move a motion calling on 'the Minister for Infrastructure to attend the House and explain all he knows about this dirty deal and why he says it's a "bargain"'.[5] Ms King's attempt to suspend standing orders was ultimately unsuccessful.[6]

4.8 The Leppington Triangle deal revelations increased already mounting pressure on the government to accelerate the stalled process of establishing a federal anti-corruption commission.

4.9 Also during this week, pressure was mounting on the Chair of ASIC, Mr James Shipton. Concerns were raised about the findings of an ANAO investigation into relocation and other expenses incurred on his behalf, on his appointment and return to Australia from the United States, and on behalf of the then Deputy Chair, Mr Daniel Crennan, 'following an agreement that he move from Melbourne to Sydney'. The ANAO had audited ASIC's financial statements, and 'stated a belief that the total remuneration paid to both office holders may exceed the limits set within the relevant remuneration tribunal determinations'. A formal investigation into the matter was to be announced on 23 October 2020, the day after Ms Holgate's standing aside. [7] The difference in the government's approaches to these two matters is discussed in Chapter 6.

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3 Kathleen Calderwood, 'Auditor-general says Leppington Triangle airport deal is first he's alerted AFP to since starting in the job', *ABC News Online*, 19 October 2020, www.abc.net.au/news/2020-10-20/leppington-triangle-deal-auditor-general-first-alert-to-afp/12784116 (accessed 25 May 2021).

4 *Finance and Public Administration Legislation Committee (F&PA) Hansard*, 19 October 2020, p. 163.

5 Ms Catherine King MP, Member for Ballarat, *House of Representatives Hansard*, 20 October 2020, p. 7507.

6 The Hon Tony Smith MP, Speaker, *House of Representatives Hansard*, 20 October 2020, p. 7507.

7 *Senate Economics Legislation Committee Hansard*, 23 October 2020, p. 26.

4.10 The week leading into Budget Estimates, Coalition 'talking points' on a Commonwealth Integrity Commission were reportedly accidentally released to the media by the government. The talking points revealed that legislation to establish a 'federal ICAC' had been 'ready' prior to COVID-19, and that the government intended to progress the legislation '"as soon as possible" after COVID-19 recovery efforts'.[8]

4.11 Shadow Attorney-General, the Hon Mark Dreyfus MP, was critical of the delay in introducing legislation, and argued that the unprecedented spending due to COVID-19 meant, '[t]here's never been a greater need for an anti-corruption commission'.[9]

4.12 The following week, the government faced questions on the floor of parliament,[10] as well as in Senate Estimates hearings, linking the 'slow progress' on a federal ICAC to 'recent scandals', including the Leppington Triangle deal.[11]

4.13 On 20 October 2020, the Grattan Institute reported the continuation of a year-on-year trend, starting in 2010, of cuts to the ANAO's budget, and suggested 'accountability isn't high on [the government's] list of priorities'.[12]

4.14 The then Attorney-General, the Hon Christian Porter MP, defended the government's timeline and approach to establishing an integrity commission, saying:

> [We]…were not inclined to commence and conduct a detailed and extensive national consultation process while most of Australia and, more recently, a large and critical state were still struggling to contain the COVID-19 virus. That sort of consultation around draft legislation is going to be critical… In this budget, $9.9 million was allocated to that first stage of the development of this process… But these issues are going to require detailed consultation, and that consultation will follow.[13]

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8 Paul Karp, 'Coalition blasted after blaming Covid for delay in creating federal anti-corruption body', *The Guardian Australia*, 15 October 2020, www.theguardian.com/australia-news/2020/oct/15/coalition-blasted-after-blaming-covid-for-delay-in-creating-federal-anti-corruption-body (accessed 25 May 2021).

9 Paul Karp, 'Coalition blasted after blaming COVID for delay in creating federal anti-corruption body', *The Guardian Australia*, 15 October 2020.

10 The Hon Mark Dreyfus MP, Shadow Attorney-General, *House of Representatives Hansard*, 19 October 2020, p. 7419.

11 Kathryn Murphy and Paul Karp, 'Labor says scandals are behind federal ICAC delay as Coalition blames COVID', *The Guardian Australia*, www.theguardian.com/australia-news/2020/oct/21/labor-says-scandals-are-behind-federal-icac-delay-as-coalition-blames-covid (accessed 25 May 2021).

12 Danielle Wood and Kate Griffiths, 'The Government is shrinking Australia's accountability agencies', *The Grattan Institute*, 20 October 2020, grattan.edu.au/news/the-government-is-shrinking-australias-accountability-agencies/ (accessed 25 May 2021).

13 The Hon Christian Porter MP, Attorney-General, *House of Representatives Hansard*, 20 October 2020, pp. 7543–7544.

Australia Post Senate Estimates appearance

4.15 In the midst of this volatile political context, Australia Post appeared before the Senate Environment and Communications Legislation Committee on the morning of 22 October 2020. The CEO, Ms Holgate answered questions on parliamentary privilege, the Alternative Delivery Model, procurement, and staffing levels, then, at approximately 11.20 am, Ms Holgate was questioned about the Bank@Post deal and rewards provided to executives for their work on the deal. Senator Kitching asked Ms Holgate:

> Ms Holgate, did you reward the team who worked on the agreement?
>
> Ms Holgate: There were a small number of senior people who'd put an inordinate amount of work in and they did receive an award from me and the chair, on behalf of the board.
>
> Senator KITCHING: What was that award?
>
> Ms Holgate: They got watches.
>
> Senator KITCHING: What were the watches?
>
> Ms Holgate: They were a Cartier watch of about a value of $3,000 each.
>
> Senator KITCHING: So how many watches did you buy?
>
> Ms Holgate: If I recall correctly, and Gary may recall, I think it was four people.
>
> Senator KITCHING: Four people got Cartier—do you remember the brand or the type? Was it a Cartier Tank or what was it?
>
> Ms Holgate: I don't recall. I didn't actually purchase them. They were organised through my office on behalf the chair and me.
>
> …
>
> Senator KITCHING: And was that purchased on the corporate credit card of—in the name of the office of the CEO?
>
> Ms Holgate: I don't recall, Senator. I'm happy to take it on notice.[14]

4.16 Senator Kitching asked Ms Holgate if she considered it 'appropriate to use taxpayers' money to buy Cartier watches for already highly remunerated Australia Post executives'. Ms Holgate responded:

> I have not used taxpayers' money. We are a commercial organisation… We do not receive Australian government funding. We are a commercial organisation and it was…a recommendation from our Chair that these people get rewarded.[15]

Statements by Minister Fletcher and the Prime Minister in Question Time

4.17 Australia Post concluded its evidence around 12.52 pm. Evidence submitted to the inquiry shows that Ms Holgate, people from Australia Post, and members

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[14] *Senate Environment and Communications (E&C) Legislation Committee Hansard*, 22 October 2020, pp. 39–40.

[15] *E&C Legislation Committee Hansard*, 22 October 2020, p. 41.

of the Board reached out to government ministers, their staff and departmental representatives numerous times in relation to the matter. These attempts are discussed later.

4.18 In Question Time following Senate Estimates, at 2.29 pm, the Shadow Minister for Communications, the Hon Michelle Rowland MP, directed the following question to the Hon Paul Fletcher MP, Minister for Communications, Cyber Safety and the Arts (the Communications Minister)**:**

> Why was $12,000 of taxpayers' money spent on four Cartier watches for Australia Post executives?

The Communications Minister, responded:

> I do thank the shadow minister for her question. I was as shocked and concerned as everybody else to discover this when it was revealed in estimates this morning. I have spoken to the chair of Australia Post. I've explained that the government's view is that the boards and management of government business enterprises need to take great care with taxpayers' money. They need to take great care with taxpayers' money. I have informed the chair of Australia Post that the shareholder…ministers have asked our respective departments to carry out an investigation into this matter, and I've asked the chair to provide the full support of the company for this investigation. I've also asked the chair to inform the chief executive that she will be asked to stand aside during the course of this investigation. This is a matter which the government takes very seriously.[16]

4.19 The Minister was asked by interjection, 'What about the board?', and responded:

> We expect the boards and management of government business enterprises to deal with taxpayers' money with scrupulous care, and that is what this investigation will be focused on, and it will examine the conduct of all involved in how this matter occurred.[17]

4.20 At 2.34 pm, the Hon Anthony Albanese MP, Leader of the Opposition, asked the Communications Minister when he first learned about the purchase of the watches. Minister Fletcher replied; 'when it was revealed in estimates this morning'.[18]

4.21 At 2.39 pm, Mr Albanese directed this question to the Prime Minister:

> How is it that on his watch, in the middle of the worst recession in almost a century, with one million Australians unemployed, businesses collapsing and a trillion dollars of Liberal debt, this government is taking no action against the Liberal-appointed Australia Post board, which spent $12,000 of taxpayers' money on Cartier watches?

The Prime Minister responded:

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[16] *House of Representatives Hansard*, 22 October 2020, p. 7982. The value of the watches was confirmed later that day to be closer to $20 000, as discussed further on in the chapter.

[17] *House of Representatives Hansard*, 22 October 2020, p. 7982.

[18] *House of Representatives Hansard*, 22 October 2020, p. 7983.

> The accusation that the Leader of the Opposition just levelled against the government is false. Earlier today, when this was brought to my attention by the report of Senate estimates, I was appalled. It's disgraceful and it's not on. And so immediately I spoke with the shareholding minister, the Minister for Finance, and the minister responsible, the Minister for Communications, Cyber Safety and the Arts, and from those discussions the following actions ensued: that there had to be an independent investigation done by the department, not by Australia Post; that the chief executive should stand aside immediately; and that the independent investigation should look into the conduct of the board members and their governance as well as the actions of the management and the executive. That report will come back to me and the members of my cabinet, and if there are issues to be addressed with board members then they will be addressed then.
>
> This all happened within an hour. So appalled and shocked was I by that behaviour—any shareholder would in a company raise their outrage if they had seen that conduct by a chief executive, a management or a board; they would insist rightly on the same thing. Now, we are the shareholders of Australia Post on behalf of the Australian people, so that action was immediate. The chief executive has been instructed to stand aside and, if she doesn't wish to do that, she can go.[19]

Announcements by the Shareholder Ministers and Australia Post

4.22 At approximately 5.25 pm,[20] the Shareholder Ministers jointly announced:

> We have instructed the Department of Infrastructure, Transport, Regional Development and Communications, together with the Department of Finance, to conduct a formal investigation into the matter.
>
> The investigation by the shareholder departments will be supported by an external law firm.
>
> We expect this investigation to commence immediately, and to be completed within four weeks… The Chief Executive of Australia Post will be standing aside from her position for the duration of the investigation.[21]

4.23 Then sometime between 7.00 pm and 7.40 pm (the timing is contested),[22] a media release from Australia Post Chair, Mr Lucio Di Bartolomeo, stated:

> The Australia Post Board and management team will fully cooperate with the recently announced investigation to be conducted by shareholder departments… Group CEO & Managing Director Christine Holgate will

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19 *House of Representatives Hansard*, 22 October 2020, p. 7985.

20 Timing of Ministers' press release included in: Australia Post, *Submission 3*, p. 11.

21 Senator the Hon Mathias Cormann, Minister for Finance, and the Hon Paul Fletcher MP, Minister for Communications, Cyber Safety and the Arts, *Joint media release: Australia Post*, 22 October 2020, www.financeminister.gov.au/media-release/2020/10/22/australia-post-0 (accessed 29 April 2021).

22 Timing of Australia Post statement included in: Australia Post, *Submission 3*, p. 12; and timing contested in Ms Christine Holgate, *Submission 5*, p. 42.

> stand aside during the investigation. During this time, Rodney Boys, Chief Financial Officer will be acting in the role.[23]

Australia Post email to staff

4.24 At approximately 8.04 pm, an email was sent by Australia Post to 'all Australia Post people (including Ms Holgate)', on behalf of the Chair. The Chair's message to Australia Post personnel said:

> I understand today may have been difficult and uncertain for many of you.
>
> As you will have heard, this afternoon our Shareholder Minister Paul Fletcher announced a formal investigation into the gifts given to four senior managers in 2018. This investigation will begin immediately.
>
> Group CEO & Managing Director Christine Holgate will stand aside while this investigation is being conducted. I would like to confirm Rodney Boys, Group Chief Financial Officer will be acting in the role during this time.
>
> I appreciate there will be many questions and would like to assure you that when more information is available, it will be shared as soon as possible.
>
> In the interim, I thank you and ask you to keep focused on the great work we do delivering for Australia.[24]

23 October 2020

4.25 Australia Post released a statement clarifying the cost of the watches (initially stated to be around $12 000). The watches cost $7000, $4750, $4400 and $3800; a total spend of $19 950, including GST.[25]

24 October 2020

4.26 Australia Post wrote to Ms Holgate 'confirming her agreement to stand aside, and associated arrangements'.[26] The letter states that the Shareholder 'has expressed the view that you should stand aside pending an independent investigation in relation to [the purchase of the watches]'; and that Australia Post 'takes the views expressed by our Shareholder very seriously', and intends to fully cooperate with the Shareholder during the investigation.[27]

4.27 The letter, signed by the Chair, further states:

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[23] Australia Post, *Statement from the Australia Post Chairman, Lucio Di Bartolomeo*, 22 October 2020, newsroom.auspost.com.au/article/statement-from-the-australia-post-chairman--lucio-di-bartolomeo (accessed 25 May 2021).

[24] Australia Post, 'A message from the Chair' (employee communication), 22 October 2020. Available at Australia Post, *Submission 3*, Appendix 8, p. 1.

[25] Ms Holgate, *Submission 5*, Appendix 10 (Australia Post Media Statements on 22nd and 23rd of October 2020), p. 90.

[26] Australia Post, *Submission 3*, p. 13.

[27] Australia Post, *Submission 3*, Appendix 9 (letter from Australia Post to Christine Holgate, 24 October 2020, 'Your agreement to stand aside pending investigation'), [p. 1].

> This letter confirms my recent discussions with you that you agreed to stand aside effective Thursday afternoon [22 October 2020], pending the outcome of the Shareholder 's investigation and any further action taken by Australia Post. As part of this arrangement:
>
> - Your remuneration will continue and you will remain bound by all the terms and conditions of your employment with Australia Post.
> - You will not be required to attend the workplace or carry out any of your ordinary work duties except if directed by me.
> - You should not have any work-related communications with any directors, officers, employees, contractors, agents or customers of Australia Post, without first consulting with [name redacted].[28]

4.28 Further paragraphs detail specific arrangements in relation to access to the information technology network, emails and correspondence, allocation of Ms Holgate's responsibilities to other executives, and points of contact for Ms Holgate while she is stood aside.[29]

4.29 The letter also states that Ms Holgate 'will be required to cooperate with Australia Post and the Shareholder in relation to its investigation, including attending interviews; and that she will be 'required to maintain confidentiality in relation to the investigation process'.[30]

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[28] Australia Post, *Submission 3*, Appendix 9, [p. 2]. While the names (Sue Davies and John Cox) are redacted in Australia Post's submission, they are not redacted in Ms Holgate's submission. See *Submission 5*, p. 95.

[29] Australia Post, *Submission 3*, Appendix 9, pp. 1–2.

[30] Australia Post, *Submission 3*, Appendix 9, p. 2.

26 October 2020

4.30 The Shareholder Departments published terms of reference for the investigation into Australia Post. The terms of reference stated that Shareholder Departments would:

> …undertake an investigation into Australia Post's governance arrangements and corporate culture concerning the proper use and management of public resources, in relation to gifts, rewards and expenses, including personal expenses of executives. The investigation will determine whether Australia Post has expended money ethically and acted in a manner expected of a Government Business Enterprise.
>
> Specifically the investigation will determine:
>
> - The facts around an incident involving the provision of wristwatches to Australia Post staff in late 2018;
> - The role of the then Australia Post Chair and Board, and the Managing Director and Chief Executive Officer in the incident;
> - Whether there are other instances in Australia Post inconsistent with appropriate behaviour for a GBE that require further investigation;
> - Whether this incident or other instances (including the actions of those involved) are consistent with:
> - the obligations of Directors and Chief Executives of Government Business Enterprises; and
> - the efficient, effective, economical and ethical expenditure of money and use of public resources.
> - The extent to which Australia Post 's governance arrangements and management culture, in particular in relation to gifts, rewards and expenses, including personal expenses of executives:
> - supports the efficient, effective, economical and ethical management of resources;
> - meets the expectations of the public around the leadership and governance of Australia Post as a public institution; and
> - requires further investigation or review.
>
> A report is to be provided to Government within four weeks of the investigation commencement.[31]

[31] *Shareholder Departments investigation into Australia Post—Terms of Reference*, 26 October 2020, www.communications.gov.au/documents/shareholder-departments-investigation-australia-post-terms-reference (accessed 25 May 2021).

27 October 2020

4.31 Australia Post received a letter from Ms Holgate's lawyer, Mr Bryan Belling, asserting that 'Ms Holgate had expressly not agreed to stand aside'.[32] The letter is provided as part of Ms Holgate's submission and states:

> Our client has expressly not agreed to stand aside as your letter suggests and has been reported widely in the media.
>
> She did suggest she take annual leave but that was not agreed by you. She has also stated she will fully support any fair investigation. Our instructions are that you committed to give her a letter requesting her to stand down and why you wanted her to, as the employee policy indicates.
>
> Any standdown directed by shareholders is of no force and effect as shareholders do not have standing to give such a direction. Any attempt to give effect to such a direction will be improper… In the event Ms Holgate is to stand aside she requires a lawful and reasonable direction from the Board to do so.[33]

4.32 The letter further states that Ms Holgate will cooperate with 'a properly constituted investigation'. However, it raises concerns about the involvement of the Shareholder Ministers in apparently instructing the Board to stand Ms Holgate aside, and that the investigation is being undertaken by the Shareholder Departments, not by Australia Post, and argues for an independent investigation, which Mr Belling proposed was 'properly a matter for the governing body of Australia Post, namely the Board'.[34]

28 October 2020

4.33 Ms Holgate wrote again to Australia Post, through her lawyer. This letter raised additional issues to do with executive remuneration, and states:

> Ms Holgate still has not been informed by you what she is accused of having done wrong. Our client is extremely disappointed by a lack of support, response and follow up to her. Moreover, any process undertaken at the behest of the shareholder ministers in the events as have happened lead to our client holding grave concerns that she can trust that any response or process can be fair.[35]

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[32] Australia Post, *Submission 3*, p. 14.

[33] Ms Holgate, *Submission 5*, Appendix 13 (My response to Australia Post on October 27th, 2020), p. 97.

[34] Ms Holgate, *Submission 5*, Appendix 13, p. 98.

[35] Ms Holgate, *Submission 5*, Appendix 14 (My response to Australia Post on October 27th, 2020), p. 100. Note: issues raised in this letter are discussed in earlier chapters and subsequent sections of this report.

29 October 2020

4.34 The Department of Finance engaged the law firm Maddocks to 'support the investigation'.[36]

4.35 Also on this date, the Chair of Australia Post responded to the 27 October 2020 letter from Ms Holgate's lawyer. This letter 'reiterated that Ms Holgate had agreed on 22 October 2020 to stand aside and that the Chair had communicated that agreement to the Board'.[37]

4.36 This letter reiterated the arrangements detailed in the Chair's letter of 24 October 2020, repeated the expectation that Ms Holgate would cooperate with the investigation and maintain confidentiality, and provided a copy of the terms of reference for the investigation.[38]

Public statement from Ms Holgate

4.37 On 29 October 2020, Ms Holgate's lawyer released a public statement on her behalf:

> I act for Christine Holgate.
>
> Ms Holgate will fully support a fair investigation.
>
> However, it is now exactly seven days since Ms Holgate was the subject of a humiliating answer during Question Time. In that time Ms Holgate has not had any proper notification that she has been stood down from her role, nor has she been informed as to why she should be stood down, nor has she had any communication regarding what the investigation into Australia Post from either the Board or the Government.
>
> It is incumbent on the Board to formally notify Ms Holgate that she has been stood down, and this notification must stipulate the grounds for this action. This is the case under general employment law, as well as the specifics of Australia Post's own employment regulations. The Board has failed to do so. Legally, in my opinion there are no grounds for Ms Holgate to be stood down, and 'optics' is not a legally-valid defence.
>
> I have taken the step of releasing this statement because within the past week I have written to the Board and again separately to the Chairman of Australia Post and have not received a response in terms.
>
> I have no option but to publish this statement in the interests of my client.[39]

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36 Maddocks report, [p. 4].

37 Australia Post, *Submission 3*, p. 14.

38 Ms Holgate, *Submission 5*, Appendix 16 (Chair writing to Bryan Belling Thursday 29th of October 2020. The Chair knew there was no legal basis to stand me aside), pp. 105–107.

39 Ms Holgate, *Submission 5*, Appendix 15 (Public Statement Confirming I will support the Investigation, Thursday 29th October 2020), p. 103.

Ms Holgate's resignation

2 November 2020

4.38 At 10.46 am, Ms Holgate sent an email to the Australia Post Board with an attached letter entitled 'Offer of Resignation', and a document entitled 'Christine Holgate Offers Resignation Statement'. In the letter, Ms Holgate stated:

> Regrettably, given the recent events, I have come to the view that my continuation as Chief Executive [is] untenable.
>
> I have done no wrong, but I believe the current situation is not in the best interests of the organisation, our customers, our people or my own health.
>
> Consequently, I am offering to resign as both Chief Executive and as a Director with immediate effect. I do not seek my financial compensation.
>
> The terms of the investigation are now to hand and notwithstanding my resignation I am available to participate in it.
>
> It has been an honour and a privilege to serve Australia Post and I am disappointed that I am unable to continue in my role.
>
> This must come to an end today so I would appreciate if you could give me your favourable response. I attach a copy of an external statement which I will be releasing at 2pm, in any event.[40]

4.39 The attached document features the heading, 'Christine Holgate Offers Resignation as CEO of Australia Post'. This statement includes the following:

> I have offered today the Chairman and Board of Australia Post, with great sadness, my resignation as Chief Executive with immediate effect. I am not seeking any financial compensation…
>
> Philosophically, I believe if you want to drive positive change, you need to thank and reward positive behaviours.
>
> However, I deeply regret that a decision made two years ago, which was supported by the Chair, to recognise the outstanding work of four employees has caused so much debate and distraction and I appreciate the optics of the gifts involved do not pass the 'pub test' for many…
>
> I will make myself readily available to participate in the investigation of this matter and any other issues of possible concern.
>
> I have no animosity towards the Government and have enjoyed working with the Prime Minister, the Shareholder Ministers and many other political leaders during my tenure…
>
> I have made this difficult decision to leave to enable Australia Post to be able to fully focus on delivering for our customers.
>
> My sincere apologies if my words or actions have offended others as this would never have been my intention because I have always held Australia Post in the greatest regard.

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40 Ms Holgate, *Submission 5*, Appendix 2 (Offer to resign), p. 64.

> Australia Post is growing and now has a strong viable future where our Community Post Offices can flourish, our Posties and delivery teams maintain their roles, communities secure ongoing services and one which can support the economic recovery of our country.[41]

4.40 The Chair of the Board, Mr Di Bartolomeo called a Deputy Secretary of the Department of Finance, Mr Andrew Jaggers at 11.35 am. After calling then-Group Chief Financial Officer at Australia Post, Mr Rodney Boys (who would later that day take over as acting CEO) at 11.46 am, Mr Di Bartolomeo called the Chief of Staff to the Communications Minister, Mr Ryan Bloxsom, at 11.54 am.[42] The Chair forwarded to both Mr Bloxsom and Mr Jaggers the 10.46 am email from Ms Holgate in which she offered to resign.[43]

4.41 At approximately 2.05 pm,[44] during a Sky News broadcast, Sky News Political Editor Mr Andrew Clennell announced that he was 'hearing speculation' that Ms Holgate was about to resign. Mr Clennell said:

> …look I'm hearing speculation…that Christine Holgate, the CEO of Australia Post, is about to resign. That their statement is expected this afternoon with her resignation. Yet to get confirmation of that…[45]

4.42 At approximately 2.20 pm, Ms Holgate states that she gave a copy of her resignation statement to communications consultant Mr Ross Thornton, publicly announcing her resignation.[46] Australia Post submitted that Ms Holgate issued the public statement announcing her resignation at approximately 2.00 pm.[47] These conflicting claims are explored in Chapter 7.

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41 Ms Holgate, *Submission 5*, Appendix 2 (Offer to resign), pp. 65–66.

42 Mr Lucio Di Bartolomeo, Chair's outgoing call logs, 22 Oct 2020 to 30 Nov 2020, tabled by Australia Post, 13 April 2021, p. [3], www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/AustraliaPostinquiry/Additional_Documents?docType=Tabled%20Documents (accessed 25 May 2021).

43 Australia Post, Answers to questions taken on notice at the public hearing in Canberra, 13 April 2021 (received 24 April 2021), p. 3.

44 Timing is provided in: Australia Post, Answers to questions taken on notice at the public hearing in Canberra, 13 April 2021 (received 24 April 2021), p. 2. Timing has been verified with broadcast logs. Ms Holgate alleges that she received a call from Sky News at 1.30 pm, during which she believed it was apparent that her statement had already been leaked. In: Ms Christine Holgate, Answers to written questions from Senator Sarah Henderson, (received 17 May 2021), [p. 3]. www.aph.gov.au/DocumentStore.ashx?id=7720dc60-afda-4d7a-beec-03fcf78c2721 (accessed 25 May 2021).

45 Sky News, '"Heavy speculation" Aus Post CEO Christine Holgate will announce resignation', 2 November 2020, www.skynews.com.au/details/_6206285295001 (accessed 25 May 2021).

46 Ms Holgate, *Committee Hansard*, 13 April 2021, p. 8.

47 Australia Post, *Submission 3*, p. 23.

4.43 At approximately 3.15 pm,[48] Australia Post published the following statement on its website from the Chair:

> On behalf of the Board of Directors of Australia Post, I wish to advise that Group Chief Executive Officer and Managing Director, Christine Holgate resigned today.
>
> Her resignation is effective immediately.[49]

4.44 At approximately 3.30 pm,[50] Australia Post sent a message to employees, contractors, licensees, and others, advising that Ms Holgate had resigned, 'effective immediately'.[51]

4.45 At 5.08 pm, the Shareholder Ministers jointly announced:

> We acknowledge that the Australia Post Board has today accepted the resignation of Christine Holgate as CEO and a director, effective immediately.[52]

Events following Ms Holgate's resignation

4.46 This section lists only major events and correspondence following Ms Holgate's resignation. It is not a complete record. Further evidence is detailed and discussed in the chapters that follow.

2 November 2020

4.47 At 4.13 pm, the Chair wrote to Ms Holgate to accept her offer of resignation. The letter states:

> Thank you for your letter today advising the Board that you have resigned as both Group Chief Executive Officer and Managing Director of Australia Post.
>
> While noting the current review, I would like to acknowledge the significant contributions that you have made during your tenure.
>
> Australia Post accepts your offer that your resignation will take effect immediately (today) and you will not receive a payment in lieu of notice or any other financial compensation from Australia Post. In accordance with your contract of employment, please sign below to vary the contract of employment to give effect to this agreement.

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48 Timing clarified in: Australia Post, Answers to questions taken on notice at the public hearing in Canberra, 13 April 2021 (received 24 April 2021), p. 4.

49 Australia Post, *Submission 3*, p. 24.

50 Australia Post submits that this message was sent at 3.25 pm, Ms Holgate submits it was sent at 3.31 pm. Australia Post, *Submission 3*, p. 25; Ms Holgate, *Submission 5*, Appendix 3 (Australia Post Message to Employees, 3.31 pm November 2nd), p. 67.

51 Australia Post, *Submission 3*, p. 25.

52 Senator the Hon Mathias Cormann, Minister for Finance, and the Hon Paul Fletcher MP, Minister for Communications, Cyber Safety and the Arts, *Joint media release: Australia Post*, 2 November 2020, minister.infrastructure.gov.au/fletcher/media-release/australia-post-0 (accessed 25 May 2021).

> Please see enclosed a public statement that Australia Post has issued regarding your resignation. On behalf of the Board, I wish you all the very best for the future.[53]

4.48 The letter included a statement that Ms Holgate was to sign and return to vary her contract, as follows:

> I, Christine Holgate, agree that my resignation will take effect immediately (today) and I will not receive a payment in lieu of notice or any other financial compensation from Australia Post.
>
> .....
>
> Christine Holgate Date:……..[54]

4.49 Ms Holgate did not sign or return the statement at this stage, or any later stage. This issue is discussed further in subsequent chapters.

3 November 2020

4.50 Australia Post sent Ms Holgate a copy of the proof Hansard from the Budget Estimates hearing on 22 October 2020 and asked her to provide any corrections by the close of business on 4 November 2020.[55]

4.51 Ms Holgate received a call from Communications Minister, the Hon Paul Fletcher MP. Ms Holgate submitted that Minister Fletcher thanked her for her service.[56]

4 November 2020

4.52 Ms Holgate received a letter from Australia Post (signed by the General Counsel) advising her that Maddocks would soon seek to interview her. According to Ms Holgate, the letter stipulated that she would 'be able to get access to files' she needed to participate, and that Maddocks would review all of her emails 'since joining the organisation'.[57]

5 November 2020

4.53 Ms Holgate states that her email access at Australia Post was withdrawn at approximately 1.00 pm.[58]

4.54 At 2.51 pm, Australia Post's Communications Team sent an email message out to all Australia Post people entitled, 'Farewell from Christine', in response to a 2

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[53] Ms Holgate, *Submission 5*, Appendix 4 (Australia Post Chair letter to CH), p. 69.

[54] Ms Holgate, *Submission 5*, Appendix 4, p. 69.

[55] Ms Holgate, *Submission 5*, p. 22.

[56] Ms Holgate, *Submission 5*, p. 23.

[57] Ms Holgate, *Submission 5*, p. 23.

[58] Ms Holgate, *Submission 5*, p. 23.

November 2020 request from Ms Holgate. The message included the following statements:

> On Monday I offered the Chairman and Board of Australia Post, with great sadness, my resignation as Chief Executive with immediate effect…
>
> I have had the privilege to lead our incredible team at Australia Post for three years…
>
> I leave the company knowing you are in a strong position to deal with the coming Christmas and the ongoing challenges of the eCommerce revolution.
>
> I leave knowing Australia Post is growing and has a strong viable future ahead…[59]

9 November 2020

4.55 Australia Post, including its Chair, Mr Di Bartolomeo, attended Senate Estimates and responded to numerous questions relating to Ms Holgate's standing aside and resignation, among other matters. The veracity of Mr Di Bartolomeo's evidence is addressed in Chapter 2.

10 November 2020

4.56 Australia Post wrote to Ms Holgate again requesting that she sign a statement that would give effect to the variation of her contract. The letter detailed the final payment Australia Post was to make to Ms Holgate on 10 November 2020, paying out her leave and other entitlements. Ms Holgate was requested to sign the following statement:

> I, Christine Holgate, agree that the amounts set out in this letter are the only amounts that are owed to me by Australia Post and I will not receive a payment in lieu of notice or any other financial compensation from Australia Post.[60]

4.57 Ms Holgate did not sign the contract variation.

11 November 2020

4.58 Ms Holgate was interviewed by Maddocks for the investigation. The interview was attended by Ms Holgate with her lawyer, Mr Belling, and Ms Sue Davies, Executive General Manager of People and Culture at Australia Post (as Ms Holgate's support person). Ms Holgate states the 'interview was over 4.5 hours long'.[61]

18 November 2020

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59 Australia Post, *Submission 3*, p. 27.

60 Australia Post, *Submission 3*, Appendix 18, [p. 97].

61 Ms Holgate, *Submission 5*, pp. 54–55.

4.59 Ms Holgate was asked to review 'the first draft of Maddocks' findings'. Ms Holgate states that she was given only those pages referring to herself to review.[62]

20 November 2020

4.60 Ms Holgate states that she was 'informed the investigation was complete', that she 'would not be entitled to see a copy of any final report', and that 'further questions should go to the two shareholder departments'.[63]

23 November 2020

4.61 Ms Holgate wrote to Senator the Hon Simon Birmingham, Minister for Finance, after confirming by text message in the previous days that he was willing to speak with her. Ms Holgate outlined concerns about her treatment in detailed correspondence to the Minister.[64]

25 November 2020

4.62 Minister Birmingham called Ms Holgate at 9.00 am. Ms Holgate submits that they spoke for approximately 45 minutes and the Minister suggested she forward her correspondence to Minister Fletcher and that the three of them meet to discuss a resolution. Ms Holgate sent the correspondence to Minister Fletcher, and submits that she received no response.[65]

2 December 2020

4.63 As stated above, Ms Holgate was informed that the Maddocks investigation was complete on 20 November 2020. However, the report was not made public at this time, and Ms Holgate was not allowed to see the full report. Ms Holgate wrote to the Shareholder Ministers, through her lawyer, noting that the Maddocks report had found 'that there was no indication of dishonesty, fraud, corruption or intentional misuse of Australia Post funds'; and requesting that, 'in order to mitigate any further reputational damage' to Ms Holgate, the government release the report in full, or make a statement such as the following no later than 14 December 2020:

> The Shareholder Ministers have received the cabinet-in-confidence independent investigation report. The report concluded that Ms Holgate acted at all times honestly, without personal gain and that she did not breach any policy in place in the organisation facilitating the reward and recognition to certain senior executives in celebration of the Bank@Post

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62 Ms Holgate, *Submission 5*, p. 55.

63 Ms Holgate, *Submission 5*, p. 56.

64 Ms Holgate, *Submission 5*, pp. 25–26.

65 Ms Holgate, *Submission 5*, pp. 26–27.

> outcome. Ms Holgate ran the business of Australia Post well and we thank her for her service and wish her well.[66]

4.64 Ms Holgate submits that she received no response to this letter.[67]

8 December 2020

4.65 Ms Holgate's lawyer wrote to Allens Linklaters, lawyers representing Australia Post, stating that, 'the employment relationship, but not the employment contract, may have ended'. The letter is not provided in evidence. However, according to Ms Holgate, it said:

> …[Ms Holgate] did not sign the agreement, nor did she support it or return it. All other things being equal, post-employment obligations still apply. The very fact that Australia Post has not honoured the contract, would suggest they are in [breach].
>
> Ms Holgate under the contract of employment is subject to certain restraints. Restrictions on Ms Holgate's ability to work, which absent payment as contractually contemplated, would constitute an unreasonable restrain of her trade. As such the options appear to be:
>
> - Payment in consideration for restraining her competition; or
> - A release from those restraints which restrict her ability to earn a living.
>
> It would be appropriate to come to terms with respect to these issues as soon as practicable and in any event before 10th December 2020.[68]

9 December 2020

4.66 Australia Post sent Ms Holgate a spreadsheet listing expenses incurred during her time as CEO, and sought her comment and sign off. Ms Holgate submitted that the task was made technically difficult and the timeframe was impossible to meet.[69] Over the coming weeks, Ms Holgate states that she and her lawyer negotiated better access to documents and resources allowing her to respond to requests for information about expenditure.

8 January 2021

4.67 Ms Holgate submitted that she conducted an 'extensive' phone call with Australia Post Director, Mr Tony Nutt, 'lasting for more than three hours'. Ms Holgate submitted that Mr Nutt 'sought permission from the Board to have this call', and that, following the call Mr Nutt acted as an advocate for Ms Holgate in relation to 'securing more reasonable deadlines to some of the

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66 Ms Holgate, *Submission 5*, p. 27.

67 Ms Holgate, *Submission 5*, p. 27.

68 Ms Holgate, *Submission 5*, p. 29.

69 Ms Holgate, *Submission 5*, p. 30.

onerous tasks Australia Post kept asking of [her]'.[70] The involvement of Mr Nutt is further discussed later in the report.

22 January 2021

4.68 The Shareholder Departments publicly released the Maddocks report, *Investigation into the proper use of public resources at Australia Post*.[71]

Recent developments

5 March 2021

4.69 Minister Fletcher announced that Mr Nutt was reappointed as a Non-Executive Director of the Australia Post Board for a further three-year term.[72]

12 April 2021

4.70 The day before this committee was due to hold its public hearing for the Australia Post inquiry, at which Ms Holgate was scheduled to give evidence, the Minister for Communications announced the appointment of Ms Holgate's replacement. The media release from Minister Fletcher states:

> The Government welcomes the appointment of Mr Paul Graham as the new Chief Executive Officer and Managing Director (CEO) of Australia Post…
>
> Shareholder Ministers for Australia Post, the Hon Paul Fletcher MP and Senator the Hon Simon Birmingham, welcomed the appointment of Mr Graham.
>
> 'We trust Mr Graham will provide strong direction and leadership as Australia Post continues to deliver record numbers of parcels, even with border closures and ongoing logistical challenges,' Minister Fletcher and Minister Birmingham said...
>
> 'We would also like to thank Ms Christine Holgate once again for her service to Australia Post.'
>
> Mr Graham will commence in the role by September 2021. Mr Rodney Boys will continue to act as interim CEO until Mr Graham takes up his new position.[73]

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70 Ms Holgate, *Submission 5*, p. 32.

71 Department of Infrastructure, Transport, Regional Development and Communications, *Investigation into the proper use of public resources at Australia Post*, published 22 January 2021, www.communications.gov.au/documents/investigation-proper-use-public-resources-australia-post (accessed 25 May 2021).

72 Senator the Hon Simon Birmingham, Minister for Finance, and the Hon Paul Fletcher MP, Minister for Communications, Urban Infrastructure, Cities and the Arts, *Joint media release: Australia Post Board reappointment*, 5 March 2021, minister.infrastructure.gov.au/fletcher/media-release/australia-post-board-reappointment (accessed 25 May 2021).

73 Senator the Hon Simon Birmingham, Minister for Finance, and the Hon Paul Fletcher MP, Minister for Communications, Urban Infrastructure, Cities and the Arts, *Joint media release: Australia Post Chief*

22 April 2021

4.71 The Sydney Morning Herald reported that Ms Holgate had engaged top Sydney barrister, Mr Arthur Moses SC, and defamation lawyer, Ms Rebekah Giles, a specialist in 'reputational risk',[74] to assist her to resolve her dispute with Australia Post.[75]

4.72 The article states that Ms Giles had written to the Board 'proposing they attend a mediation session with Ms Holgate, to be overseen by a retired judge'. The Shareholder Ministers have also been invited to attend, but have reportedly declined, saying: 'Issues concerning Ms Holgate's employment and resignation are matters for her and Australia Post'. Australia Post reportedly 'confirmed receipt of the letter but declined to comment'.[76]

3 May 2021

4.73 Ms Holgate's legal representative, Ms Rebekah Giles, issued a media statement stating that Australia Post and Shareholder Ministers had advised that they would not be able to conduct mediation by Ms Holgate's preferred deadline, Wednesday, 5 May 2021:

> We offered Australia Post and the government ministers a two-week window to conduct this mediation in order to minimise the ongoing harm that has been caused to Ms Holgate as well as the distraction to Australia Post which ultimately must focus on its important service to the public and its obligations to its employees and operators.
>
> Given there appears to be an absence of agreement to mediate this matter expeditiously, Ms Holgate will now have no option but to consider her legal options after the [Senate inquiry] report into these matters is released on May 17.[77]

4.74 In response to questioning about the mediation on 3 May 2021, Mr Di Bartolomeo and Mr Nick Macdonald, Australia Post General Counsel, confirmed that Australia Post had received the request from Ms Holgate's

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Executive Officer and Managing Director, 12 April 2020, minister.infrastructure.gov.au/fletcher/media-release/australia-post-chief-executive-officer-and-managing-director (accessed 25 May 2021).

74 Company (Giles) website, www.companygiles.com.au/expertise (accessed 25 May 2021).

75 Lisa Visentin, 'Holgate hires high-profile lawyers in dispute with Australia Post', *Sydney Morning Herald*, 22 April 2021, www.smh.com.au/politics/federal/holgate-hires-gun-lawyers-in-dispute-with-australia-post-20210422-p57lhz.html (accessed 25 May 2021).

76 Lisa Visentin, 'Holgate hires high-profile lawyers in dispute with Australia Post', *Sydney Morning Herald*, 22 April 2021. Australia Post confirmed receipt of the letter and indicated that it was engaging with Ms Holgate's legal counsel at the hearing on 3 May 2021. See: Mr Di Bartolomeo, *Committee Hansard*, 3 May 2021, p. 35.

77 Cameron Gooley, 'Christine Holgate threatens legal action against Australia Post', *ABC Online*, 4 May 2021, www.abc.net.au/news/2021-05-03/christine-holgate-threatens-legal-action-against-australia-post/100113284 (accessed 25 May 2021).

lawyers to attend mediation and provided assurances that Australia Post intended to participate once a suitable date could be agreed.[78]

5 May 2021

4.75 The Australia Post Board issued the following statement confirming that they had agreed to participate in mediation with Ms Holgate:

> Australia Post's lawyers have again written to Ms Holgate's lawyers confirming that Australia Post will participate in a mediation...
>
> Further, given the public interest in this matter and Australia Post's wish to be transparent about it, we have asked that Ms Holgate agree that following the mediation the parties will make public what she asked Australia Post to give her to settle the dispute and also the outcome of the mediation.[79]

4.76 At the time of writing, it is unclear to the committee whether or not mediation has commenced.

10 May 2021

4.77 It was announced that Ms Holgate has been appointed the future CEO of Global Express, a rival delivery company that competes with Australia Post. Global Express was part of Toll Holdings, but is 'in the process of being sold to private equity firm Allegro Funds'. Global Express will encompass what is currently Toll's 'Australian and New Zealand logistics and home delivery operations', which employs over 8000 people.[80]

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[78] Mr Di Bartolomeo and Mr Nick Macdonald, General Counsel and Corporate Secretary, Australia Post, *Committee Hansard*, 3 May 2021, p. 35.

[79] Australia Post, 'Australia Post – mediation with former CEO Christine Holgate', 5 May 2021, newsroom.auspost.com.au/article/australia-post---mediation-with-former-ceo-christine-holgate (accessed 25 May 2021).

[80] Stephanie Chalmers and Peter Ryan, 'Former Australia Post boss Christine Holgate to run rival Global Express', *ABC News*, 10 May 2021, www.abc.net.au/news/2021-05-10/former-australia-post-boss-christine-holgate-to-lead-rival/100127732 (accessed 25 May 2021).

Chapter 5
The purchase of the watches

5.1 As outlined in Chapter 4, on 21 November 2018, four Cartier watches were given to four senior managers at Australia Post (watch recipients), by the former Group Chief Executive Officer and Managing Director (CEO) of Australia Post, Ms Christine Holgate. The watches related to the work performed and outcomes achieved by the Bank@Post Refresh team.[1]

5.2 This chapter looks at:

- Whether the purchase and/or gifting of the watches was done with the knowledge and/or approval of the former Chair, Mr John Stanhope AO, and the Board.
- Whether the purchase and provision of the watches complied with, or contravened, Australia Post policy at the time and the obligations of Australia Post and its executives under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).
- How the watches compare with other executive gifts, rewards and bonuses across Commonwealth government business enterprises (GBEs).
- Evidence comparing the provision of gifts, bonuses and rewards at Australia Post under the leadership of Ms Holgate, with that during the tenure of previous Group CEO and Managing Director, Mr Ahmed Fahour.

Involvement of the former Chair

5.3 Ms Holgate submitted that the four Cartier watches were purchased in 2018 by her Executive Assistant (EA) 'on behalf of [herself] and the Chair', and 'were approved by the Chair at the time, John Stanhope'. Ms Holgate's EA bought the watches on instruction from Ms Holgate, and organised 'a small morning tea as an opportunity to present them'. Ms Holgate said:

> Both John Stanhope as Chair of the Board and I wrote a note to each of the four recipients in their accompanying cards. Janelle Hopkins, the CFO and Ingo Bohlken [Executive General Manager of Product & Innovation] joined me and the four managers for the presentation and John Stanhope joined us for a short period.[2]

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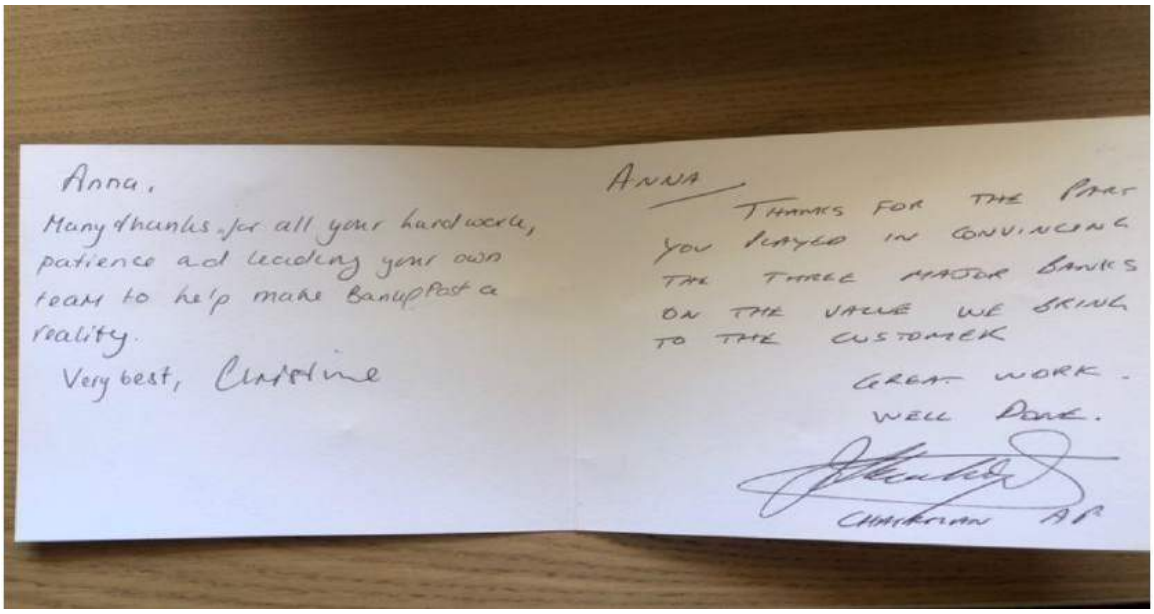
1 Maddocks, *Australia Post Investigation into the proper use of public resources at Australia Post*, (Maddocks report), [pages 8 and 18]. Available as Attachment A to Department of Finance, *Submission 2*. Published by Department of Finance on 22 January 2021, www.communications.gov.au/documents/investigation-proper-use-public-resources-australia-post (accessed 25 May 2021).

2 Ms Christine Holgate, *Submission 5*, p. 13.

5.4 Ms Holgate submitted a photograph of one of the cards presented with the watches, which shows the Chair's signature and note to the recipient (Figure 5.1).

Figure 5.1 Thank you card signed by former Chair, Mr John Stanhope AO



Source: Ms Christine Holgate, Submission 5, p. 14.

5.5 According to the report of law firm Maddocks, *Investigation into the proper use of public resources at Australia Post*, the former Chair, Mr Stanhope, agreed with statements that there had been discussions between himself and Ms Holgate around 'providing some form of reward and recognition' to the team that worked on the Bank@Post Refresh project, but did not accept that 'he ultimately approved the provision of the Watches to the Watch Recipients'.[3]

5.6 Ms Holgate submitted that the former Chair called her on 22 October 2020 to discuss the watches. She said that Mr Stanhope called to say he had received a phone call from a journalist from the Australian Financial Review (AFR), and had told the journalist that he:

> …didn't know what they were talking about and simply answered, 'I do not know anything about it'. Mr Stanhope and I spoke about the watches and Bank@Post and I advised John Stanhope about the photograph of the card we both signed.[4]

5.7 Mr Stanhope appeared to provide contradictory evidence about the call. According to Mr Stanhope, he said to Ms Holgate: 'What's going on?' because I was getting all these phone calls. And she said: 'Look, I can't really talk. I've just come from Senate estimates. I'm about to get into a car'. Mr Stanhope was then

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[3] Maddocks report, [p. 19].

[4] Ms Holgate, *Chronology of events*, tabled by Ms Christine Holgate, 13 April 2021, [p. 4].

asked if he had had 'any other discussion' or if that was the end of the call. Mr Stanhope said:

> No. She said: 'I'm getting in a car. I can't talk to you'. I did try to contact Ms Holgate a couple of days later because there was a whole lot of press and so on that was occurring, but she wasn't answering her phone. I was ringing to find out if she was alright.[5]

5.8 On 24 October 2020, Mr Stanhope's interview with the journalist was quoted in the AFR:

> These people did an exceptional job and deserved a reward. But we left it for the CEO to decide the nature of that reward. I don't recall being asked about how much would be spent.
>
> Did Christine drag me out of my office briefly for a morning tea presentation? I have checked my diary. It is not in my diary and I can't recall. Was I told it was a watch? No.
>
> I do think Christine has been caught in some kind of wider play.[6]

5.9 At his public hearing appearance, Mr Stanhope reiterated that he had indeed signed the cards; that at the time he did not know what the gifts were; and that they had not been brought for him to see on the day. Mr Stanhope added, '[t]he choice of reward was left, by me, to the CEO, at her discretion'.[7]

5.10 Mr Stanhope also disputed Ms Holgate's evidence that he 'attended a presentation', saying, 'my recollection was that I didn't. I checked again with my diary and my executive assistant, and it appears I did not'.[8]

5.11 Mr Stanhope was asked, 'Why would someone write in the card and not know what the gift was?' His response was:

> I knew they were getting a gift; I did not know what it was. If you read the words in the card, I don't talk about a gift at all. I say 'job well done' and sign it, which is a good thing for a chairman to do for people who have done a good job.[9]

5.12 In its report, Maddocks stated that the watch recipients 'had the impression that the gift was a token of appreciation on behalf of the former CEO and the former Chair'.[10] Ultimately, the Maddocks review made '[n]o definitive finding' in

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5 Mr John Stanhope AO, Private capacity, *Committee Hansard*, 3 May 2021, p. 51.

6 Former Chair of Australia Post, Mr Stanhope, quoted in: Patrick Durkin and Tom McIlroy, 'Holgate bought the watches: former Australia Post chair John Stanhope', 24 October 2020, www.afr.com/politics/federal/holgate-bought-the-watches-former-australia-post-chair-john-stanhope-20201023-p567vj (accessed 25 May 2021).

7 Mr Stanhope, *Committee Hansard*, 3 May 2021, p. 50.

8 Mr Stanhope, *Committee Hansard*, 3 May 2021, p. 52.

9 Mr Stanhope, *Committee Hansard*, 3 May 2021, p. 52.

10 Maddocks report, [p. 19].

relation to whether or not Mr Stanhope knew the rewards to be purchased were Cartier watches:

> There is contradictory evidence as to whether the former Group CEO & Managing Director informed the former Chair that it was her intention to purchase the Cartier watches or whether the former Chair approved the commitment of funds for this purchase.[11]

Involvement of the Board

5.13 Maddocks found no documentary evidence that the then Board considered or approved the purchase of the Cartier watches, and 'none of the Board members interviewed recalled any discussion about the purchase of, the Cartier watches'.[12] Maddocks noted that Board members interviewed for the investigation 'consistently stated that the first time they became aware of the Watches was during the Senate Estimates hearing on 22 October 2020'.[13]

5.14 Ms Holgate agreed with this assessment, saying neither she nor the former Chair 'have ever said we put it through the board for approval'. Ms Holgate said this would have been unnecessary and not standard practice, as the expenditure was well within her delegation, and supported by the Chair.[14]

Compliance with Australia Post policy and the PGPA Act

5.15 Australia Post is a Corporate Commonwealth Entity that is prescribed as a Government Business Enterprise (GBE). GBEs are subject to both their enabling legislation—in the case of Australia Post this is the *Australian Postal Corporation Act 1989* (APC Act); the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and Public Governance, Performance and Accountability Rule 2014 (PGPA Rule), and related legislation.[15]

5.16 This section considers whether the purchase of the watches was compliant with, or in breach of, a) Australia Post policy, and/or b) the PGPA Act.

Australia Post policy

5.17 The APC Act refers to the position of 'Managing Director'. In practice, the position of Managing Director, as defined by the APC Act, is generally referred to as the Chief Executive Officer (CEO). However, the section below refers to the 'Managing Director', consistent with the APC Act.

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[11] Maddocks report, [p. 22].

[12] Maddocks report, [p. 5].

[13] Maddocks report, [p. 21].

[14] Ms Holgate, *Committee Hansard*, 13 April 2021, p. 10.

[15] Maddocks report, [p. 4].

5.18 The Maddocks review found that Australia Post uses a series of delegations issued by the Managing Director under section 93 of the APC Act (the section dealing with delegating the powers of Australia Post) to established 'its system of internal controls'. This includes the Managing Director's delegation. Maddocks noted that the Board 'has not issued any delegations expressly under section 94 of the APC Act', which deals with delegating the Board's powers. Australia Post had however issued 'policies', including a General Delegations Policy, policies on reward and recognition and policies on credit card use. The Board had also limited the Managing Director's authority 'by requiring Board approval for transactions exceeding certain amounts'.[16]

5.19 Maddocks noted that the policy document, *Delegations made by the Managing Director*, was in force at the time of the purchase of the watches. This policy stated that '[t]he Managing Director delegates the authority set out in this document severally to Australia Post employees in the specified positions pursuant to section 93 of the APC Act'. The policy also stated that Managing Director 'is authorised for card expenditure only in accordance with the applicable policy and standards of Australia Post'.[17]

Relevant policies

5.20 The Australia Post policies Maddocks considered in relation to the purchase of the watches included:

- the Group Remuneration Policy;
- the Applaud Program; and
- the Group Credit Card Policy.

Group Remuneration Policy

5.21 Maddocks considered if the watches fit into any of the categories of possible remuneration contained in the Group Remuneration Policy. The closest comparator was the Executive Short Term Incentives (STIs). These are payments used by Australia Post to reward Executive Group Managers and Group Executives 'for delivering financial performance, non-financial performance and individual leadership and safety management'. STIs are awarded based on performance over the course of a financial year in relation to set objectives. Maddocks ultimately determined that the STI provisions 'do not apply to the Watches and are implemented through a separate performance review process'. Maddocks also noted that 'three of the Watch Recipients also received STI payments in the same year as the Watches'.[18]

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[16] Maddocks report, [p. 5]. Maddocks did not report on the amount.

[17] Maddocks report, [p. 13].

[18] Maddocks report, [p. 15].

Applaud Program

5.22 The Applaud Program was in place in 2018, at the time the watches were purchased, but has since ceased. The program sought to 'recognise, and be recognised for, behaviours that demonstrated the Australia Post shared values'. It provided 'points', which could be 'redeemed to obtain a reward such as a gift card, voucher, donations, or Qantas points'. Maddocks found that the Applaud Program did not apply, and 'was used for rewards of a significantly lesser value than the Watches'.[19]

The Group Credit Card Policy

5.23 The relevant Group Credit Card Policy stated that 'a credit card is a delegation to spend up to the credit card's transaction and card limit' and that, 'in obtaining a credit card, an employee gains a delegation'. Maddocks reported that it was 'unclear whether this "delegation" articulated in the Group Credit Card Policy is a delegation that has been made by the Board under section 94 of the APC Act or by the Managing Director under section 93 of the APC Act'.[20]

5.24 The Group Credit Card Policy describes the use of a credit card 'for certain business expenses' as 'approved use'. Maddocks identified only one category of 'allowable business expenses' that the purchase of the watches may conceivably have fallen under. This category was 'other authorised business transactions not prohibited or excluded under this policy'. Maddocks stated: 'This would require the purchase of the Watches to be characterised as a "business transaction" which had been 'authorised''.[21]

5.25 Australia Post submitted the Group Credit Card Policy that was in place at the time the watches were purchased. The policy stated that corporate credit cards 'are an efficient means of paying for certain goods and services, such as travel and entertainment and general low value expenditure not available through other channels'.[22]

5.26 According to the Policy, 'it is the responsibility of the card holder's manger to monitor for correct usage'.[23] The committee understands that, when Ms Holgate was CEO and Managing Director, Mr Stanhope, as Chair of the Board, was considered to be her manager for the purposes of accountability under the

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[19] Maddocks report, [p. 15].

[20] Maddocks report, [p. 15].

[21] Maddocks report, [p. 16].

[22] Australia Post, *Group Credit Card Policy*, 26 July 2017, p. 3. The policy was in force on 21 November 2018, when the watches were purchased. The policy has since been replaced. Available at: Australia Post, Answer to follow-up written questions from Senator Kitching – policies (received 16 May 2021), [p. 3], www.aph.gov.au/DocumentStore.ashx?id=2442309f-58c1-4613-9dda-a9e5bedfaea0 (accessed 25 May 2021).

[23] Australia Post, *Group Credit Card Policy*, 26 July 2017, p. 3.

Group Credit Card Policy. This clause in the policy is not mentioned in the Maddocks report.

5.27 The credit card used to purchase the watches was a card for 'the Office of the CEO', with a limit of $150 000. Maddocks noted that the Group Credit Card Policy stated that 'the person whose name appears on the card is the only person authorised to use that credit card', and that, at that time, 'it appears that the Card Holder of the Office of the CEO credit card was the Purchaser'.[24]

5.28 Ms Holgate and others[25] have interpreted Maddocks' findings as evidence that Ms Holgate had authority to provide rewards or incentives up to $150 000 in value. This was disputed by Australia Post. The Chair, Mr Lucio Di Bartolomeo said:

> …despite Ms Holgate's assertions, she had no specific authority to spend $150,000 on individual rewards for staff. Maddocks identified no such authority in their investigation report, and their only reference to that figure was the limit on the office of the CEO credit card.[26]

5.29 However, Mr Stanhope supported Ms Holgate's testimony that the purchase of the watches was 'within her authority'. Mr Stanhope said, 'she had a delegation that she was able to exercise. There was no monetary limit put on that. She had a delegation...' Asked if he remembered the amount, Mr Stanhope said:

> I think it was a fairly large amount, like $150,000, for expenses. Whether there was a specific amount for gifts, I can't recall. Certainly, the money she spent per person was within her delegation.[27]

5.30 In relation to Australia Post policy, Maddocks concluded:

> Based on the information available, there are no specific policies or apparent controls that have been (or were in 2018) implemented by the Board regarding the giving of internal gifts, reward or recognition which is in the nature of the Watches (that is, a luxury good or service). All non-executive Board members interviewed accepted that giving of gifts in the nature of the Watches was not appropriate.[28]

5.31 It is noted that, while Australia Post had a policy in place at the time relating to Gifts, Benefits and Hospitality, it was not relevant to the purchase of the watches, as the purpose of the policy was 'to promote an ethical approach to

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[24] Maddocks report, [p. 17].

[25] See for instance: LPOGroup, *Submission 14*, p. 31.

[26] Mr Lucio Di Bartolomeo, Chair, Australia Post, *Committee Hansard*, 3 May 2021, p. 28.

[27] Mr Stanhope, *Committee Hansard*, 3 May 2021, p. 50.

[28] Maddocks report, [p. 17].

dealing with all stakeholders and to protect the reputation of [Australia Post] and its people from real or perceived influence from suppliers and customers'.[29]

5.32 Despite finding there was no policy to specifically *support* the purchase of watches as a reward for staff, Maddocks found that: 'there is no indication of dishonesty, fraud, corruption or intentional misuse of Australia Post funds by any individual involved in the matters relating to the purchase and gifting of the Cartier watches'.[30]

5.33 When questioned, Mr Di Bartolomeo confirmed: 'There were no policies that she contravened. There's no doubt about that'.[31]

5.34 Importantly, Maddocks also expressed concerns around Australia Post's 'internal controls support', questioning:

> …the adequacy of the policies or controls that have been (and were in 2018) implemented by the Board regarding:
>
> - decisions by the CEO regarding discretionary expenditure by the CEO or the Office of the CEO;
> - the approval of expenditure using the CEO credit card and the Office of the CEO credit card.
> - …[and] whether Australia Post's internal controls support…the 'efficient, effective, economical and ethical use and management' of its relevant money.[32]

5.35 The performance of the Board is discussed further in Chapter 8.

Acquittal and reporting

5.36 The credit card charges were 'signed and approved' on 31 December 2018 by the former Chief Financial Officer (CFO). Maddocks reported:

> The former CFO stated that while the presentation of the Watches was unusual, she approved the charges for the purchase of the Watches for the following reasons:
>
> (a) the purchase was within the CEO's delegation for expenditure and an invoice had been provided in accordance with standard practice
> (b) the CEO had explained to the former CFO the reason for the purchase as being recognition for the efforts of the Watch Recipients, who had delivered a significant commercial benefit to Australia Post

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[29] Australia Post, *Group Gifts, Benefits and Hospitality Policy*, 23 May 2017, p. 2. The policy was in force on 21 November 2018, when the watches were purchased. The policy has since been replaced. Available at: Australia Post, Answer to follow-up written questions from Senator Kitching - policies (received 16 May 2021), [p. 31], www.aph.gov.au/DocumentStore.ashx?id=2442309f-58c1-4613-9dda-a9e5bedfaea0 (accessed 25 May 2021).

[30] Maddocks report, [p. 5].

[31] Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 34.

[32] Maddocks report, [p. 17].

(c) the former CFO had observed the presentation of the Watches to the Watch Recipients
(d) the former CFO believed that the former Chair had a degree of understanding regarding the provision of at least a recognition award to the Watch Recipients given that, to the best of her recollection, he had provided a thank you note to the Watch Recipients and he had been briefly present during the presentation of the Watches.[33]

5.37 Maddocks noted that Australia Post paid Fringe Benefits Tax for the watches in January 2019 and that 'each of the Watch Recipients received a letter from the Head of Taxation at Australia Post setting out the Reportable Fringe Benefit Amount on their respective Watch'.[34]

5.38 Ms Holgate noted in her submission that the expenditure was 'signed off by the auditor',[35] and was known to a number of experienced personnel at Australia Post, none of whom raised concerns:

> …at no point did anyone, including Board members, auditors or anyone in the Department of Finance who regularly reviewed our accounts, raise any concerns over this choice of a gift. Two of the recipients were in the same team as the Company Secretary and the General Counsel. The General Council had worked in the organisation for over 15 years at the time. The CFO, as I recall, had worked at Australia Post for seven years. All of these people were very familiar with governance and worked closely with me and the shareholder. All supported the acquisition at the time. The annual report and accounts for this period were signed off by the current CFO and Acting CEO, Rodney Boys as well as the Board and I. Several current directors were on the Board at the time of this agreement, including Jan West, Chair of the Risk & Audit Committee, Bruce McIver, Michael Ronaldson and Deidre Wilmott.[36]

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[33] Maddocks report, [p. 20].

[34] Maddocks report, [p. 20].

[35] Ms Holgate, *Submission 5*, p. 15.

[36] Ms Holgate, *Submission 5*, p. 13.

5.39 The Department of Infrastructure, Transport, Regional Development and Communications (Department of Communications) submitted that 'the value of the Watches was reported in Australia Post's *2018–19 Annual Report'*, and that Australia Post's annual reports are:

- reviewed by the Department of Communications;
- tabled by the Minister in the Parliament;
- published on the Government Transparency Portal, and agency and organisation websites; and
- subject to review by the Australian National Audit Office.[37]

Concerns with the credit card approval process

5.40 Maddocks noted, and expressed concern, that the approval of expenses and the acquittal process for expenditure using the CEO credit card and the Office of the CEO credit card appeared 'to involve approval for such expenditure being given by the CFO, a direct report to the CEO'. Maddocks reported that the CFO approved the purchase of the watches with the Office of the CEO credit card,[38] and commented:

> …an employee in a subordinate role to the CEO appears to have been approving expenditure by the CEO using the CEO's credit card and expenditure using the Office of the CEO credit card. The risk is that, as a direct report to the CEO, the CFO may not be able to be an effective 'check and balance'. Accordingly, there is a risk that this arrangement is not 'effective' or appropriate.[39]

5.41 Mr Stanhope was asked to comment on this approval relationship. He claimed that when he began at Australia Post he was told he could not approve the CEO's expenses because he was not 'technically an employee.'[40] Mr Stanhope said:

> When I arrived that wasn't happening [the CEO's expenses being approved by the Chair]. I asked the question. I was told by the then company secretary that because I wasn't technically an employee I couldn't. So I accepted that… My recollection…is that when I started the company secretary approved the CEO's expenses. Then it moved to the CFO. I've been on boards for 30 years, in various places, and being an ex-Telstra person for a long time I'm very familiar with [GBEs]. When I arrived, it was unusual that I didn't approve the CEO's expenses. I asked the question, as you would hope I did.[41]

5.42 The current Chair, Mr Di Bartolomeo, told the committee:

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[37] Department of Infrastructure, Transport, Regional Development and Communications (Department of Communications), *Submission 16*, p. 2.

[38] Maddocks report, [p. 16].

[39] Maddocks report, [p. 16].

[40] Mr Stanhope, *Committee Hansard*, 3 May 2021, p. 49.

[41] Mr Stanhope, *Committee Hansard*, 3 May 2021, p. 50.

> [T]he CEO's expenses should be approved by the chair, which is normal practice for me and other boards that I chair. In Australia Post the practice had been that the CEO's expenses were approved by the CFO—inappropriate.[42]

5.43 Significantly, the Maddocks review concluded that there did not 'appear to be an adequate policy or mechanism for the acquittal or authorisation of discretionary expenditure by the CEO or the Office of the CEO, including expenditure incurred on Australia Post credit cards'.[43]

5.44 The committee notes that Australia Post has since conducted a review into its 'control environment relating to credit cards, conflicts of interests, and gifts, benefits and hospitality'. The review identified 32 recommendations for improvements. One of the recommendations, which has already been actioned, was that credit card transactions of the Group CEO and Managing Director are now 'reviewed and signed off by [the] Chair', and that a report on credit card expenses will be provided to the Board every six months.[44]

The PGPA Act

5.45 The PGPA Act requires Australia Post's Board, as the accountable authority, to 'govern the entity in a way that…promotes the proper use and management of public resources for which the authority is responsible'.[45] Guidance to the PGPA Rule clarifies that 'proper use' means 'the efficient, effective, economical and ethical use of the money'.[46]

5.46 The Maddocks review found that:

> The purchase of the Cartier watches was inconsistent with the obligation imposed by the PGPA Act on the Board relating to the proper use and management of public resources (section [15(a)] of the PGPA Act) and was inconsistent with public expectations in relation to the use of public resources due to:
>
> (a) the absence of a clearly identifiable and directly applicable policy, authorisation, direction or accountable authority instruction issued by the Board that supported the expenditure
> (b) the unanimous view of the non-executive Board members interviewed that they would not have approved the purchase of the Cartier watches

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42 Mr Di Bartolomeo, *Committee Hansard*, 3 May 2021, p. 34.

43 Maddocks report, [p. 17].

44 Department of Communications, Answer to questions on notice number 157, Senate Environment and Communications References Committee Additional Estimates, 23 March 2021, (received 19 May 2021), pp. 0–1.

45 Section 15, *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

46 See guide to Section 18, *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule).

(c) a technical breach of section 18 of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule), which is partly the result of the issue in paragraph (a) above

(d) expenditure using the Office of the CEO credit card being approved by the Chief Financial Officer, a role subordinate to the Group CEO & Managing Director, being inconsistent with the requirement in section 16 of the PGPA Act that the Board, as the accountable authority, establish and maintain an appropriate system of internal control for Australia Post.[47]

5.47 To be fully compliant with the PGPA Act, *any approval* to spend Australia Post's funds must be 'recorded in writing' and 'approved (and recorded) consistently with any delegation, authorisation, direction or accountable authority instruction issued by the Board'. Maddocks did not identify any 'written approval of a commitment of expenditure given by the Board or an individual Board member' for the watches, or 'any relevant policy authorising…the expenditure'. Maddocks said this was 'indicative of [a] gap in the internal controls framework required to be established by the Board'.[48]

5.48 Mr Andrew Jaggers, Deputy Secretary at the Department of Finance, stated that Maddocks had found the provision of Cartier watches as a reward 'had been a technical breach [of the APC Act]' and was 'inconsistent with the PGPA Act',[49] because:

> Spending under the PGPA Act has to be for a purpose that is an agreed purpose. I think the Maddocks report is pretty clear that there was no such proper purpose for this spending…[50]

5.49 Each 'accountable authority' is responsible, Mr Jaggers explained, to 'make sure the spending is for the purpose that is agreed to'.[51] Mr Jaggers also stated that the PGPA Act:

> …doesn't set out a list of things that are okay and a list of things that are not okay…it's a matter of judgement, and it's a matter of judgement by the accountable authority at the time to ensure that it's a proper use and it's being used for the business purpose of that organisation. I couldn't pass judgement on particular items, but I would say that the proper use is a decision of the accountable authority.[52]

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47 Maddocks report, [pp. 5–6].

48 Maddocks report, [p. 12].

49 Mr Andrew Jaggers, Deputy Secretary, Commercial and Government Services, Department of Finance, *Committee Hansard*, 27 April 2021, p. 70.

50 Mr Jaggers, *Committee Hansard*, 27 April 2021, p. 75.

51 Mr Jaggers, *Committee Hansard*, 27 April 2021, p. 76.

52 Mr Jaggers, *Committee Hansard*, 27 April 2021, p. 70.

5.50 Maddocks found there was 'a tacit acceptance' among Australia Post Directors and officials that the purchase and awarding of the watches 'was not consistent with public expectations of board members and executives of [Corporate Commonwealth Entities] and GBEs in their management of the enterprise'.[53]

5.51 Mr Jaggers reported that, following the revelations about the watches, government business enterprises were asked to review their policies, processes and procedures in relation to gifts and rewards.[54] In particular, Australia Post was 'given some directions or requests to tighten up their performance and their governance arrangements'.[55]

5.52 The Department of Communications submitted that the government 'instructed the Board to review and update Australia Post's internal governance arrangements and financial controls to ensure compliance with its legislative obligations and reflect public expectations'. The Department reported that Australia Post conducted a review, 'identified areas for strengthening controls in relation to credit cards, conflicts of interests, and gifts, benefits and hospitality'.[56] As previously noted, many of the 32 recommendations arising from the internal review have been actioned.[57]

5.53 Chapter 8 of this report includes further discussion on the Australia Post Board and its accountabilities.

Public expectations

5.54 There was general agreement among inquiry participants that the provision of Cartier watches to already highly-paid executives did not meet public expectations in terms of how a publicly-owned commercial entity should function.

5.55 Ms Brooke Muscat, from the Community and Public Sector Union, told the committee that, despite reversing its initial position that Ms Holgate should step down over the watches, the union maintains:

> …it was an opulent gift at a time when low-paid workers could barely pay their bills and bargaining had stopped and started and stopped and started,

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53 Maddocks report, [p. 24].

54 Mr Jaggers, *Committee Hansard*, 27 April 2021, p. 70.

55 Mr Jaggers, *Committee Hansard*, 27 April 2021, p. 75.

56 Department of Communications, *Submission 16*, p. 2.

57 Department of Communications, Answer to questions on notice number 157, Senate Environment and Communications References Committee Additional Estimates, 23 March 2021 (received 19 May 2021).

> and now our members have had to face a pay freeze for a very long period of time.[58]

5.56 Mr Di Bartolomeo said he saw 'the purchase of the watches as an error of judgement made in good faith'.[59] He said the purchase of Cartier watches was 'the wrong call', but Ms Holgate's decision 'did not deserve the intensely critical and very public unilateral external condemnation'.[60]

5.57 Not everyone was critical of the purchase. The Licenced Post Office Group (LPOGroup) submitted that licensees 'do not find any credibility to the claims that the 'pub test' says that the awards are in any way, appalling or disgraceful, or a waste of taxpayer money'.[61]

5.58 Ms Holgate's submission included emails she had received from many members of the public praising her work at Australia Post. Most expressed the view that purchase of the watches had been blown out of proportion. One former senior executive of BHP Steel said that he had 'often handed out very expensive Omega watches when my subordinates had 25 years of service or given bonuses to employees for [exceptional] performance or business results'.[62]

5.59 In her resignation statement, Ms Holgate has said she regrets the decision has become a distraction:

> …I deeply regret that a decision made two years ago, which was supported by the Chair, to recognise the outstanding work of four employees has caused so much debate and distraction and I appreciate the optics of the gifts involved do not pass the 'pub test' for many.[63]

5.60 However, Ms Holgate has also defended her decision to reward the recipients:

> Am I proud of the moment that I gave those people recognition for working 24 hours a day? I think that's what you would want your CEO to do… I probably might buy them a Seiko watch in future, but I hope I never step away from recognising and rewarding outstanding people.[64]

Committee view

5.61 The committee notes that the purchase of the four watches was in recognition of the highly significant Bank@Post refresh, which Australia Post submitted has

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[58] Ms Brooke Muscat, Deputy National President, Community and Public Sector Union, *Committee Hansard*, 27 April 2021, p. 12.

[59] Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 33.

[60] Mr Di Bartolomeo, *Committee Hansard*, 3 May 2021, p. 29.

[61] LPOGroup, *Submission 14*, p. 31.

[62] Ms Holgate, *Submission 5*, p. 152.

[63] Appendix 2 (Offer to resign), Ms Holgate, *Submission 5*, p. 65.

[64] Ms Holgate, *Committee Hansard*, 13 April 2021, pp. 20–21.

increased revenues by approximately $216 million over four years.[65] The committee also notes the significant flow on benefits that the Bank@Post deal has had for licenced post offices across the country.

5.62 Nevertheless, the committee is in broad agreement that the decision to give Cartier watches to already highly paid executives as a reward for securing the Bank@Post deal was regrettable. The committee notes that this point has been acknowledged by Ms Holgate.

5.63 It is completely understandable that average working Australians, many of whom have struggled financially during the pandemic, would consider it as inappropriate for someone who earns over $300 000 per annum to be further rewarded with a $5000 watch.

5.64 However, the committee is also of the view that the subsequent treatment of Ms Holgate for her regrettable decision, by both the government and certain representatives of Australia Post, was entirely disproportionate. Especially given that these purchases were widely known about and evidence was put to the committee by the former Chair, Mr Stanhope that the purchase was 'within her authority'. Mr Stanhope said, 'she had a delegation that she was able to exercise. There was no monetary limit put on that. She had a delegation...' However, this context was not explained at the time. The subsequent treatment of Ms Holgate is discussed further in Chapters 6 and 7.

5.65 The committee also supports the calls for Australia Post, and other corporate government entities, to adopt more responsible and economical gift, reward and recognition policies that demonstrate a genuine understanding of the fact that their resources ultimately belong to the people of Australia.

5.66 The committee notes the steps Australia Post has taken to improve its internal controls and approval processes, but notes that it has not made any changes to its remuneration structure, which incorporates generous bonuses for senior staff and other highly paid staff, as discussed below.

Comparison with other bonuses, rewards and remuneration

Executive remuneration and bonuses

5.67 The provision of Cartier watches to executives as a reward for hard work caused considerable public disapproval when it was revealed in Estimates in October 2020. However, many participants in the inquiry submitted that the watches, worth between $2000 and $5000, were of little consequence in comparison with other executive bonuses and remuneration across Australia Post and other Commonwealth enterprises.

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[65] Australia Post, *Submission 3*, p. 15.

5.68 As an example, Mr Shane Murphy, from the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia (CEPU), said that in 2020-21 'corporate bonuses' of $77 million were paid to executives at NBN Co 'during the pandemic and the size of their employed workforce is one-sixth of Australia Post'.[66]

5.69 Mr Murphy also said that STI payments given to executives at Australia Post during 2019—around $1 million to Ms Holgate and half a million each to a number of other senior executives[67]—were 'absolutely disgraceful', adding:

> …when you compare those extraordinary numbers, of hundreds of thousands of dollars in bonuses, the extraordinary bonuses paid to NBN in another government business enterprise—you've got to compare the apples with the apples.[68]

5.70 Mr Di Bartolomeo was asked about the STIs and argued that executives at Australia Post 'don't receive bonuses'. The Chair said the STIs are part of their 'remuneration package', are based on performance, and form part of formal contractual arrangements; executives 'have a fixed amount and another amount that's available depending on performance'.[69]

5.71 Figure 5.2 below shows the STIs paid to Australia Post executives in 2018, the year the watches were purchased.

Figure 5.2 Australia Post 2018 financial year individual STI awards (unaudited)

		STI award non-deferred		STI award deferred		STI award total	
Name	Role	% of STI award	$	% of STI award	$	% of FAR	$
Christine Holgate[1]	GCEO&MD	75%	$515,625	25%	$171,875	75%	$687,500
Robert Black	Group Chief Operating Officer	92%	$885,500	8%	$80,500	84%	$966,000
Christopher Blake	EGM Corporate Services	100%	$612,000	0%	$0	77%	$612,000
Christine Corbett	EGM Community & Consumer (Acting)	100%	$669,375	0%	$0	77%	$669,375
Janelle Hopkins	Group Chief Financial Officer	92%	$635,250	8%	$57,750	84%	$693,000
Gary Starr[2]	EGM Business & Government	90%	$313,691	10%	$33,611	72%	$347,302
Andrew Walduck	EGM Product & Innovation (Acting)	100%	$631,125	0%	$0	77%	$631,125

1. STI award pro rata to time in role.
2. Two thirds of STI award based on previous role.

Source: Australia Post, Remuneration Report 2018, p. 9. FAR = Fixed Annual Remuneration.

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66 Mr Shane Murphy, National Divisional President, Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia (CEPU), *Committee Hansard*, 27 April 2021, p. 5. The committee notes the $77 million figure actually included all bonuses paid to all NBN employees and contractors in 2020, not just executives.

67 Australia Post, *Annual Report 2019*, p. 74, auspost.com.au/content/dam/auspost_corp/media/documents/publications/2019-australia-post-annual-report.pdf (accessed 25 May 2020).

68 Mr Murphy, *Committee Hansard*, 27 April 2021, p. 16.

69 Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 52.

5.72 The CEPU was asked to confirm that Australia Post workers also got a bonus during the pandemic. Mr Murphy said:

> As part of the [Memorandum of Understanding] and discussions with Australia post…because the federal government wage freeze couldn't award workers a wage rise while they were working during the pandemic and they [were] paid a one per cent bonus, but far short of the value of a Cartier watch or a payment to executives of hundreds of thousands of dollars… We got a one per cent bonus… About $500 to $600.[70]

Bonuses across the Commonwealth

5.73 Many Commonwealth agencies paid bonuses to their executives during the pandemic. Four days after Ms Holgate resigned, *The Sydney Morning Herald* published an analysis of the annual reports of 142 government entities, 'including departments, statutory authorities and government businesses', based on figures from their 2019–20 annual reports. The analysis revealed that 'a quarter of them paid bonuses to their top executive teams, for a total of more than $12.8 million'.[71]

5.74 Twenty seven executives from these government entities were paid more than $100 000 'on top of their fixed pay'. The entities paying the highest bonuses were: NBN Co, Snowy Hydro, the Future Fund, the Commonwealth Superannuation Corporation, Western Sydney Airport developer WSA Co, CSIRO, submarine builders ASC, and the Australian Nuclear Science and Technology Organisation.

5.75 While many entities chose to show restraint during the pandemic, reducing executive bonuses by up to 20 per cent, the 'average bonus paid across all entities that used them was $96,391—one-fifth of the base pay—and the median was $45,777'.[72]

Performance Bonus Review

5.76 On 12 November 2020, the Prime Minister agreed to a review of existing performance bonus arrangements for SES-level Australian Public Service (APS) employees, as well as officials of corporate Commonwealth entities and Commonwealth companies. The Review is being conducted by the Secretary of

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[70] Mr Murphy, CEPU, *Committee Hansard*, 27 April 2021, p. 16.

[71] Katina Curtis, 'Government executives share in $12.8m of bonuses during public servant pay freeze', *The Sydney Morning Herald*, 6 November 2020, www.smh.com.au/politics/federal/government-executives-share-in-12-8m-of-bonuses-during-public-servant-pay-freeze-20201105-p56buc.html (accessed 25 May 2021). Note: these figures include short term incentive (STI) payments, which are not seen as 'a bonus' by some.

[72] Katina Curtis, 'Government executives share in $12.8m of bonuses during public servant pay freeze', *The Sydney Morning Herald*, 6 November 2020.

the Department of the Prime Minister and Cabinet, the Secretary of the Department of Finance and the Australian Public Service Commissioner.[73]

5.77 The review looked primarily at 2018–19 data, as data from 2019–20 was considered to be atypical. Based on this data, 74 Commonwealth entities 'were identified as paying performance bonuses, and fifty-five of these were in scope for the review'. Key findings from the review were:

- Performance bonuses are uncommon across Commonwealth employers and even less so in APS entities.
- Performance bonus arrangements are most frequently used by Government Business Enterprises (GBEs), regulatory entities and other entities that operate in the financial sector.
- Commonwealth entities use performance bonuses in a variety of ways.
- There are generally strong governance arrangements supporting performance bonus arrangements in the form of policy, multiple levels of decision-making and reporting.
- There are inconsistencies in how Commonwealth entities report bonuses and in their decision-making processes.

Analysis of the 2019–20 figures 'validated these findings', but fewer entities paid bonuses that year, due to the pandemic. [74]

5.78 The figures below provide a breakdown of the bonuses paid by the top paying entities in financial year 2018–19. The figures are separated into the following categories:

- Key Management Personnel—Includes Secretaries, Chief Executive Officers (CEO), Deputy CEOs, Managing Directors, Senior Counsel, Company Secretaries, Chief Operating Officers. Staff under the Remuneration Tribunal's jurisdiction may fall under this category.
- Senior Executives—An official other than Key Management Personnel, who is responsible for making decisions or having substantial input into decision making. This includes Senior Executive Service classifications under the Public Service Classification Rules 2000.
- Other Highly Paid Staff—Employees with total accrued remuneration packages above $220,000 in 2018–19.[75]

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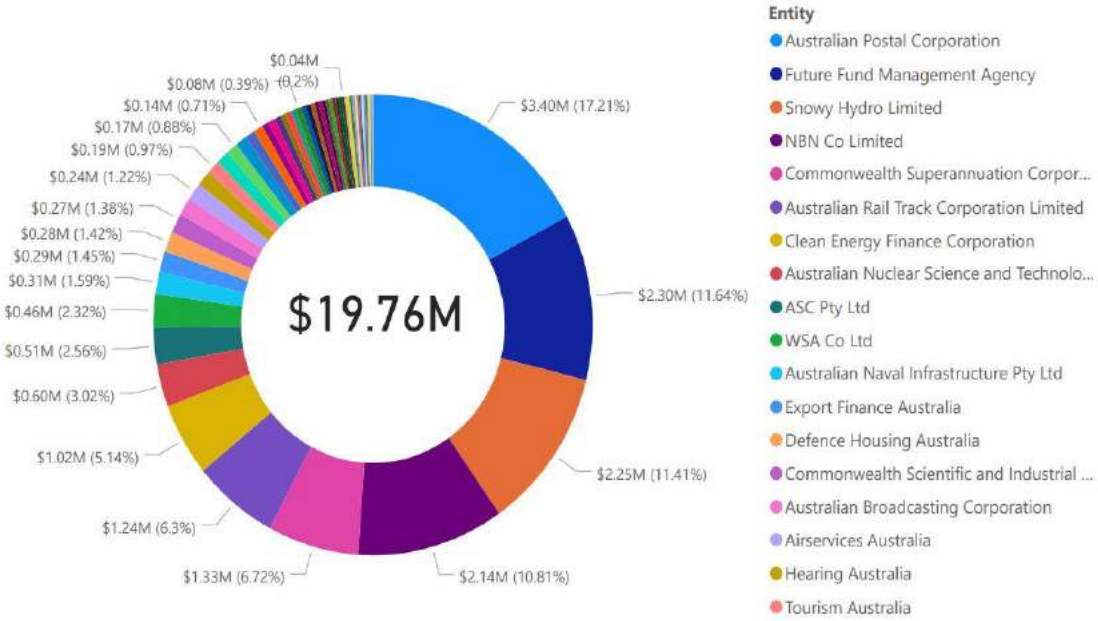
[73] Australian Public Service Commission (APSC), *Performance bonus review—Interim report*, 25 March 2021, www.apsc.gov.au/publication/performance-bonus-review-interim-report (accessed 25 May 2021).

[74] APSC, *Performance bonus review—Interim report*, 25 March 2021, p. 4.

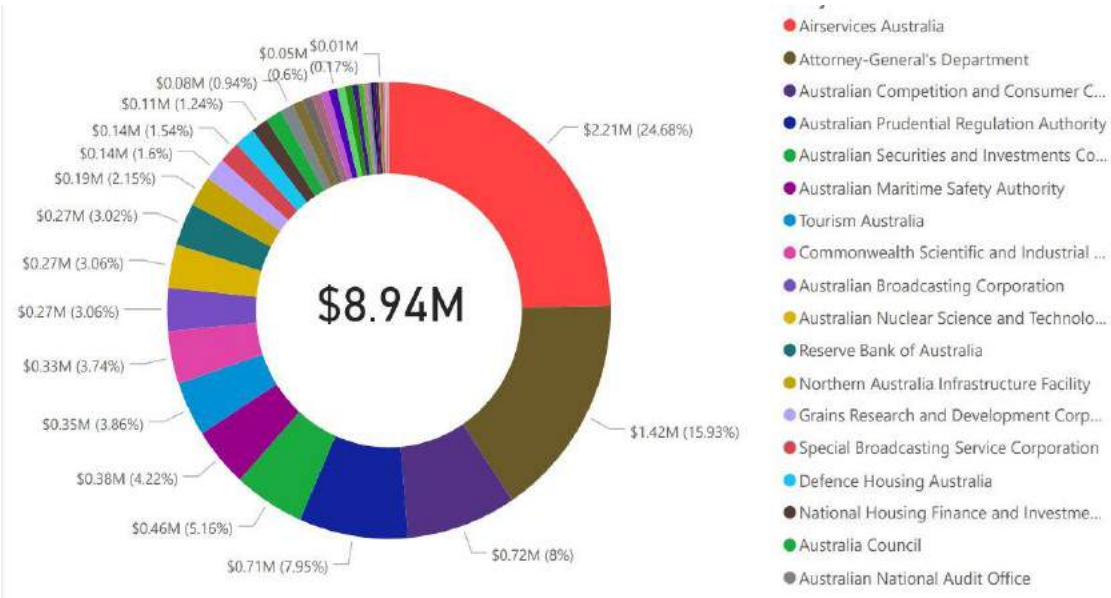
[75] APSC, *Performance bonus review—Interim report*, 25 March 2021, p. 5.

Figure 5.3 Key management personnel bonuses paid in 2018–19 by entity



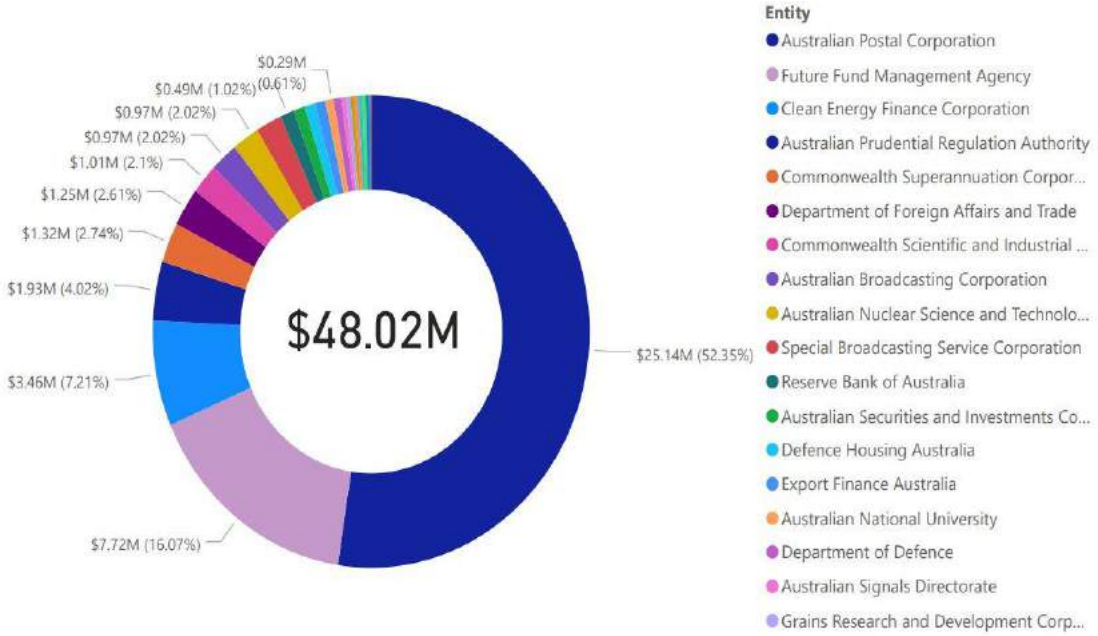
Source: APSC, Performance bonus review–Interim report, 25 March 2021, p. 24.

Figure 5.4 Senior executive bonuses paid in 2018–19 by entity



Source: APSC, Performance bonus review–Interim report, 25 March 2021, p. 24.

Figure 5.5 Other highly paid staff bonuses paid in 2018–19 by entity



Source: APSC, Performance bonus review–Interim report, 25 March 2021, p. 24.

5.79 In relation to Australia Post specifically, the review noted that, while Australia Post did not pay bonuses to Key Management Personnel (including Senior Executives) in 2019–20, it increased:

> …the quantum of bonuses paid to Other Highly Paid Staff in 2019–20 to $35.3 million, an increase of $10.1 million on the previous year. These bonus payments represent almost half of the $76.2 million total of bonuses reported [across all entities] in 2019–20.

The number of highly paid staff at Australia Post remained virtually the same, at around 500.[76]

Recommendations of the review

5.80 The review's interim report recommended that guidance for accountable authorities should be developed that would take into account 'the various governance arrangements of entities including that some entities operate in a commercial environment'. The guidance would reinforce that 'Commonwealth entities have a responsibility to the Parliament and the Australian public and should act in line with community expectations, regardless of their level of independence from the Government'.[77]

5.81 The interim report also recommended strengthening transparency 'through ongoing enhancements to the Transparency Portal and refining guidance to increase accuracy and consistency of entity reporting'.

[76] APSC, *Performance bonus review—Interim report*, 25 March 2021, pp. 11–12.

[77] APSC, *Performance bonus review—Interim report*, 25 March 2021, p. 4.

The Hon Ben Morton MP, then Assistant Minister to the Minister for the Public Service, agreed to the two recommendations of the interim report.[78]

Comparison of CEO remuneration

5.82 The Department of Communications submitted that, in February 2017, following the resignation of former CEO, Mr Ahmed Fahour, the government 'placed the pay of Australia Post's CEO under the oversight of the Remuneration Tribunal'. An independent statutory authority established under the *Remuneration Tribunal Act 1973*, the Remuneration Tribunal sets the level of remuneration for Directors of the Australia Post Board.[79]

5.83 The Board has a level of discretion to vary the CEO's remuneration. However, this is only 'from 10 per cent below to 5 per cent above the base salary determined by the Tribunal'. Ms Holgate's base annual salary in 2019–20 was $1.416 million. The Tribunal allowed an additional 'performance-based short term incentives component of up to an additional 100 per cent'.[80]

5.84 Ms Holgate provided the following analysis comparing total remuneration she received as CEO of Australia Post, against that paid to previous CEO, Mr Fahour in 2017, and that paid to Mr Stephen Rue, CEO of the National Broadband Network.

Figure 5.6 Comparison of CEO remuneration

Name	Job Title	Revenue of organisation	Year	Base $M	STI $M	STI Deferral* $M	LTI $M	Non Monetary $M	Super Contribution $M	LSL $M	Total $M
A Fahour	CEO Australia Post	$6.6bn	2017	2.040	2.175	0.733	4.00**	0.1	1.75	0.04	$10.84
C Holgate	CEO Australia Post	$7bn	2019	1.441	0.83	0.22			0.02	0.05	$2.56
C Holgate	CEO Australia Post	$7.5bn	2020	1,417		0.14			0.02	0.04	$1.61
S Rue	CEO NBN	$3.8bn	2020	1.865	1.777	***			0.02	0.09	$3.150

Source: Ms Holgate, Submission 5, p. 16. Data provided to Ms Holgate by Australia Post in preparation for Senate Estimates. STI = short term incentives. LTI = long term incentives. LSL = long service leave.

5.85 Ms Holgate acknowledges there was significant public and political pressure to reduce remuneration for the CEO of Australia Post in line with Mr Fahour's exit from the organisation, but also notes:

> Considering the significant complexity of the role leading an organisation of the size of Australia Post and my personal performance against targets set

[78] See website: APSC, *Performance bonus review—Interim report*, 25 March 2021.

[79] Department of Communications, *Submission 16*, p. 3.

[80] Department of Communications, *Submission 16*, p. 3.

> by the Board, the major variances with my own remuneration compared to my male colleagues, who led smaller businesses, demonstrates a significant issue. My remuneration in 2019 & 2020 was not just much lower than my predecessor, or my peer at NBN, it was lower than that of the male CEO leading Australia Post in 2008.[81]

Gifts and rewards under the previous CEO

5.86 A number of submitters, including the LPOGroup and Ms Holgate, said that gifts and rewards provided under the leadership of Mr Fahour had been much more significant, making the watches seem comparatively 'modest'.[82]

5.87 One of the watch recipients reportedly told Ms Holgate they had 'received a $50,000 bonus under a previous CEO'. Other employees told Ms Holgate that people had 'received watches for great performance for many years at Australia Post', that 'some had received cars and others spoke about trips to the Olympics paid for by the organisation'.[83]

5.88 Australia Post was asked to investigate these claims, and conducted a 'quick search'. The search identified 'a small number of non-financial rewards or gifts' provided while Mr Fahour was CEO. Australia Post determined that 'the provision of significant non-financial incentives [was not] a business as usual practice' under Mr Fahour's leadership.[84] However, the review did identify the following examples.

Pens and smart watches

5.89 A pen worth $2400 was purchased in August 2012 as a 'farewell gift given to Australia Post's then Chair'. Six $579 smartwatches were purchased in May/June 2015, which 'may have been given to senior executives as gifts or as workplace communication devices'; and a $1108 pen was purchased pen in July 2017, which 'appears to have been a farewell gift given to [an unidentified] staff member'.[85]

5.90 Mr Stanhope confirmed that, when he retired, he 'received a Montblanc pen', which he understood to have been approved by the Board as a 'gift'. Mr Stanhope said the pen was 'probably worth a couple of thousand dollars'.[86]

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81 Ms Holgate, *Submission 5*, p. 16.

82 Ms Holgate, *Submission 5*, p. 16.

83 Ms Holgate, *Submission 5*, pp. 16–17.

84 Australia Post, Answers to questions taken on notice at the public hearing in Canberra, 13 April 2021 (received 24 April 2021), p. 2.

85 Australia Post, Answers to questions taken on notice at the public hearing in Canberra, 13 April 2021 (received 24 April 2021), p. 1.

86 Mr Stanhope, *Committee Hansard*, 3 May 2021, p. 52.

Tickets to the London Olympics

5.91 Australia Post provided on notice detailed information surrounding the staff 'trips to the Olympics', funded under Mr Fahour.

5.92 The response confirmed that eleven Australia Post staff members attended the 2012 London Olympic Games, 'including three Australia Post staff members who worked in the Athletes' Village Post Office delivering mail to the Australian Olympic team'. The approximate spend on accommodation and airfares was:

- accommodation, $150,000; and
- airfares, $130,000.[87]

5.93 Australia Post staff stayed at the Sofitel St James in London, where other Australian corporate sponsors stayed, including Qantas. Approximate costs per person, per night, were $400, including taxes and breakfast.[88]

A 'culture' that rewards gift-giving?

5.94 Mr Stanhope was asked if there was 'a culture of excessive gift giving when [he was] the chair of Australia Post'. Mr Stanhope responded, 'I would say not'.[89]

5.95 When asked to confirm during a public hearing that the provision of non-financial incentives by senior executives at Australia Post was 'business as usual', and this was 'not a unique situation', Mr Di Bartolomeo replied; 'I think the value of these gifts is a unique situation, but, you're right…'[90]

5.96 During the course of the inquiry, Australia Post held an event, which became the subject of questioning at a public hearing. The event was the 'Community and Consumer Leadership Awards event–known as the 'Isaacs'.

5.97 Australia Post submitted that the event, named after Mr Isaac Nichols, the first Postmaster of the Australian postal service:

> …recognises the work of our frontline and operational staff (ie post office, customer contact centre, and operations-focused office employees (eg marketing, digital and data), and over 90% of attendees at the event were frontline and operational staff.[91]

5.98 Australia Post maintained that the event, which cost approximately $360 000 excluding GST, 'builds engagement and collaboration across a large & diverse business unit with a diverse range of stakeholders and responsibilities'. Of the

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87 Australia Post: 2012 Olympic Games (Question No. 2157), *Senate Hansard*, 30 October 2021, p. 8537.

88 Australia Post: 2012 Olympic Games (Question No. 2157), *Senate Hansard*, 30 October 2021, p. 8537.

89 Mr Stanhope, *Committee Hansard*, 3 May 2021, p. 52.

90 Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 34.

91 Australia Post, answers to questions taken on notice at the public hearing on 3 May 2021 (received 13 May 2021), Document 13, p. 2.

$360 000, 'approximately a quarter was for food, beverage and theming, and approximately half was for audio visual arrangements and equipment hire'.[92]

Committee view

5.99 The committee notes evidence suggesting a historical culture of gift-giving and rewards for senior staff at Australia Post. While GBEs gifting $2000 pens to retiring Chairs is to be discouraged, simply introducing a ban on non-monetary rewards and incentives will not change the culture within these government businesses.

5.100 Even more concerning to this committee is the sheer magnitude of bonuses and incentives paid to executives, senior managers, and other highly paid staff across the Commonwealth. According to the government's *Performance bonus review—Interim report*, Australia Post alone paid bonuses of $35.3 million to around 500 'other highly paid staff' in 2019–20—the financial year that ended in the midst of the pandemic—up $10.1 million from the previous year.[93]

5.101 Even during the pandemic and associated lockdowns of early 2020, a number of Commonwealth entities paid millions in executive bonuses. NBN Co's CEO, Mr Stephen Rue, was the highest paid government executive, at more than $3 million, including a $1.17 million bonus. Another $2.9 million in bonuses was shared between the other NBN Co senior executives.[94]

5.102 The terms of reference asked the committee to consider how the purchase of the watches compared with bonuses and gifts at Australia Post and other corporate government entities, such as the National Broadband Network. The interim report of the government's Performance Bonus Review shows that the use of bonuses is a significant issue across the Commonwealth.

Recommendation 2

5.103 The committee recommends that the Australian Government strengthen the Performance Bonus Review (the Review) into Commonwealth entities by consulting with a wider selection of stakeholders and canvassing public opinion. The Review should seek to reform the way bonuses are used by Commonwealth entities to ensure the remuneration practices of these entities meet public expectations and conform to the *Public Governance, Performance and Accountability Act 2013*.

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92 Australia Post, answers to questions taken on notice at the public hearing on 3 May 2021 (received 13 May 2021), Document 13, p. 2.

93 APSC, *Performance bonus review—Interim report*, 25 March 2021, pp. 11–12.

94 Katina Curtis, 'Government executives share in $12.8m of bonuses during public servant pay freeze', *The Sydney Morning Herald*, 6 November 2020. The committee notes that NBN Co's annual 2019–20 report states that 'the pay of staff and executives will be frozen in 2020–21 in light of the pandemic'.

5.104 In this context, committee members question the *degree* of moral outrage initially directed towards Ms Holgate for the purchase of four Cartier watches in 2018. As discussed in the next chapter, the Prime Minister's excessively strong criticism of Ms Holgate during Question Time on 22 October 2020 was a significant contributor to the intensity of the initial public response.

5.105 The committee notes the findings of the Maddocks review, commissioned by the Shareholder Ministers. The review cleared Ms Holgate of any 'dishonesty, fraud, corruption or intentional misuse of Australia Post funds'.[95] The committee notes also that Ms Holgate did not personally benefit from the purchase of the watches.

5.106 Maddocks identified a 'technical breach' of the guidelines imposed by the PGPA Act—that all spending should be approved by the Board, or a delegated authority, or authorised under a specific policy issued by the Board, and approval should be recorded in writing.[96] However, Maddocks also found that the purchase of the watches followed the usual processes in place for CEO credit card purchases at the time.

5.107 The facts that there were no applicable policies in place, and that the approval and acquittal processes were non-compliant,[97] are indicative of a failure of the *whole Board*, as elaborated in Chapter 8.

5.108 Among other matters, the following chapters of this report consider *why* Ms Holgate is the only member of the Board who has been held to account for these failings.

Recommendation 3

5.109 The committee recommends that the Australian Government conduct a review into the expenditure of corporate Commonwealth entities focussing on incentive payments, rewards, gifts and other discretionary expenditure, including short and long term incentives and other payments to highly paid staff, to ensure they meet public expectations and conform to the requirements of *Public Governance, Performance and Accountability Act 2013*.

[95] Maddocks report, [p. 5].

[96] Maddocks report, [p. 12].

[97] Maddocks report, [p. 12].

Chapter 6
The standing aside of Ms Holgate

6.1 Ms Christine Holgate stood aside, or was made to stand aside, from her position as Group Chief Executive Officer and Managing Director (CEO) of Australia Post on 22 October 2020.

6.2 This chapter looks in detail at the issues surrounding Ms Holgate's standing aside, including:

- whether or not Ms Holgate agreed to stand aside;
- the actions of the Australia Post Board, the Chair, Mr Lucio Di Bartolomeo, and other Directors, on the day;
- the involvement of the Prime Minister and Shareholder Ministers in Ms Holgate's standing aside; and
- the legality of the standing aside.

6.3 After considering these factors, the chapter goes on to discuss the wider implications of what happened to Ms Holgate. It asks if the case could have implications for the application of disciplinary processes for employees at other levels, and considers the role of government entities in 'setting an example' for workplaces in the private sector. It also considers suggestions that Ms Holgate's treatment amounts to bullying; and it looks at how the way Ms Holgate was treated may have been related to or affected by her gender.

6.4 The chapter includes the committee's view and recommendations.

Did Ms Holgate *agree* to stand aside?

6.5 Evidence received by the committee on this question was contradictory.

6.6 Ms Holgate maintained that she did not agree to stand aside at any point. Instead, Ms Holgate said that she offered to take annual leave while the investigation was conducted, and that she did not believe she should stand aside as she had 'done no wrong'.[1]

6.7 The Chair of Australia Post, Mr Lucio Di Bartolomeo, told the committee on 13 April 2021 that he spoke with Ms Holgate twice while she was travelling home to Sydney from Canberra by car after her Senate Estimates appearance on 22 October 2020. According to the Chair, during the second conversation, Ms Holgate reluctantly agreed to stand aside. Mr Di Bartolomeo's evidence from 13 April 2021 is quoted in full:

> While we had earlier discussions that day with Ms Holgate, it was relaying to her the discussion I'd had with the ministers, but, at that point, I was

[1] Ms Christine Holgate, *Submission 5*, p. 77.

> effectively talking to Ms Holgate about the board's desire that she stand aside during the course of this four-week investigation.
>
> Senator HANSON-YOUNG: But she never responded to you, did she?
>
> Senator HENDERSON: So you've expressed the board's desire that she stand aside. What was her response to you?
>
> Mr Di Bartolomeo: The initial response was that she did not want to stand aside.
>
> Senator HENDERSON: That was in the first phone call?
>
> Mr Di Bartolomeo: Yes, the first phone call.
>
> Senator HENDERSON: The one at 4.27 pm?
>
> Mr Di Bartolomeo: At 4.27 pm. The starting point of the second one was much the same.
>
> Senator HENDERSON: The starting point—that's of the phone call at 5.50 pm?
>
> Mr Di Bartolomeo: At 5.50. Then a discussion took place about taking leave. At the end of that I said, 'These aren't going to work,' and my strong advice to her was that she stand aside and that it would be in her best interests.
>
> Senator HENDERSON: What was her response when you said that?
>
> Mr Di Bartolomeo: She agreed to that.
>
> Senator HENDERSON: What was the form of her words that she used?
>
> Mr Di Bartolomeo: I don't recall the exact words. I'm not—
>
> Senator HENDERSON: So there was a lot of toing and froing, but at—
>
> Mr Di Bartolomeo: There was a lot of toing and froing, but ultimately she agreed—she reluctantly agreed—that she would stand aside.[2]

6.8 In contrast, Ms Holgate submitted that, not only did she *not agree* to stand aside during the phone call at 5.50 pm, she did not even speak to the Chair, having passed her phone to Ms Susan (Sue) Davies, Executive General Manager, People and Culture at Australia Post, who was travelling back to Sydney from Canberra with Ms Holgate on the afternoon of 22 October 2020.[3]

6.9 Earlier evidence provided by Mr Di Bartolomeo appears contradictory to his testimony on 13 April 2021. At Senate Estimates on 9 November 2020, the Chair was asked if he and Ms Holgate had come a decision that she should stand aside 'mutually', or if it was 'more of a case of relaying what the minister had said'. Mr Di Bartolomeo replied: 'We had a number of conversations that afternoon, and the concluding position was that she would stand aside'. Mr Di Bartolomeo was

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[2] Mr Lucio Di Bartolomeo, Chair, Australia Post, *Committee Hansard*, 13 April 2021, p. 54.

[3] Ms Christine Holgate, Response to Australia Post submission and subsequent announcements, tabled by Ms Holgate (Response to Australia Post submission), 13 April 2021, p. 4, www.aph.gov.au/DocumentStore.ashx?id=3f8c9832-0c62-4c72-85b8-228867290ca9 (accessed 25 May 2021).

asked if this was because 'that was what the minister wanted'. The Chair replied: 'It was a consideration.'[4]

6.10 Then, during his Additional Estimates appearance on 23 March 2021, Mr Di Bartolomeo said:

> The board ***elected to stand Christine Holgate aside*** on the afternoon of 22 October [2020] on the basis that the shareholders had asked the department to undertake an investigation of the matters that had come to light in Senate estimates earlier that day. [emphasis added][5]

6.11 During the 9 November 2020 appearance, Mr Di Bartolomeo also said that Minister Fletcher 'was thinking of ***asking me*** to conduct an investigation' [emphasis added] into the purchase of the watches, and that 'he felt that Christine should stand aside while an investigation took place'. In later evidence, Mr Di Bartolomeo simply states that the Minister informed him that Shareholder Departments were to conduct an investigation.[6]

6.12 As a key witness to the events, Ms Davies was initially invited by the committee to give evidence, and ultimately summoned to appear. Ms Davies was asked if she believed Ms Holgate had agreed to stand aside, and responded: 'I didn't hear a conversation where Christine agreed to stand aside. I did hear conversations where that was discussed, but I never heard her agree to do that'.[7]

6.13 Ms Davies stated that Ms Holgate spent a significant amount of time on the phone with, and sending written communications to, Board Director, Mr Tony Nutt, with whom Ms Holgate was 'working on a statement'. Ms Holgate 'was wanting to take some leave, but she was still quite adamant that she didn't want to stand down at that stage'.[8]

6.14 Ms Davies was asked whether there was 'a point where the Chair rang Ms Holgate and she gave the phone to you and you spoke to him'. Ms Davies replied:

> I don't recall that happening. I certainly recall speaking to the chair, and the chair was trying to contact Christine, so my recollection would be that the chair called me on my phone because Christine's phone was busy. I don't recall it [Ms Holgate passing Ms Davies her phone]. That's not to say it didn't happen; I don't recall it.[9]

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4 *Environment and Communications Legislation Committee (E&C) Hansard*, 9 November 2020, p. 73.

5 *E&C Committee Hansard*, 23 March 2021, p. 44.

6 *E&C Committee Hansard*, 9 November 2020, pp. 72–73.

7 Ms Susan Davies, Executive General Manager, People and Culture, Australia Post (Sue Davies), *Committee Hansard*, 13 April 2021, p. 28.

8 Ms Davies, *Committee Hansard*, 13 April 2021, p. 27.

9 Ms Davies, *Committee Hansard*, 13 April 2021, p. 30.

6.15 Australia Post argued that phone records and evidence from Ms Davies 'support that Ms Holgate and the Chair did speak that afternoon, following Question Time'. Australia Post cites a call from the Chair to Ms Davies at 4.18 pm on 22 October 2020, that lasted 1 minute and 27 seconds, consistent with Ms Davies' evidence, and then a call from Ms Holgate's phone to Mr Di Bartolomeo's phone 'minutes later at 4.27 pm', as evidence that the Chair: called Ms Davies; asked her to have Ms Holgate call him back; and Ms Holgate called him back shortly after, as requested.[10]

6.16 It was during the second phone call, at approximately 5.50 pm that Mr Di Bartolomeo maintained Ms Holgate agreed to stand aside. To dispute this claim, Ms Holgate submitted copies of a number of emails she sent around that time which contain drafts of the statement she was preparing. The statements indicate Ms Holgate was offering to take annual leave to allow the investigation to run. These emails are time-stamped:

- 5.40.51 pm (to a friend/mentor);
- 5.44.45 pm (to a friend/mentor);
- 5.49.26 pm (to Mr Tony Nutt); and
- 5.53.54 pm (to Mr Di Bartolomeo).[11]

6.17 The last email listed, to the Chair, was a formal request by Ms Holgate to take annual leave while the investigation took place. It said: 'I would like to take two weeks annual leave immediately to enable you to undertake an investigation. Please let me know if you approve'.[12]

6.18 Ms Holgate said the Chair's evidence that she agreed to stand down during the 5.50 pm call was not 'credible', because the 5.53 pm email clearly shows Ms Holgate 'requesting annual leave':

> Media articles report that when he was questioned on this, he said 'I saw her email and told her not to worry, you do not need to take annual leave, we will pay you'. For this to be true, you would have to believe that in 33 seconds the Chair saw my email, argued his case and I agreed to stand down. I strongly suggest, this is not credible and has absolutely no merit.[13]

6.19 The phone records from Mr Di Bartolomeo and Ms Holgate support Ms Holgate's contention that the Chair did not contact her during the car trip to Sydney on afternoon of 22 October 2020, though he tried to call her once at 4.42pm, and he called Ms Davies once, at 4.18pm. The records also support the Chair's contention that Ms Holgate called him twice during the journey.

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[10] Australia Post, *Submission 3.1*, p. 10.

[11] Ms Holgate, Response to Australia Post submission, Appendix 3 (A copy of my outgoing emails on the afternoon of October 22nd 2020), 13 April 2021, pp. 15–18.

[12] Ms Holgate, Response to Australia Post submission, Appendix 3, 13 April 2021, p. 18.

[13] Ms Holgate, Response to Australia Post submission, 13 April 2021, p. 4.

6.20 Without recordings of the actual calls, it is not possible to confirm the content of the conversations, or whether the Chair spoke with Ms Holgate, or with Ms Davies. The evidence on this point is inconclusive.

The Board Meeting on 22 October 2020

6.21 Claims by the Chair and Australia Post that Ms Holgate agreed to stand aside willingly—reportedly during a phone conversation with the Chair at 5.50 pm—should be considered in light of the fact that a decision to stand her aside had already been publicly announced, some 25 minutes earlier.

6.22 At approximately 5.25 pm,[14] the Shareholder Ministers issued a joint media release saying:

> We have instructed the Department of Infrastructure, Transport, Regional Development and Communications, together with the Department of Finance, to conduct a formal investigation into the matter.
>
> The investigation by the shareholder departments will be supported by an external law firm.
>
> We expect this investigation to commence immediately, and to be completed within four weeks… The Chief Executive of Australia Post ***will be standing aside from her position*** for the duration of the investigation. [emphasis added][15]

6.23 Mr Di Bartolomeo submitted Minutes pertaining to a Board Meeting on 22 October 2020, conducted by teleconference across three split sessions. The contents of the Minutes relate exclusively to the matters of the Shareholder's investigation, Ms Holgate standing aside, and related points.[16]

6.24 Ms Holgate has disputed that a formal Board Meeting took place on 22 October 2020, and suggested that the Chair misled the Board by claiming he had secured her voluntary agreement to stand aside:

> If by any chance I had verbally agreed, why would I go on to write further draft statements to Tony Nutt and make calls to him and others.
>
> If there was a Board meeting, as the Chair continues to claim, at which the Board members approved standing me down on the afternoon of October 22nd, why did Tony Nutt not tell the other Board members, that I did not want to stand down…[17]

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[14] Timing of Ministers' press release included in: Australia Post, *Submission 3*, p. 11.

[15] Senator the Hon Mathias Cormann, Minister for Finance, Leader of the Government in the Senate, Senator for Western Australia, and the Hon Paul Fletcher MP, Minister for Communications, Cyber Safety and the Arts, Federal Member for Bradfield, *Joint media release: Australia Post*, 22 October 2020, www.financeminister.gov.au/media-release/2020/10/22/australia-post-0 (accessed 25 May 2021).

[16] Australia Post, Minutes of Australia Post Board meeting 22 October 2020, tabled by Mr Di Bartolomeo, 13 April 2021.

[17] Ms Holgate, Response to Australia Post submission, 13 April 2021, p. 4.

6.25 Australia Post's response to these suggestions included an acknowledgement that Ms Holgate had been communicating with Mr Nutt over the course of the afternoon, as well as other Board members. However, Australia Post emphasised the primacy of the Chair, as the Board's authorised representative:

> Notwithstanding those discussions, which were intended to provide support to Ms Holgate, the Chair was the authorised contact for decisions of the Board and discussions with Ms Holgate in relation to them. The discussions between the Chair and Ms Holgate were consistent with what had been approved by the Board.[18]

6.26 The Board Meeting Minutes appear to suggest that that Ms Holgate agreed to stand aside, *then* the Minister was informed of that agreement. However, call logs, and later evidence, show this is not the case. The Minutes read:

> After a break in proceedings, to allow the Chair to convey the Board's position to Christine Holgate, ***the Board noted***:
>
> - the Chair's advice ***that Christine Holgate had agreed to stand aside*** from the role of GCEO&MD pending the outcome of the investigation and any further action taken by Australia Post, ***and the Minister*** for Communications, Cyber Safety and the Arts ***had been so informed***;
> - the joint statement issued by the Minister for Finance and the Minister for Communications, Cyber Safety and the Arts, during the course of the meeting. [emphasis added][19]

6.27 Call logs indicate Ms Holgate and the Chair *may* have spoken for 2 minutes and 51 seconds at 4.27 pm.[20] Mr Di Bartolomeo claims they did speak, and that during this conversation he informed Ms Holgate that the Shareholder Ministers wanted her to stand aside to allow the investigation to run, and that she told him she did not wish to stand aside.[21] Ms Holgate says she did not speak with Mr Di Bartolomeo at this time.[22] Shortly after, the Chair called Mr Nutt.[23]

6.28 At 4.45 pm, the call logs show Mr Di Bartolomeo called the Board and was connected for 12 minutes and 28 seconds. During the Board meeting, call logs show calls between Ms Holgate and Mr Nutt. At 5.00 pm, immediately after breaking off from the Board call, the Chair called Minister Fletcher.[24] Over the

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18 Australia Post, *Submission 3.1*, p. 12.

19 Australia Post, Board Minutes 22 October 2020, p. 2.

20 Mr Lucio Di Bartolomeo, Chair's outgoing call logs, 22 October 2020 to 30 Nov 2020, tabled by Australia Post, 13 April 2021, p. [1], www.aph.gov.au/DocumentStore.ashx?id=712f8fe2-f415-4ff3-8811-6a2b20c08de9 (accessed 25 May 2021). The logs show a call, but Ms Holgate disputes that she spoke with the Chair.

21 Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 54.

22 Ms Holgate, Response to Australia Post submission, 13 April 2021, p. 4.

23 Mr Di Bartolomeo, Chair's outgoing call logs, p. [1].

24 Mr Di Bartolomeo, Chair's outgoing call logs, p. [1].

next 45 minutes there were a number of calls, emails, and text messages between Mr Nutt and Ms Holgate, including a call with Mr Nutt immediately before Ms Holgate's phone called Mr Di Bartolomeo at 5.50 pm.[25]

6.29 Importantly, the Chair called the Minister *before* the 5.50 pm call with Ms Holgate (at 5.00 pm), not afterwards.[26] Then, only 25 minutes later the Shareholder Ministers published their formal statement.

6.30 Mr Di Bartolomeo did not reply to Ms Holgate's 5.53 pm email on 22 October 2020, requesting annual leave. Ms Holgate said:

> [The Board] did not ask to see my contract before [the Chair] made a statement to stand me down… Nothing was conveyed to me that night when they announced it publicly and to all of our employees. Nothing was ever explained…[27]

6.31 Minutes of the Board Meeting on 22 October 2020 indicate that the Board approved a public statement announcing Ms Holgate's standing aside, the Shareholders' investigation, and that Mr Rodney Boys would be acting in the role of CEO. The Minutes note the statement would say: 'Christine Holgate will stand aside from the role of GCEO&MD during the investigation'.[28]

6.32 On notice, Australia Post provided emails capturing the approval process for the statement. The committee notes the statement, as originally drafted by Australia Post corporate and executive staff and sent to Mr Di Bartolomeo at 6.14 pm for approval, included the lines:

> Group CEO & Managing Director CEO Christine Holgate will stand aside during the investigation ***and will take personal leave***. During this time, xx will be acting in the role. [emphasis added][29]

6.33 The only significant change made by Mr Di Bartolomeo to the draft was to remove the words 'and will take personal leave'.[30] The emails also show that, as at 7.10 pm, Australia Post intended to release the statement at 7.15 pm.[31] The timing of the release of the statement is further discussed below.

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[25] Ms Christine Holgate, Outgoing call logs 22 October 2020, tabled by Australia Post, 13 April 2021, pp. [1–2], www.aph.gov.au/DocumentStore.ashx?id=7237868b-2d26-411f-ae95-f7964fe04f1f (accessed 25 May 2021).

[26] Mr Di Bartolomeo, Chair's outgoing call logs, p. [1].

[27] Ms Holgate, *Committee Hansard*, 13 April 2021, p. 22.

[28] Australia Post, Minutes of Australia Post Board meeting 22 October 2020, tabled by Mr Lucio Di Bartolomeo, 13 April 2021, p. 2.

[29] Australia Post, Answers to written questions on notice asked by Senator Hanson-Young – Chair's media statement, 22 October 2020 (received 20 May 2021), [p. 3].

[30] Australia Post, Answers to written questions on notice asked by Senator Hanson-Young – Chair's media statement, 22 October 2020 (received 20 May 2021), [p. 6].

[31] Australia Post, Answers to written questions – Chair's media statement, [p. 7].

6.34 Ms Holgate observed that this statement said, 'Christine Holgate ***will stand aside*** during the investigation' [emphasis added]. It *did not* say she *had* agreed to stand aside.[32]

6.35 During a public hearing the Chair admitted that the Board did not seek any legal advice in relation to Ms Holgate's contract or any other matter that day.[33]

6.36 The Chair was asked if the Board provided Ms Holgate 'with any procedural fairness, any natural justice', and whether the Board sought 'any legal advice as to what her rights were in that regard'. Mr Di Bartolomeo answered, 'No… What I asked of Ms Holgate was to agree to stand aside herself, for the benefits that I explained earlier… If she did not do that, then we would have to consider whether we would take other action'.[34]

6.37 The LPOGroup said that it believed:

> [T]here was no genuine process followed during the Board meeting on 22 October 2020 that would enable it to inform itself on the question of whether it could legally request Christine Holgate to stand aside or could stand aside Christine Holgate if she chose to take some form of leave instead.[35]

After the Board Meeting

6.38 Australia Post submitted that a copy of the statement 'was provided to Ms Holgate [via email] and her media adviser at 7.20 pm on 22 October 2020'. Australia Post further submitted that neither Ms Holgate nor her adviser 'raised any concerns about Australia Post issuing this statement, nor the reference in the statement to Ms Holgate standing aside'.[36] Asked if Australia Post received any response—positive or negative—from Ms Holgate or her media advisor regarding the statement Australia Post said was sent at 7.20 pm and released at 7.40 pm, the Chair confirmed that he received no response.[37]

6.39 Ms Holgate submitted that she believes the statement was published around 7.00 pm, and that she 'was not consulted on the words of the Australia Post

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[32] Ms Christine Holgate, Answers to written questions from Senator Sarah Henderson, (received 17 May 2021), [p. 2].

[33] Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 42.

[34] Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 42.

[35] LPOGroup, Answers to questions taken on notice at public hearing, 27 April 2021 (received 3 May 2021), p. 2.

[36] Australia Post, Answers to questions taken on notice at the public hearing in Canberra, 13 April 2021 (received 24 April 2021), p. 5.

[37] Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 55.

media statement, nor was [she] informed by Australia Post prior to the statement being made'.[38] Ms Holgate further alleged:

> Australia Post withdrew their media statement of the night of October 22nd from the Australia Post website recently, an act which made many following this story suspicious. My notes detail this was originally put out at around 7.02pm not 7.40pm that night as they now assert, ie almost 20 minutes before it was sent to my email.[39]

6.40 Australia Post disputed this claim and submitted that the statement is still available on its website, and was originally published at 7.40 pm, as stated.[40]

6.41 Explaining why she didn't see or respond to Australia Post's email, Ms Holgate said that she 'arrived home at approximately 7.00 pm that evening to be hit with a media storm, following an extremely traumatic day'. She questioned why neither the Chair nor Australia Post *called her* when she had not responded to their email about the statement.[41]

6.42 Mr Di Bartolomeo said he spoke with Ms Holgate *before* sending the statement, at around 6.38 pm, and then again the next morning at around 8.00 am, and at no point during either of those conversations did she raise an objection to the idea that she had agreed to stand aside.[42] Ms Holgate does not agree that she spoke with Mr Di Bartolomeo at 6.38 pm,[43] though a call of 2 minutes and 20 seconds appears at that time on the Chair's call logs.[44]

6.43 Conversely, Ms Holgate submitted that she called the Chair at 8.01 am on the morning of 23 October 2020, still seeking a response to her request to take annual leave. Ms Holgate submitted:

> He stated that he would not be able to accept my annual leave request and that I would need to step down whilst an investigation was undertaken. I asked, what would this mean? He said he would get a letter to me that afternoon detailing everything. He told me I would not be required to attend the Board meeting that day. I did not receive any letter that day.[45]

6.44 The Chair acknowledged in Senate Estimates on 9 November 2020 that there was no communication in writing between himself and Ms Holgate that day or night, and said the alleged agreement between himself and Ms Holgate that she would voluntarily stand aside was 'confirmed later', via a letter from himself to

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38 Ms Holgate, *Submission 5*, p. 42.

39 Ms Holgate, Response to Australia Post submission, 13 April 2021, p. 4.

40 Australia Post, *Submission 3.1*, pp. 13–14.

41 Ms Holgate, Response to Australia Post submission, 13 April 2021, p. 4.

42 Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 55.

43 Ms Holgate, *Submission 5*, p. 42.

44 Mr Di Bartolomeo, Chair's outgoing call logs, p. [1].

45 Ms Holgate, *Submission 5*, p. 42.

Ms Holgate. The letter in question was drafted by Mr Di Bartolomeo on 24 October 2020 (two days later) and sent to Ms Holgate's husband by email, on 25 October 2020, by Ms Davies.[46]

6.45 Along with the letter, Ms Davies 'expressed regard for Ms Holgate's wellbeing', 'offered to arrange psychological support', and 'communicated her willingness to support Ms Holgate without limitation with whatever she needed'. Ms Holgate received the correspondence on 25 October 2020.[47]

6.46 Australia Post submitted that Ms Holgate sent an email to Australia Post employees, copying the Acting CEO, Mr Boys, at 3.57 pm on 25 October 2020, which included the following sentence: 'As I step away from the organisation and let Rodney lead…' Ms Holgate also sent an email to Australia Post's Executive Team at 6.27 am on 23 October 2020 that said:

> Dear Team,
>
> First, my sincere apologies to all of you to have to go through this.
>
> Rodney, thank you for agreeing to lead the team.
>
> I have deep respect for all of you and hope together you remain strong to lead our ship through this.
>
> Thanks you all for your messages of support.
>
> Stay strong, stay safe.[48]

6.47 Australia Post suggested that these emails prove Ms Holgate stood aside voluntarily. Australia Post also submitted 'the first time that Ms Holgate raised any concerns about standing aside was on 27 October 2020 through correspondence from her lawyers'.[49]

6.48 Ms Holgate disputes these claims and has submitted that she believes the law firm Allens Linklaters 'advised the Board [on Friday 23 October 2020] that the steps taken by the Chair [on Thursday 22 October 2020] were not lawful. He did not have a right to stand me down without my written approval'.[50] The legality of the standing aside is further discussed below.

The role of Mr Nutt

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46 *E&C Committee Hansard*, 9 November 2020, pp. 73–74.

47 Australia Post, Answers to questions taken on notice at the public hearing on 3 May 2021 (received 13 May 2021) – Document 13, pp. 2–3.

48 Australia Post, Answers to questions taken on notice at the public hearing in Canberra, 13 April 2021 (received 24 April 2021), p. 5.

49 Australia Post, Answers to questions taken on notice at the public hearing in Canberra, 13 April 2021 (received 24 April 2021), p. 6.

50 Ms Holgate, *Submission 5*, p. 43.

6.49 Ms Holgate submitted that she had substantial contact with Mr Nutt throughout the afternoon of 22 October 2020. Phone records suggest dozens of missed calls between their phones on the day, and a number of conversations. Ms Holgate also submits that she was texting and emailing Mr Nutt during this time.[51]

6.50 After her Senate Estimates appearance, but before Question Time on 22 October 2020, Ms Holgate submitted that she 'spoke with Australia Post Director Tony Nutt and asked him his advice'. Ms Holgate says that Mr Nutt asked her to provide a breakdown of 'comparison costs of the CEO & Office of CEO & Board costs under [Former CEO, Mr Ahmed Fahour] and [herself]'. Ms Holgate texted Mr Nutt at 1.34 pm, providing figures that had been prepared for her by the Chief Financial Officer at Australia Post. The figures were: '$17 million [under Mr Fahour] vs $6.4 million [under Ms Holgate]'.[52]

6.51 Ms Holgate claims that Mr Nutt suggested she prepare 'a brief statement' saying she 'would take annual leave and support an investigation'; advice Ms Holgate followed, sending Mr Nutt 'a number of drafts and communicat[ing] with him on his feedback on each draft'. Ms Holgate believed Mr Nutt was 'genuinely interested in helping' her resolve the situation.[53]

6.52 During his appearance before the committee, Mr Nutt was asked about his role on the day. He said, 'after her appearance at Senate estimates, Ms Holgate rang me...she asked for some advice in handling what had been obviously a difficult situation. I spoke to the chair, and the chair authorised me to assist and support her.'[54]

6.53 Mr Di Bartolomeo confirmed that, 'Mr Nutt was not authorised to speak on behalf of the board to Christine Holgate. Mr Nutt spoke to Christine Holgate on a personal basis'.[55] Mr Nutt agreed that the Chair had set 'ground rules' for his communication with Ms Holgate, including that he was 'not a substitute for the chair or for the full board', and 'was not making decisions', but could 'give Ms Holgate support and counsel'.[56]

6.54 However, Ms Holgate noted that across the timeframe that the Board meeting is said to have been occurring, she was in regular communication with Mr Nutt regarding her offer to take annual leave and her refusal to stand aside. Ms Holgate questions why Mr Nutt would not have communicated this to the

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51 Ms Holgate, *Submission 5*, p. 41.

52 Ms Holgate, *Submission 5*, p. 39.

53 Ms Holgate, *Submission 5*, p. 41.

54 Mr Tony Nutt AO, Non-Executive Director, Australia Post, *Committee Hansard*, 3 May 2021, p. 17.

55 Mr Di Bartolomeo, *Committee Hansard*, 27 April 2021, p. 45.

56 Mr Nutt, *Committee Hansard*, 3 May 2021, p. 14.

Board, or communicated to her that the Board had already decided she was to be stood aside regardless:

> …why did Tony Nutt not tell the other Board members, that I did not want to stand down and that he was coaching me on a statement regarding taking annual leave. Either there was no such Board meeting, or Tony Nutt was deliberately misleading me.[57]

6.55 Asked about this, Board Director, Ms Jan West said, 'we weren't aware of the ongoing two weeks annual leave situation. The assumption is that the chairman advised us and, in our working relationship, we totally trust what we're told'.[58]

6.56 Ms Holgate's final email to Mr Nutt, with a draft statement about taking annual leave, was sent at 6.41 pm with the subject line, 'ARE you OK for me to say this'. The statement read:

> I have done nothing wrong. I welcome an investigation. I have offered to the Chair to take annual leave to enable an investigation to be conducted promptly.[59]

6.57 Call logs show a 20 minute call from Ms Holgate to Mr Nutt at 7.34 pm.[60]

Board Meetings on 23 and 29 October 2020

6.58 The Board met the following morning. Minutes record that the Board agreed to 'obtain independent legal advice regarding ongoing correspondence with the GCEO&MD, in light of the sensitivity of the situation', and 'request the preparation of a letter to the GCEO&MD confirming her agreement to stand aside, arrangements for access to systems and information, and ongoing communication channels'.[61]

6.59 Despite meeting on 23 October 2020, and certifying other Minutes, the Board did not certify any Minutes for 22 October 2020 until it met again on 29 October 2020.[62]

6.60 On 29 October 2020, the Board received and discussed correspondence about the matter, including the Chair's letter to Ms Holgate, dated 24 October 2020,

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[57] Ms Holgate, Response to Australia Post submission, 13 April 2021, p. 13.

[58] Ms Jan West, AM, Non-Executive Director, Australia Post, *Committee Hansard*, 3 May 2021, p. 41.

[59] Ms Holgate, Response to Australia Post submission, Appendix 3, 13 April 2021, p. 21.

[60] Ms Holgate, Outgoing call logs, p. [2]. The contents of this call is not known.

[61] Minutes, Australia Post Board Meeting 23 October 2020, p. 1, provided in: Australia Post, Answers to Questions taken on Notice at the public hearing on 3 May 2021 (received 13 May 2021), www.aph.gov.au/DocumentStore.ashx?id=844906ba-fe38-4de4-99a8-a370cee6660d (accessed 25 May 2021).

[62] Minutes, Australia Post Board Meeting 29 October 2020, p. 1, provided in: Australia Post, Answers to questions taken on notice at the public hearing on 3 May 2021 (received 13 May 2021), www.aph.gov.au/DocumentStore.ashx?id=844906ba-fe38-4de4-99a8-a370cee6660d (accessed 25 May 2021).

and the letter from Kingston Reid (Ms Holgate's legal adviser) to the Chair, dated 27 October 2020. The Board endorsed further correspondence to Ms Holgate, and discussed 'the need to carefully coordinate ongoing communications between Australia Post and [Ms Holgate]', preferably through their legal advisors.[63]

Involvement of the Prime Minister and Shareholder Ministers

6.61 Ms Holgate told the committee that Mr Nutt informed her that the Prime Minister wanted her 'stood down'. According to Ms Holgate, Mr Nutt had said: 'Christine, you need to understand it was the Prime Minister…'[64]

6.62 Asked why she thinks the Prime Minister wanted her stood down, Ms Holgate replied:

> I don't know why the Prime Minister took the action he did. I'm putting to you today that I was unlawfully stood down and that my contract got repudiated. I've only ever asked for respect, and I have never been allowed it. Maybe I will answer that slightly differently: I don't know why the Prime Minister did what he did, but I was unlawfully stood down, I believe, because he instructed so.[65]

6.63 After the 22 October 2020 Senate Estimates hearing, Ms Holgate sent a photograph of the card signed by Former Chair, Mr John Stanhope AO, to Mr Richard Windeyer, Deputy Secretary of the Department of Communications, and Mr Ryan Bloxsom, Chief of Staff to Minister Fletcher, seeking to demonstrate that the watches were given with the approval and knowledge of the former Chair. Ms Holgate submitted that she remains upset that:

> At no point prior to his comments in Parliament did Minister Paul Fletcher call me and give me any opportunity to explain, the background and the correct position, even though previously we had a strong working relationship whereby I met with him monthly.[66]

6.64 These attempts were futile. The Prime Minister's statement in Question Time suggests the decision to stand Ms Holgate aside was made swiftly:

> ***This all happened within an hour.*** So appalled and shocked was I by that behaviour—any shareholder would in a company raise their outrage if they had seen that conduct by a chief executive, a management or a board; they would insist rightly on the same thing. Now, we are the shareholders of Australia Post on behalf of the Australian people, ***so that action was***

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63 Minutes, Australia Post Board Meeting 29 October 2020, p. 2.

64 Ms Holgate, *Committee Hansard*, 13 April 2021, p. 14.

65 Ms Holgate, *Committee Hansard*, 13 April 2021, p. 2.

66 Ms Holgate, *Submission 5*, pp. 39–40.

> ***immediate. The chief executive has been instructed to stand aside*** and, if she doesn't wish to do that, she can go.[67]

6.65 Mr Di Bartolomeo confirmed that the Prime Minister was aware that Ms Holgate had not agreed to stand aside willingly when he made his remarks in Question Time.[68]

6.66 The Chair was asked if he 'made representations' to Minister Fletcher that Ms Holgate need 'not be stood aside'. Mr Di Bartolomeo responded:

> When the minister first rang me early that afternoon post question time, he advised me that he was going to instigate an independent investigation of the circumstances surrounding these watches… He said he would like Christine to stand aside during the term of the investigation… I questioned whether [Ms Holgate standing aside] was necessary, but clearly came to the conclusion that it was in Christine's and Australia Post's best interests if she did, primarily for the reason that I answered earlier: I wanted Christine to focus on that [the investigation] and I wanted a CEO who could focus on the business of running Australia Post…[69]

6.67 The LPOGroup suggested this assertion is insincere:

> To an ordinary person, the connotation of the wording of 'Stood Aside' suggests wrongdoing, as the person had to be stood aside so that an investigation or enquiry could be held without any undue influence on the investigation or inquiry by the person involved.[70]

6.68 The LPOGroup argued that the Board should not have simply submitted to the will of the government, saying, 'the CEO of Australia Post does not report to the Prime Minister, or the shareholder Ministers, but directly to the Board'.[71] What happened to Ms Holgate appears, the LPOGroup said, 'to be a clear case of a frightened knee-jerk reaction to bend to the will of the Shareholder. The Board did not consider the best interests of the Corporation'.[72]

6.69 The Communications Electrical Plumbing Union (CEPU) observed that Ms Holgate's 'departure from her position…was as a direct result of untested allegations'. That the Australia Post Board and the government acted together to deny Ms Holgate 'due process in relation to the consideration of any alleged wrongdoing on her behalf'.[73]

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67 *House of Representatives Hansard*, 22 October 2020, p. 7985.

68 Mr Di Bartolomeo, *Committee Hansard*, 3 May 2021, pp. 30–31.

69 Mr Bartolomeo, *Committee Hansard*, 13 April 2021, p. 35.

70 LPOGroup, Answers to questions taken on notice at public hearing, 27 April 2021 (received 3 May 2021), p. 2.

71 LPOGroup, *Submission 14*, p. 33.

72 LPOGroup, Answers to questions taken on notice at public hearing, 27 April 2021 (received 3 May 2021), p. 1.

73 Communications Electrical Plumbing Union (CEPU), *Submission 15*, p. 5.

6.70 The LPOGroup urged the committee to 'carefully consider the fairness, the validity, and the lawfulness' of what happened to Ms Holgate, and sought to have her 're-instated as the lawful CEO of Australia Post, as a matter of urgency'.[74]

Was the Board directed to stand Ms Holgate aside?

6.71 According to the Department of Infrastructure, Transport, Regional Development and Communications (Department of Communications), Australia Post is 'legally and financially separate from the Australian Government', and its day-to-day operations 'are the responsibility of its Board and management'. Under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), the Board is the accountable authority, and under section 84 of the *Australian Postal Corporation Act 1989* (APC Act), the Managing Director is appointed by the Board and 'holds office during the Board's pleasure'. Section 86 provides that 'the terms and conditions of this appointment are determined by the Board'.[75]

6.72 The Minister for Communications, Urban Infrastructure, Cities and the Arts (the Communications Minister), and the Minister for Finance, are joint Shareholder Ministers of Australia Post. The Department of Communications stated that it provides advice to the Communications Minister, in consultation with the Department of Finance, to support the Ministers' role 'in exercising strategic control of Australia Post'. This advice relates to issues such as:

- matters pertaining to governance of Australia Post, including its reporting and accountability arrangements, and its regulatory obligations; and
- the performance, financial returns and strategic direction of the business.[76]

6.73 It is noted that the APC Act states it is the role of the Board 'to decide the objectives, strategies and policies to be followed by Australia Post'.[77] The APC Act holds that the Board is responsible for key decisions in relation to the management of Australia Post, including the appointment of the Managing Director. Section 49 provides a process by which the Minister may issue directions to Australia Post, under certain conditions:

> **49 Minister may give directions to the Board**
>
> (1) Subject to subsection (2), ***the Minister may, after consultation with the Board, give to the Board such written directions*** in relation to the

[74] LPOGroup, *Submission 14*, p. 38.

[75] Department of Communications, *Submission 16*, p. 3.

[76] Department of Communications, *Submission 16*, pp. 1–2.

[77] Section 23, *Australian Postal Corporation Act 1989* (APC Act).

> performance of Australia Post's functions ***as appear to the Minister to be necessary in the public interest***.
>
> (2) The Minister shall not give a direction under subsection (1) in relation to:
>
> (a) rates of postage; or
>
> (b) amounts to be charged for work done, or services, goods or information supplied, by Australia Post.
>
> (3) ***Where the Minister gives a direction*** under subsection (1), ***the Minister shall cause a copy of the direction to be laid before each House of the Parliament within 15 sitting days*** of that House after giving the direction. [emphasis added][78]

6.74 Section 50 stipulates that Australia Post and the Board are 'not otherwise subject to government direction':

> Except as otherwise provided by or under this or any other Act, ***Australia Post and its Board are not subject to direction by or on behalf of the Australian Government***. [emphasis added][79]

6.75 Section 22 of the PGPA Act, on corporate Commonwealth entities, stipulates that the Finance Minister 'may make an order…that specifies a policy of the Australian Government that is to apply in relation to one or more corporate Commonwealth entities'. However, the Finance Minister 'must be satisfied that the Minister responsible for the policy has consulted the entity on the application of the policy' prior to making the order.[80] There is no evidence that the 'instruction' to stand Ms Holgate aside was made using an order under this provision.

6.76 Mr Di Bartolomeo used different language at various points during the inquiry regarding whether the government had 'directed' the Board to stand Ms Holgate aside, or 'requested' the Board to stand her aside.

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[78] Section 49, APC Act.

[79] Section 50, APC Act.

[80] Section 22, *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

6.77 On 13 April 2021, Mr Di Bartolomeo was asked why the Board did not provide any natural justice or fair process to Ms Holgate before standing her aside, and he replied:

> It wasn't our decision. It was an independent investigation called by the shareholder minister to be undertaken independently by the departments using outside legal counsel. That was in place. On the basis that that was in place, we came to the judgement—yes, in the background that the minister would like her to stand aside—as a board that it would be best for her to stand aside…[81]

6.78 After saying it was not the Board's decision, Mr Di Bartolomeo said the Minister's instruction regarding Ms Holgate was a 'request': 'I took it as a request… That doesn't mean the board ignores that request, but it considers it as part of the overall evidence'.[82]

6.79 It was put to the Chair that he could have asked the Minister to submit a formal section 49 direction in relation to Ms Holgate. Mr Di Bartolomeo replied: 'No. We hadn't got the law books out';[83] and later: 'We didn't take it as a direction, but we understood what was said'.[84]

6.80 Mr Di Bartolomeo was then asked if he understood there was a formal process required for issuing a direction to Australia Post under the APC Act. He said he did, 'and that's why I say there wasn't a direction'.[85]

Advice from the Committee for the Scrutiny of Delegated Legislation

6.81 The Senate Standing Committee for the Scrutiny of Delegated Legislation (the Delegated Legislation Committee) wrote to the Environment and Communications References Committee on 21 May 2021 observing that there was 'a lack of clarity as to whether a direction was given' by the Communications Minister to the Board of Australia Post in relation to Ms Holgate.[86]

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81 Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 46.

82 Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 46.

83 Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 46.

84 Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 41.

85 Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 41.

86 Committee for the Scrutiny of Delegated Legislation, Correspondence from the Committee for the Scrutiny of Delegated Legislation, on ministerial directions (Scrutiny Committee advice), 21 May 2021, p. 1.

6.82 The Delegated Legislation Committee noted conflicting evidence: a statement by the Prime Minister in the House of Representatives on 22 October 2020 that 'the chief executive has been instructed to stand aside'; against testimony from Mr Di Bartolomeo that it was a request. The Delegated Legislation Committee also advised that:

> …it does not appear that any formal direction under section 49 of the [Australian Postal Corporation] Act was given by the Minister to Australia Post on 22 October 2020. In addition, it appears that no ministerial directions under section 49 of the Act have been given to the Board of Australia Post in the past ten years.[87]

6.83 The Delegated Legislation Committee concluded by expressing its view that:

> …if a direction was given by the Minister to the Board of Australia Post it would be appropriate to do so under section 49 of the Act, which provides for parliamentary scrutiny by requiring the tabling of such directions in both Houses of the Parliament.[88]

6.84 If the Minister *had* issued a formal direction under section 49 of the APC Act, the direction would have been subject to parliamentary oversight. However, it would not have been subject to disallowance, as ministerial directions to persons or bodies are exempt.[89]

The legality of the standing aside

6.85 Ms Holgate submitted:

> My contract under clause 10.4(a) does give Australia Post the right to stand me down if it is investigating a serious disciplinary action involving me and after being satisfied there was a proper basis to do so. Neither was there a serious disciplinary offence, nor did the Chair take any time to consider it, nor were they investigating it, it was the Shareholder who were investigating the rewards. No process was followed.[90]

6.86 Ms Holgate submitted legal advice provided by Mr Ingmar Taylor SC on the legality of the standing aside. Mr Taylor advised that the relevant clause in Ms Holgate's contract was Clause 10.4(a), relating to 'Gardening Leave'. Clause 10.4(a) 'provided Australia Post with the right to direct Ms Holgate to perform only such duties as Australia Post may determine or not to perform any duties at all in certain limited circumstances'. This right could only be exercised by Australia Post 'during a period of notice of termination', referred to as 'gardening leave', or 'during any period in which Australia Post is investigating

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87 Scrutiny Committee advice, 21 May 2021, p. 2.

88 Scrutiny Committee advice, 21 May 2021, p. 2.

89 Scrutiny Committee advice, 21 May 2021, p. 2.

90 Ms Holgate, Response to Australia Post submission, 13 April 2021, p. 1.

any disciplinary issue' involving Ms Holgate.[91] Mr Taylor also noted that the contract stipulated, at clause 14.1, that 'it could only be varied or replaced by a document executed by both parties'. In other words, variations must be in writing, and co-signed.[92]

6.87 As part of his analysis, Mr Taylor considered the role of the Shareholder Ministers, and the statement to Ms Holgate in correspondence from the Chair on 24 October 2020 that she 'was being stood aside "pending the outcome of the Shareholder's investigation and any further action taken by Australia Post"'. Mr Taylor noted that clause 10.4(a) 'applied only if there was to be an investigation of a disciplinary nature by Australia Post', and the investigation was not being undertaken by Australia Post.[93]

6.88 As there was no disciplinary investigation process being conducted by Australia Post, Mr Taylor argued:

> There would have to be, at the very least, a very serious question as to whether it could have formed the requisite view given relevant facts known to Australia Post at that time as to the circumstances in which the watches had been purchased, which demonstrated their purchase involved no misconduct by Ms Holgate.[94]

6.89 Mr Taylor concluded that, without Ms Holgate's express agreement to stand aside, the Board's actions in standing her aside were 'in breach of contract and so unlawful', entitling her to end the contract and seek compensation. However, Mr Taylor also noted there was 'a factual dispute as to whether Ms Holgate agreed to stand aside'.[95]

6.90 The letter from the Chair to Ms Holgate, dated 24 October 2020, communicated the Chair's assertion that Ms Holgate agreed to stand aside, although, as Ms Holgate submitted, it also 'asserts that the standing down was instructed by the Shareholder'. Ms Holgate contended that: 'the shareholder has no right to instruct me to stand down without going through due process. His letter blatantly ignores the law or my contract'.[96]

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[91] Appendix 1 (Ingmar Taylor SC, *Christine Holgate v Australia Post: Memorandum of Advice*), Ms Holgate, Response to Australia Post submission, 13 April 2021, p. 10.

[92] Appendix 1, Ms Holgate, Response to Australia Post submission, 13 April 2021, p. 11.

[93] Appendix 1, Ms Holgate, Response to Australia Post submission, 13 April 2021, p. 11.

[94] Appendix 1, Ms Holgate, Response to Australia Post submission, 13 April 2021, p. 11.

[95] Appendix 1, Ms Holgate, Response to Australia Post submission, 13 April 2021, pp. 11–13.

[96] Ms Holgate, Response to Australia Post submission, 13 April 2021, p. 2.

6.91 Testimony from Board Directors confirmed that the Board did not consider Ms Holgate's contract on the day she stood aside/was stood aside.[97]

Committee view

6.92 Testimony from Board Directors and Australia Post staff supports Ms Holgate's assertion that the Board did not consult or consider her contract on the day she stood aside/was stood aside,[98] nor did the Board receive and consider any legal advice that day.

6.93 The Shareholder Ministers announced that Ms Holgate was standing aside at 5.25 pm, shortly after a call from Mr Di Bartolomeo, who had just come out of a meeting with the Board. According to the Chair's own evidence, he did not secure Ms Holgate's agreement to stand aside until 5.50 pm (which Ms Holgate disputes in any case).

6.94 The phone records suggest (but do not prove) that the Board agreed it would acquiesce to the Shareholder's instruction to stand Ms Holgate aside, then the Chair communicated this to Minister Fletcher directly at 5.00 pm, after which the Shareholder Ministers made their announcement. This would indicate that securing Ms Holgate's agreement to stand aside was not considered by Shareholder Ministers to be critical to the process.

6.95 The committee also notes that Mr Di Bartolomeo did not ask Ms Holgate to confirm that she was agreeing to stand aside *in writing* on 22 October 2020. In fact, an attempt to confirm this arrangement in writing was not made until 24 October 2020,[99] after the Board had sought legal advice.[100] If the Board understood on 22 October 2020 that, to be on solid legal footing, it needed Ms Holgate *to agree* to stand aside, then logically the Chair would have attempted to secure her agreement in writing at that time. No evidence has been submitted to indicate that this was done.

6.96 The absence of a written agreement, or evidence of an attempt to secure one on 22 October 2020, suggests the Chair, and by extension, the Board, may not have understood at that stage it would require Ms Holgate's agreement to stand aside.

6.97 While circumstantial, this evidence suggests that the Board (whether under the instruction of, or in conjunction with, the Shareholder) acted unilaterally in

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[97] See comments by Chair, Mr Di Bartolomeo, as well as Ms Andrea Staines, OAM, Deputy Chair, Australia Post, *Committee Hansard*, 27 April 2021, pp. 43–44; Ms Holgate said that no one asked Ms Sue Davies for a copy of the contract on 22 October 2020, *Committee Hansard*, 13 April 2021, p. 22.

[98] Mr Di Bartolomeo and Ms Staines, *Committee Hansard*, 27 April 2021, pp. 43–44; Ms Holgate, *Committee Hansard*, 13 April 2021, p. 22.

[99] *E&C Legislation Committee Hansard*, 9 November 2020, pp. 73–74.

[100] Minutes, Australia Post Board Meeting 23 October 2020, p. 1.

relation to Ms Holgate's standing aside. This casts doubt on the assertion that Ms Holgate *agreed* to stand aside—Ms Holgate had no choice.

Culpability of the Board

6.98 Whether or not the Board is culpable for breach of contract in relation to standing Ms Holgate aside is a legal question, to be determined by a court.

6.99 The committee is of the view that the Chair and other Directors may have acted in dereliction of their duty. Specifically, Australia Post's Board Charter requires Directors to 'carry out their duties in accordance with the law and Australia Post's corporate governance policies and procedures, including *Australia Post's Our Ethics Policy*'.[101]

6.100 Section 84 of the APC Act[102] clearly designates the Board as the responsible authority in relation to any action to remove, or stand aside, the Managing Director of Australia Post. The Board took action to stand Ms Holgate aside because the Shareholder instructed, or requested, it to do so—not because the Board was concerned about her actions or her performance, and not as a result of any disciplinary action, or investigation by Australia Post. Board members, including the Chair, have stated that Ms Holgate was an excellent CEO, and they would have preferred she remain in the role.[103]

6.101 It is concerning that the Chair and other Directors took less than 30 minutes to conduct the discussion, and make the decision to stand aside a CEO and Managing Director who, up until that moment, had their strong support. The committee is further concerned that Mr Nutt was communicating with Ms Holgate across the day, advising her on a statement saying that she wanted to take annual leave instead of standing aside—yet members of the Board were not informed about this fact, and Mr Nutt's interactions with Ms Holgate were not recorded in the Minutes.

6.102 Chapter 8 of this report provides further analysis of the Board, its independence, interests and procedures, and includes the committee's recommendations in this regard.

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[101] Australia Post, 'Board Charter', 31 March 2021, p. 3, auspost.com.au/content/dam/auspost_corp/media/documents/board-charter.pdf (accessed 25 May 2021).

[102] Subsection 84(1). The Managing Director holds office during the Board's pleasure.

[103] See for instance: Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 35; and Mr Nutt, *Committee Hansard*, 3 May 2021, p. 14.

Culpability of the Prime Minister and Shareholder

6.103 Mr Nutt argued the reason for Ms Holgate's ultimate 'downfall' was her response in Estimates that the money spent on the watches was not taxpayers' money, which he said 'obviously came as a surprise to the board':

> …do I think that Christine Holgate lacked an understanding of the public ownership of Australia Post? Of course she didn't. Do I think that Christine Holgate was purposely attempting to be discourteous or to be dismissive of public ownership and the proper use of public money? No, I don't. I do think that, in the heated atmosphere of estimates, she gave what I call 'the partial answer'. But I don't think that reflected a considered or full view by Christine Holgate of her responsibilities or of Australia Post et cetera. That then led to a whole series of commentaries by not just parliamentarians but the media and all sorts of people. That meant that during the course of the day Christine came under more and more pressure.[104]

6.104 Ms Holgate was asked if she still holds 'the view that Australia Post does not use taxpayer money'. Ms Holgate replied that she has 'apologised for that statement', adding that, 'Australia Post is owned by the people of this country. Many of them are taxpayers'.[105]

6.105 The LPOGroup speculated that the watches were just 'an excuse to put pressure on the CEO to stand aside, or be gone, pending an agenda that is yet to be disclosed'.[106]

6.106 A number of submitters suggested that Ms Holgate was ultimately stood down because she did not share the views of the government on the strategic future direction for Australia Post. Chapter 9 of this report explores the future of Australia Post in detail.

6.107 Either way, the future of Ms Holgate's position as CEO and Managing Director of Australia Post was doubtful from the moment Minister Fletcher announced the investigation into the watches during Question Time around 2.30 pm on 22 October 2020, and said that Ms Holgate would stand aside. The Prime Minister's statement at around 2.41 pm that '[t]he chief executive has been instructed to stand aside and, if she doesn't wish to do that, she can go', [107] can be seen to have sealed Ms Holgate's fate.

6.108 The Prime Minister had been briefed that Ms Holgate's position was that she had 'done no wrong', and did not wish to stand aside.[108] In this context, the

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[104] Mr Nutt, *Committee Hansard*, 3 May 2021, p. 18.

[105] Ms Holgate, *Committee Hansard*, 13 April 2021, p. 3.

[106] LPOGroup, *Submission 14*, p. 31.

[107] *House of Representatives Hansard*, 22 October 2020, p. 7985.

[108] Mr Di Bartolomeo, *Committee Hansard*, 3 May 2021, pp. 30–31.

statement that she can stand aside 'or go' went beyond political rhetoric, and must be seen as a direct threat to Ms Holgate's continuation in the role.

6.109 The Prime Minister himself conceded that the events 'all happened within an hour', and that he was reacting out of 'shock' and 'outrage'.[109] This explanation is inadequate. In a matter of hours, Ms Holgate's reputation was significantly damaged, her security of employment was thrown into disarray, and her mental and physical health were put in severe jeopardy. The following chapter, on Ms Holgate's resignation, addresses these issues further.

6.110 The Prime Minister and Minister Fletcher acted precipitously in demanding that Ms Holgate be stood aside. They made this demand without reference to due process, the relevant provisions of APC Act, or consideration of Ms Holgate's contract, and without applying procedural fairness or natural justice.

6.111 The *Statement of Ministerial Standards* establishes standards according to which 'all Ministers and Assistant Ministers are expected to conduct themselves'. The standards are designed to ensure that ministers 'maintain the trust of the Australian people'.[110] Ministerial Standard 3.1 requires ministers to act with fairness:

> Ministers must be able demonstrate that they have taken all reasonable steps to observe relevant standards of procedural fairness and good decision making applicable to decisions made by them in their official capacity.[111]

6.112 Ministerial Standard 5.2, on responsibility, requires:

> Ministers must not encourage or induce other public officials, including public servants, by their decisions, directions or conduct in office to breach the law, or to fail to comply with the relevant code of ethical conduct applicable to them in their official capacity.[112]

6.113 The Maddocks investigation reportedly cost $350 000.[113] Despite investing a significant amount of taxpayer money in the investigation, the Shareholder did not publish the findings until 22 January 2021, and has taken no action in relation to broader findings in the report relating to the failings of the Board. Chapter 8 explores this issue in more depth.

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[109] *House of Representatives Hansard*, 22 October 2020, p. 7985.

[110] Department of the Prime Minister and Cabinet (PM&C), *Statement of Ministerial Standards*, 30 August 2018, p. 3, www.pmc.gov.au/resource-centre/government/statement-ministerial-standards (accessed 25 May 2021).

[111] PM&C, *Statement of Ministerial Standards*, 30 August 2018, p. 9.

[112] PM&C, *Statement of Ministerial Standards*, 30 August 2018, p. 9.

[113] Terry McCrann, 'Opinion: AusPost board nailed as Holgate is cleared', *The Australian*, 9 February 2021, parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressclp%2F7796591%22 (accessed 25 May 2021).

6.114 In making the decision to instruct the Board of Australia Post to stand aside its CEO and Managing Director, without taking 'reasonable steps to observe relevant standards of procedural fairness', the Minister (and apparently the Prime Minister, though his role is less clear) breached Ministerial Standard 3.1.

6.115 In compelling the Board to stand Ms Holgate aside, with or without her consent, and without respect to the provisions of the *Australian Postal Corporations Act 1989*, or the requirements of Ms Holgate's contract, the Minister breached Ministerial Standard 5.2.

6.116 The Ministerial Standards state that alleged breaches of the Standards, including by the Prime Minister, may be referred to 'an appropriate independent authority for investigation and/or advice'. However, the committee notes that, under the Standards, such referrals must be made by the Prime Minister.[114]

6.117 The committee observes that inadequacy of referral and enforcement mechanisms for the Ministerial Standards highlights the dire and urgent need for the government to establish an effective Federal anti-corruption commission.

Recommendation 4

6.118 The committee notes the advice provided by the Senate Standing Committee for the Scrutiny of Delegated Legislation that there was no formal direction issued under section 49 of the *Australian Postal Corporation Act 1989*. As such, the committee recommends that the Australian Government refer the actions of the Minister for Communications, the Hon Paul Fletcher MP, on 22 October 2020—in particular his "instruction" to the Australia Post Board that it stand Ms Holgate aside—to the Auditor-General for investigation, including into any breaches of relevant legislation and policies of Australia Post.

Natural Justice and procedural fairness

6.119 Through the hearings the issues of natural justice and procedural fairness were raised in relation to the treatment of Ms Holgate.

6.120 Under the *Australian Postal Corporation Act 1989* (APC Act), section 83 provides that '(t)he Managing Director is to be appointed by the Board' and under section 84, the Managing Director 'holds office during the Board's pleasure'.[115]

6.121 Although this creates a different employment structure than that of other senior public servants, that right to procedural fairness and natural justice is no different to other senior public servants of the Commonwealth. Requirements

[114] PM&C, *Statement of Ministerial Standards*, 30 August 2018, p. 10.

[115] Subsection 84(1), APC Act. The Managing Director holds office during the Board's pleasure.

and the right to be afforded procedural fairness were set out in the cases brought by Paul Barrett in 1999 and 2000.[116]

6.122 Although there is complexity in these matters, even the most senior public servants are afforded the opportunity of natural justice, procedural fairness and an opportunity to respond to any conclusions that are put. The same principles should have been afforded to Ms Holgate. These are principles that the Board of Australia Post should have adhered to in its treatment of Ms Holgate, but instead in the board meeting on 22 October the Board felt it did 'not have to be considering legal issues at that point'.[117]

Wider implications of the events

6.123 This section considers the possible precedent set by what happened to Ms Holgate. It also looks at the issues of bullying and gender-based discrimination in relation to Ms Holgate's treatment.

The case as a precedent

6.124 A number of submitters and commentators raised concerns about the possible precedent that could be set by what happened to Ms Holgate.

6.125 The CEPU remarked that the fact the Board stood Ms Holgate aside without clear grounds 'may set a dangerous precedent in terms of the application and management of disciplinary processes for workers at any level. It is a matter of workplace justice'.[118]

6.126 Noting it does not 'act on behalf of Ms Holgate' but represents all postal workers; the CEPU said 'the treatment of all workers at Australia Post must adhere to Australian workplace laws, including the laws and processes relating to employee discipline and dismissal'. A Government Business Enterprise, such as Australia Post, *must* have 'governance and management' that is 'above reproach'. The CEPU also maintained that 'the accountability of the Board to the Australian people, represented by its Shareholder Ministers in the Government, is of paramount consideration in all matters'.[119]

Was it bullying?

6.127 There is significant evidence to support the assertion that Ms Holgate was put under significant duress, and was treated unfairly. Mr Di Bartolomeo was asked

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[116] Marilyn Pittard and Phillipa Weeks, editors, *Public sector employment in the twenty-first century*, Canberra: ANU Press, 2007, p. 38, https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22library%2Flcatalog%2F01238013%22 (accessed 25 May 2021).

[117] Ms Staines, *Committee Hansard*, 27 April 2021, p. 44

[118] CEPU, *Submission 15*, p. 5.

[119] CEPU, *Submission 15*, p. 5.

if he placed Ms Holgate 'under any duress' to reach an agreement that she would stand aside. The Chair replied that he did not, but that he had 'argued strongly that…[it] was in her best interest, as well as ours'. Mr Di Bartolomeo agreed with assertions that Ms Holgate was 'in a state' and distressed at the time.[120]

6.128 The Chair was asked if the Board provided Ms Holgate 'with any procedural fairness, any natural justice', and whether the Board sought 'any legal advice as to what her rights were in that regard'. Mr Di Bartolomeo answered, 'No':

> What I asked of Ms Holgate was to agree to stand aside herself, for the benefits that I explained earlier… If she did not do that, then we would have to consider whether we would take other action…[121]

6.129 It was put to Mr Di Bartolomeo that this sounded like a threat, an 'ultimatum'. The Chair refuted that suggestion, saying Ms Holgate agreed to stand aside, so the need to consider alternative action 'became irrelevant'.[122]

6.130 During her appearance on 13 April 2021, Ms Holgate said that she 'was forced to stand down', and 'bullied out of [her] job'. She said she was 'humiliated and driven to despair', and 'thrown under the bus of the chairman of Australia Post to curry favour with his political masters'.[123]

6.131 Professor Nareen Young, from the University of Technology, Sydney, commented in *The Conversation* that:

> Being famous or in a well-paid, high powered job seems to offer no guarantee you can just go to work and get your job done without running the risk of unfair treatment or bullying.
>
> But what about the experiences of those less privileged? This week, I've found myself asking yet again: if it can allegedly happen to Holgate at the highest level, or to famous actors on a top TV show, then what happens to other, less privileged women at work?[124]

6.132 Ms Holgate told the committee that she wanted to make:

> …a stand…for those who don't have the platform I have been given to fight against the bullying they have endured. There are so many Australians who have told me their own stories of being victims of workplace harassment.

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[120] Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 55.

[121] Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 42.

[122] Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 42.

[123] Ms Holgate, *Committee Hansard*, 13 April 2021, pp. 2–3.

[124] Nareen Young, 'If bullying can happen to Christine Holgate at the highest level, then what happens to other women at work?', *The Conversation*, 15 April 2021, theconversation.com/if-bullying-can-happen-to-christine-holgate-at-the-highest-level-then-what-happens-to-other-women-at-work-158956 (accessed 25 May 2021).

> Today I stand here in support of them and all the people who have been intimidated but had no voice.[125]

An issue of gender?

6.133 By all accounts, Ms Holgate was a high-performing and popular CEO. She is 'the only female to be awarded CEO of Year by the CEO Institute' and was 'named the highest-ranking female on Australian Financial Review's Power List'. Ms Holgate also submitted that she recently received 'a scorecard rating of 95% from the Australia Post Board'.[126]

6.134 A large number of submitters expressed their support for Ms Holgate. One significant submission was from her fellow Board members on the Australia-ASEAN Council (AAC). The AAC Board members described Ms Holgate as a committed leader, who 'took the time to learn about the ASEAN region postal services and briefed the ASEAN ambassadors [and] the AAC board'. These submitters state that Ms Holgate 'developed a culture of collaboration and openness on the Board that can be an example for members of other advisory boards'.[127]

6.135 Other submitters praised Ms Holgate's warmth and personal approach, the time she took to understand their issues, and the work she did to ensure licensees at Australia Post could make a sustainable living.[128]

6.136 Despite her exceptional performance and popularity, and in the absence of any allegation of serious wrongdoing, the Minister took less than two hours to decide that Ms Holgate should stand down. Commentators have suggested that this treatment is indicative of a wider pattern of treatment towards women in power, especially in the Parliament. In an article for the *Canberra Times*, Ms Karen Barlow wrote that 'the treatment of Ms Holgate appears to have failed the greater test of 2021…would this happen to a man? Christine Holgate herself says no'.[129]

6.137 Noting that the Chair admitted Ms Holgate was treated 'abysmally', Ms Barlow said:

> Ms Holgate may not be Australia Post's CEO anymore, but she is not going anywhere. Nor is the broader issue of the unequal treatment, bullying and

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125 Ms Holgate, *Committee Hansard*, 13 April 2021, p. 2.

126 Ms Holgate, *Submission 5*, p. 15.

127 Mr Greg Earl, Dr Alice Woodhead, Dr Imran Lum, Lesley Alway, Tamerlaine Beasley and Prof. Nicolas Farrelly, *Submission 19*, pp. 1–2.

128 See for instance the comments of the following people in the 'Voices' section of Ms Holgate, *Submission 5*: Kevin, p. 112; Steph, p. 115; Brian, p. 122; and Kim, p. 134.

129 Karen Barlow, 'The 'abysmal' treatment of Christine Holgate', *Canberra Times*, 14 April 2021, www.canberratimes.com.au/story/7208071/christine-holgate-is-not-going-quietly-mr-morrison/ (accessed 25 May 2021).

> harassment that women face in the work, which the Morrison government has belatedly realised and is scrambling to respond to.
>
> She sees the difference in treatment between what has happened to her and the survival of the Cabinet ministers Alan Tudge and Christian Porter over allegations first raised on Four Corners last year.[130]

6.138 Ms Holgate also noted the difference in treatment, submitting examples of media commentary and criticism she had faced in the wake of the watches scandal, some of which was deeply upsetting to her:

> I think it would be fair to say that I've never seen a media article comment about a male politician's watch. Yet I was depicted as a prostitute for making those comments; I was humiliated. I have never seen any male public servant depicted in that way. So do I believe that it's partially a gender issue? You're absolutely right I do.[131]

6.139 Ms Holgate also commented on an apparent double standard that she observed in relation to members of the government and 'men who have been accused of behaving badly'. Ms Holgate was asked if she felt there was 'a difference in the way that [she was] treated by the Prime Minister'. Ms Holgate replied:

> I absolutely do. No-one afforded me the opportunity. The chair spoke to me briefly twice. I'm told the Prime Minister was not briefed properly. I still do not believe that really allows those actions to take place. I don't just lead Australia Post; I co-chair the trade board for this country with one of his ministers. You would have hoped I may have been deserved the opportunity for either the minister or the Prime Minister to speak to me. Neither did. The Prime Minister has never spoken to me, and I'm sure his team has looked through comprehensively the evidence I provided to the Senate.[132]

6.140 A stark contrast with the swift and brutal public condemnation of Ms Holgate by the Prime Minister unfolded the very next day. Revelations that the Chairman of the Australian Securities and Investments Commission (ASIC), Mr James Shipton, 'paid more than $118,000 [of taxpayers' money] for his personal tax advice' led to the launch of an investigation, and Mr Shipton stepped aside, pending the outcome. Asked to comment on the matter, Mr Morrison said it was 'a matter for the Treasurer'. However, he also said: 'I think there wouldn't be a board member of a government agency or a CEO of a government agency that did not get my message yesterday', referring to his public comments about Ms Holgate.[133]

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130 Karen Barlow, 'The 'abysmal' treatment of Christine Holgate', *Canberra Times*, 14 April 2021.

131 Ms Holgate, *Committee Hansard*, 13 April 2021, p. 4.

132 Ms Holgate, *Committee Hansard*, 13 April 2021, p. 2.

133 Chanel Zagon, 'ASIC Chair James Shipton to stand aside amid $118k tax advice bill', *Nine News*, 23 October 2020, www.9news.com.au/national/asic-chair-james-shipton-to-stand-aside-amid-118k-tax-advice-bill/e09f72e3-208b-4c4c-999c-01a9d031edcc (accessed 25 May 2021).

6.141 Ms Holgate concluded by suggesting the double standard was clear to see in the way she was 'hung in parliament and humiliated'—apparently for making a 'wrong comment' after a lengthy session of questioning at Senate Estimates—when men in public office have endured less scrutiny, even after serious allegations of abuse towards women.[134]

Committee view

6.142 The Prime Minister's statement that Ms Holgate could 'stand aside or go' meant that losing her job at Australia Post was a foregone conclusion. It is disingenuous to suggest that she chose to stand aside, or that her later resignation was anything other than inevitable.

6.143 Mr Morrison's comments on 23 October 2020, when he said 'there wouldn't be a board member of a government agency or a CEO of a government agency that did not get my message yesterday',[135] suggests Ms Holgate was used to set a public example, as a display of power, to show that the government 'means business'.

6.144 The scandal of the watches also, no doubt, provided a convenient distraction from bigger issues plaguing the government that week. Issues such as the outrageous Leppington Triangle deal, and the continued failure of the government to make progress on establishing a Federal anti-corruption commission.

6.145 The Prime Minister's comment exposes a deeply concerning attitude. It suggests a lack of respect for due process, for procedural fairness, and a willingness to treat people without dignity or compassion at the highest level within the government. This is an attitude that has also been taken by the Australia Post Board. Their behaviour does not accord with the principles of integrity and the highest standards of ethical behaviour that they should follow when exercising independent judgement as board members. As the committee has already highlighted there is precedent for even the most senior public servants being afforded natural justice and procedural fairness.

6.146 The government's treatment of Ms Holgate also raises the question: if a popular and high-performing CEO of Australia Post can be sacrificed to set 'an example', what protections are there for anyone in the public sector?

6.147 It is evident that Ms Holgate is a wealthy and well connected person, with significant supports in place. These factors that have ultimately meant that, despite the significant impacts on her mental and physical health, Ms Holgate has been able to survive—perhaps even to overcome—the challenges of these

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[134] Ms Holgate, *Committee Hansard*, 13 April 2021, p. 2.

[135] Chanel Zagon, 'ASIC Chair James Shipton to stand aside amid $118k tax advice bill', *Nine News*, 23 October 2020.

events. However, as Ms Holgate herself submitted, what she has been through 'should never be allowed to happen again, not just at Australia Post, but in any organisation, to any person, in any role'.[136]

6.148 The committee recognises that these factors may reduce the sympathy felt by many towards what happened to Ms Holgate. However, this inquiry was not just about what happened to Ms Holgate.

6.149 This inquiry has exposed the darker side of government control and interference into statutory entities; and the way in which proper procedure, fairness, and due process can be simply ignored when they are inconvenient.

6.150 It is apparent that a culture exists, operating outside the legislated guidelines applying to these entities, which allows 'independent' agencies to be controlled by ministers and their advisers, who give informal directions, in a completely unaccountable manner to Boards and their Chairs.

6.151 These informal directions are given over the phone, or verbally in person, and are rarely formalised in writing, allowing ministers and their departments to avoid scrutiny for their decisions.

6.152 What happened to Ms Holgate puts in stark relief that this culture—which encourages secrecy, imposes confidentiality, demands loyalty, and goes to great lengths to protect those that are 'in the tent'—can also fail to provide protection to those who are not. This failure is inherent also in the case of political staffer, Ms Brittany Higgins.

6.153 Ms Higgins alleges she was raped by a colleague in Parliament House, not provided with appropriate support, and encouraged to keep the incident quiet. Constitutional scholar, Professor Gabrielle Appleby, said the Parliament is characterised by 'a highly competitive work environment where workers are treated as disposable'. Professor Appleby said:

> …because a politician has a democratic mandate…those who work for them are directly employed. This creates an extraordinary one on one employment relationship in which one person holds all of the power.[137]

6.154 In the wake of these allegations, the government has acknowledged that cultural and structural changes are required. On Friday 5 March 2021, the government announced an independent review into Commonwealth Parliamentary workplaces, to be led by the Sex Discrimination Commissioner, Ms Kate Jenkins. The review aims to 'ensure all Commonwealth Parliamentary workplaces are safe and respectful and that our national Parliament reflects best

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136 Ms Holgate, *Submission 5*, p. 2.

137 Professor Gabrielle Appleby, quoted in: Rashna Farrukh, 'Parliament's Workplace Culture Is Failing Young Women', *Junkie Media*, 17 February 2021, junkee.com/brittany-higgins-parliament-workplace-culture/288221 (accessed 25 May 2021).

practice in the prevention and handling of bullying, sexual harassment and sexual assault'.[138]

6.155 What is alleged to have happened to Ms Higgins is a heinous criminal act. The committee is not making a comparison between what happened to Ms Holgate and what happened to Ms Higgins. However, both cases demonstrate the dire need for the Jenkins review. The committee hopes the review shines a light into the dark corners of the parliament and public sector, and leads to changes in legislation, culture and procedure.

6.156 The Australian government makes the laws which govern Australian workplaces. As an employer, it must set an example. Its practices must be beyond reproach. It can no longer treat workers as if they are disposable.

Recommendation 5

6.157 The committee recommends that the Australia Post Board and Shareholder Ministers and the Prime Minister apologise to Ms Holgate for denying her the legal principles of procedural fairness and natural justice in her departure from Australia Post.

Recommendation 6

6.158 The committee recommends that the Solicitor-General investigate the legality of the instruction from Shareholder Ministers to the Australia Post Board on 22 October 2020 that the Board should stand Ms Holgate aside while an investigation takes place into the purchase of the watches.

The instruction should be investigated in relation to the provisions of the *Australian Postal Corporation Act 1989*, in particular sections 49, 50 and 84, and any relevant sections of the *Public Governance, Performance and Accountability Act 2013*.

Recommendation 7

6.159 The committee recommends that the government re-set the relationship between the Shareholder and Australia Post, clarify the proper role of the Shareholder, and restore an appropriate level of independence to the Board.

6.160 The question of the Board's independence is considered in detail in Chapter 8.

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[138] Senator the Hon Simon Birmingham, Minister for Finance, 'Independent review into Commonwealth Parliamentary workplaces', 5 March 2021, www.financeminister.gov.au/media-release/2021/03/05/independent-review-commonwealth-parliamentary-workplaces (accessed 25 May 2021).

Chapter 7
Actions surrounding Ms Holgate's resignation

7.1 On 2 November 2020, convinced that she did not have the support of the Board, and that her position was 'no longer tenable', Ms Christine Holgate emailed the Chair to offer her resignation.[1]

7.2 This chapter looks in detail at:

- the actions of the Board and Australia Post leading up to Ms Holgate's resignation;
- Ms Holgate's resignation on 2 November 2020;
- the actions of Shareholder Ministers leading up to, and following, the resignation;
- the status of Ms Holgate's employment and contract with Australia Post; and
- efforts to resolve the matter.

Actions of the Board and Australia Post leading up to the resignation

7.3 The events of 22 October 2020 clearly had an extremely detrimental effect on Ms Holgate's mental and physical health.

7.4 The letter from the Chair to Ms Holgate dated 24 October 2020 stated that Ms Holgate was being investigated in relation to 'serious concerns' held by the Shareholder. It warned Ms Holgate not to have work-related communications with employees of Australia Post, informed her that she was 'required' to cooperate with the investigation and attend interviews, and told her that she was 'required to maintain confidentiality' and 'directed not to contact or discuss this matter with anyone inside or outside of Australia Post'.[2]

7.5 On 26 October 2020, at 1.31 am, Ms Holgate sent a message to Ms Sue Davies, Executive General Manager, People and Culture at Australia Post, who had been designated her official contact for support while she was stood aside. The message said:

> 'I am so low. I have sent you an email'. Included in that email I write 'Sue I have woken up to streams of messages of support. But I am seriously struggling. I am deeply stressed. I have never felt this low and publicly threatened in all my life. I am loosing [sic] all my strength. I am absolutely

[1] Ms Christine Holgate, *Submission 5*, p. 19.

[2] Appendix 9 [letter from Australia Post to Christine Holgate, 24 October 2020, 'Your agreement to stand aside pending investigation'], Australia Post, *Submission 3*, pp. [1–2].

> shattered. I can not sleep. I have those pains in my chest. I do not want to live like this. Please will you help me'.[3]

7.6 The letter Ms Holgate received from Australia Post on 25 October 2020, confirming the standing aside, included that Ms Holgate 'should not have any work-related communications with any directors, officers, employees, contractors, agents or customers of Australia Post, without first consulting with Mr Jon Cox [Executive General Manager, Transformation and Enablement, Australia Post]'.[4] This letter, and the Chair and Board's failure to publicly support Ms Holgate, made her feel that she had been 'deliberately isolated' and 'contributed to a significant decline in [her] health'.[5]

7.7 In addition to feeling outcast, Ms Holgate felt abandoned. She submitted, following the events of 22 October 2020, the Board—in particular, Mr Di Bartolomeo—'abandoned [her] to a media firestorm that he and others had created and cut [her] off from resources, despite knowing that these events had caused [her] to seek mental health care and medication'.[6]

7.8 One practical example of the lack of support from Australia Post was in regards to what Ms Holgate called 'defamatory comments' that were circulating in the media immediately following her standing aside. On 27 October 2020, Ms Holgate emailed staff at Australia Post twice to ask 'that they correct the inaccuracies in the media'. Ms Holgate 'received a phone call from an Australia Post manager to inform [her] the media stories would not be corrected and that they had been given instructions from the top'.[7]

7.9 Mr Di Bartolomeo submitted that it was not the Board's intention to permanently remove Ms Holgate from her role; that the Board 'never wanted to lose Ms Holgate as our CEO'. Asked if Ms Holgate would still be Group Chief Executive Officer and Managing Director (CEO) if she had not resigned, Mr Di Bartolomeo replied; 'Yes, I believe she could have been'.[8]

7.10 Ms Holgate said this evidence was unconvincing. In her response to Australia Post's submission and other evidence, Ms Holgate stated: 'I personally find it

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3 Ms Holgate, *Submission 5*, p. 45.

4 Appendix 9, Australia Post, *Submission 3*, pp. [1–2]. While the names (Sue Davies and John Cox) are redacted in Australia Post's submission, they are not redacted in Ms Holgate's submission. See *Submission 5*, p. 95.

5 Ms Holgate, *Submission 5*, p. 5.

6 Ms Holgate, *Submission 5*, p. 4.

7 Ms Holgate, Submission 5, p. 46.

8 Mr Lucio Di Bartolomeo, Chair, Australia Post, *Committee Hansard*, 13 April 2021, p. 35.

offensive that the Australia Post Chair can write "we were saddened and disappointed when Ms Holgate resigned"'.[9]

7.11 Australia Post Director Mr Tony Nutt provided similar evidence, suggesting Ms Holgate simply had to 'hold her ground':

> By ignoring the short-term politics and the increasingly inaccurate, on occasion completely false, and sometimes rather vile commentary and concentrating on methodically sorting through all the queries of the investigation, Ms Holgate would be the CEO today… Ms Holgate would be CEO today because she had the support of the chair and every member of the board of Australia Post throughout what was an unexpected and challenging time.[10]

7.12 However, Board Director Ms Deidre Willmott was more circumspect:

> It was Ms Holgate who reached the view that her position was untenable. The board did not ask her to resign, but, in the circumstances, and given the week that had preceded and the statements by public figures as to her position, it was difficult to take a different view than that her position was untenable—or it was easy to understand why she herself had reached that view.[11]

7.13 Another comment from the Chair on 13 April 2021 appears to acknowledge that he too believed Ms Holgate's resignation was inevitable:

> She resigned on 2 November. We accepted that she would resign. As you say, she offered and we accepted. The rationale for that was that, notwithstanding that she was the CEO, when you go through the circumstances that she went through, she came to the conclusion that it was untenable for her to continue. We reluctantly came to similar conclusions: that it was untenable.[12]

7.14 Ms Davies explained that she was 'disappointed with how [Ms Holgate] was treated from the point of the Senate [Estimates hearing]', and disappointed with the process after that. She said: 'I'm very disappointed for a lot of things that have happened—the process. There have been some very dark days for all of us, and especially for Christine'.[13]

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[9] Ms Christine Holgate, Response to Australia Post submission and subsequent announcements, tabled by Ms Christine Holgate (Response to Australia Post submission), 13 April 2021, p. 6.

[10] Mr Tony Nutt AO, Non-Executive Director, Australia Post, *Committee Hansard*, 3 May 2021, p. 14.

[11] Ms Deidre Willmott, Non-Executive Director, Australia Post, *Committee Hansard*, 27 April 2021, p. 47.

[12] Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 52.

[13] Ms Susan (Sue) Davies, Executive General Manager, People and Culture, Australia Post, *Committee Hansard*, 13 April 2021, p. 32.

Committee view

7.15 The Chair's letter to Ms Holgate on 24 October 2020 understandably left her feeling that she had been 'criminalised', ostracised, and shut out from the organisation.

7.16 It quickly became clear to Ms Holgate that the Board and senior management were not going to publicly support her, and that Australia Post was not intending to defend her in any way.

7.17 The depth of Ms Holgate's distress is captured in her message to Ms Davies in the early hours of 26 October 2020. This message is revealing and suggests that Ms Holgate already believed she would not be supported to return to her position, regardless of any finding of the investigation.

7.18 The committee has not been provided with any evidence to suggest that the Board or Australia Post expected that Ms Holgate would resume her role. Australia Post did not make any statements in support of Ms Holgate during the time she was stood down, and it did not make any attempt to correct inaccuracies in reporting. There is no evidence to suggest that the Board 'fought' to retain its CEO, or to clear her name.

7.19 A number of Board members have spoken about Ms Holgate's resignation as if it were a forgone conclusion. This is consistent with the committee's view that the standing aside of Ms Holgate was instructed by the Shareholder and the Prime Minister, and the Board was simply enacting the government's will.

Ms Holgate's resignation

7.20 Ms Holgate sent her email at 10.46 am on 2 November 2020 to the Chair and other members of the Australia Post Board. She attached a letter entitled 'Offer of Resignation', and a document entitled 'Christine Holgate Offers Resignation Statement'. In the letter, Ms Holgate wrote:

> Regrettably, given the recent events, I have come to the view that my continuation as Chief Executive [is] untenable.
>
> I have done no wrong, but I believe the current situation is not in the best interests of the organisation, our customers, our people or my own health.
>
> Consequently, ***I am offering to resign*** as both Chief Executive and as a Director with immediate effect. I do not seek my financial compensation.
>
> The terms of the investigation are now to hand and notwithstanding my resignation I am available to participate in it.
>
> It has been an honour and a privilege to serve Australia Post and I am disappointed that I am unable to continue in my role.

> This must come to an end today so ***I would appreciate if you could give me your favourable response***. I attach a copy of an external statement ***which I will be releasing at 2pm, in any event***.[14]

7.21 The resignation statement that Ms Holgate attached along with the letter said she was offering her resignation 'with great sadness', 'with immediate effect', and that she was 'not seeking any financial compensation'. It clarified that she 'deeply' regretted that her decision to use watches to reward the Bank@Post executives had 'caused so much debate and distraction', and that she appreciated 'the optics of the gifts involved do not pass the 'pub test' for many'. Ms Holgate stated that she had 'no animosity towards the Government' and that she had 'enjoyed working with the Prime Minister, the Shareholder Ministers and many other political leaders'.[15]

7.22 Ms Holgate emphasised that, at the time she drafted and sent the letter and resignation statement, she 'was managing high levels of anxiety', 'was on sick leave and under medication', and that the statement was drafted by Ms Holgate herself, not by lawyers. Ms Holgate submitted that she intended to negotiate terms in relation to ending her contract that day with Australia Post.[16]

7.23 Ms Holgate was with her lawyer, her communications advisor, Mr Ross Thornton, and two others, when she sent the letter. She texted Mr Nutt to let him know it had been sent. Mr Nutt tried to call Ms Holgate, but she told him that communication should go formally through each party's lawyers. Ms Holgate said they waited and waited, but the Chair did not contact her, and '[n]obody from the Board called [her] to resolve the matter that day'.[17]

7.24 Mr Di Bartolomeo forwarded Ms Holgate's resignation statement to the Chief of Staff for the Minister for Communications, Mr Ryan Bloxom, and a Deputy Secretary of the Department of Finance,[18] and provided it to a small number of executives in Australia Post, at around 11.45 am.[19]

7.25 According to Ms Holgate, at approximately 1.30 pm, 'Sky News claimed they had been briefed that [she] was to resign imminently'. Ms Holgate believed this indicated her statement had been leaked:

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[14] Emphasis added. Appendix 2 (Offer to resign), Ms Holgate, *Submission 5*, p. 64.

[15] Appendix 2, Ms Holgate, *Submission 5*, pp. 65–66.

[16] Ms Holgate, *Submission 5*, p. 20.

[17] Ms Holgate, *Submission 5*, p. 21.

[18] Australia Post, Answers to questions taken on notice at the public hearing in Canberra, 13 April 2021 (received 24 April 2021), p. 3.

[19] Australia Post, *Submission 3.1*, pp. 24–25.

> As my letter had only been given to the Chair and the Board, plus the people sitting in the room with me, we all became further disappointed realising that the leak would have stemmed from the Board.[20]

7.26 Australia Post disputed Ms Holgate's evidence in relation to the timing of the Sky News broadcast:

> The first mention in the media of a potential resignation announcement appears to have taken place at approximately 2:05pm on 2 November 2020, when Andrew Clennell identified on Sky News' television broadcast that he had heard speculation Ms Holgate would resign (see www.skynews.com.au/details/_6206285295001).[21]

7.27 Asked to clarify this evidence, Ms Holgate submitted, 'at 1.30pm we received a call from Sky News that they had been briefed I was to resign immediately'.[22] Thus, Ms Holgate's evidence was not ultimately that Sky News *aired* the broadcast at 1.30 pm, but that the network contacted her for comment at 1.30 pm.

7.28 When she and her supporters became aware that the statement was already in the public domain, and they had not been contacted by the Board to reach an agreement, they 'felt forced to admit that [she] had written to the Chair and the Board and offered to resign'. Ms Holgate 'confirmed and released the statement as it had been shared with the Board earlier that day [and] advised the organisation'.[23]

7.29 Ms Holgate originally submitted that this occurred around 2.20 pm,[24] but later clarified that she emailed her final statement to her communications consultant, Mr Thornton, 'at 2.14pm (after the story had gone to air) and asked him to release it'. Ms Holgate stated that Mr Thornton sent it out 'shortly afterwards, at approximately 2.20pm–2.30pm'.[25]

7.30 Australia Post submitted that Ms Holgate emailed her resignation statement to three Australia Post staff, Ms Davies and two others, at 2.10 pm, with the subject line, 'With my deepest regrets'; then emailed it to Australia Post's executive team at 2.29 pm, saying:

> It is with great sadness; that today [I] have informed the Chair and the Board of my resignation as Chief Executive of Australia Post with immediate effect.

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20 Ms Holgate, *Submission 5*, p. 21.

21 Australia Post, Answers to questions taken on notice at the public hearing in Canberra, 13 April 2021 (received 24 April 2021), p. 2.

22 Ms Christine Holgate, Answers to written questions from Senator Sarah Henderson, (received 17 May 2021), [p. 4].

23 Ms Holgate, *Submission 5*, p. 21.

24 Ms Holgate, *Submission 5*, p. 21.

25 Ms Christine Holgate, Answers to written questions from Senator Sarah Henderson, (received 17 May 2021), [p. 4].

> Attached is a copy of a statement that I have given this afternoon… I have made the very difficult decision to resign, hoping the organisation can get fully focused on serving our customers.[26]

7.31 While not directly disputing the notion that there was a leak, Australia Post appears to suggest that Ms Holgate released her statement herself at 2.00 pm, as her letter stated she intended to. Australia Post questioned its officials, all of whom said they did not leak Ms Holgate's statement.[27]

7.32 By 2.29 pm, Ms Holgate's resignation had been publicly confirmed. Australia Post submitted that, to the best of its knowledge, the first 'mention in the media of the actual resignation announcement' was at 2.29 pm on 2 November 2020, on the ABC, when Business Reporter, Mr David Taylor, 'tweeted that Ms Holgate had resigned, quoting content from Ms Holgate's resignation statement'.[28]

7.33 In her submission, Ms Holgate implies that at 3.13 pm, she and her supporters were still waiting for a response from the Board. It was at this time Ms Holgate said Australia Post published a statement that Ms Holgate had resigned. Then, at 4.13 pm, Ms Holgate received an email from the Chair, asking her to sign a variation to her contract. She did not sign it.[29] Issues relating to Ms Holgate's contract are discussed later in this chapter.

7.34 Australia Post's evidence confirms the timing of the statement (at 3.15 pm, according to Australia Post),[30] which was from the Chair, on behalf of the Board of Directors of Australia Post, advising that Ms Holgate had resigned, effective immediately.[31] Shortly afterwards, it sent a message informing employees, contractors, licensees, and others.[32]

7.35 At 5.08 pm, the Shareholder Ministers jointly acknowledged that the Australia Post Board had accepted Ms Holgate's resignation.[33]

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26 Australia Post, *Submission 3.1*, p. 24.

27 Australia Post, *Submission 3.1*, pp. 24–25.

28 Australia Post, Answers to questions taken on notice at the public hearing in Canberra, 13 April 2021 (received 24 April 2021), p. 2.

29 Ms Holgate, *Submission 5*, p. 19.

30 Timing provided in: Australia Post, Answers to questions taken on notice at the public hearing in Canberra, 13 April 2021 (received 24 April 2021), p. 4.

31 Australia Post, *Submission 3*, p. 24.

32 Australia Post, *Submission 3*, p. 25.

33 Senator the Hon Mathias Cormann, Minister for Finance, and the Hon Paul Fletcher MP, Minister for Communications, Cyber Safety and the Arts, *Joint media release: Australia Post*, 2 November 2020, minister.infrastructure.gov.au/fletcher/media-release/australia-post-0 (accessed 25 May 2021).

7.36 Ms Holgate was asked why, if she was expecting to negotiate terms with Australia Post on the day of her resignation, she included the 2pm deadline in her letter of resignation, and said she would release the statement at that time 'in any event'. She responded:

> I drafted the statement when I was very ill, it is well documented about the significant deterioration of my health and the medication I was taking at this stage and I wanted many things to stop happening. The week prior to drafting the statement I asked multiple times for help and for Australia Post to correct incorrect statements being made about me. Board members were aware of the cartoon depicting me as a prostitute, but they did nothing to defend my honour. I often copied on emails asking for help [to] Tony Nutt and Andrea Staines (Both Board Members), whom I had been advised were appointed by the Board to 'manage' my situation. Australia Post said they would not correct incorrect news reports. I asked Australia Post to put out a statement from me on their intranet for Licensed Post Offices to not close in support of me, as they had planned to – they chose not to. Australia Post did make two statements on the 23rd October 2020, both referring to me but they neither consulted with me nor informed me they had been released; I was told of them via the media. The Board had taken no actions to publicly support me, and they allowed considerable misreporting, which defamed me and caused me considerable harm. I was urging the Board for a decision and help. It was in this context that I wrote that line.[34]

Actions of the Board and Australia Post following the resignation

7.37 After her resignation, Ms Holgate submitted that Australia Post continued to treat her poorly. Australia Post has disputed these claims.

7.38 On the afternoon of 2 November 2020, Ms Holgate sent an email to Australia Post's Head of Communications containing a farewell message and requesting it be sent to all Australia Post employees.[35] Ms Holgate stated that she received a reply saying: 'This is an excellent note. I have sent to Rodney for his OK and would be very happy to distribute this afternoon'. However, Ms Holgate's letter to employees was not distributed that day. Ms Holgate submitted this was because 'it was not supported by the Acting CEO'.[36]

7.39 The failure of Australia Post to distribute Ms Holgate's farewell message to employees caused Ms Holgate significant distress. It was not until 5 November 2020 that Australia Post eventually sent the message:

> I spoke to Sue Davies and shared with her my sincere disappointment that Australia Post would not approve sending out my employee note. So many employees were writing to me and I felt it was disrespectful to both them and myself. It made it look to them like I didn't care about them, and this

[34] Ms Christine Holgate, Answers to written questions from Senator Sarah Henderson, (received 17 May 2021), [p. 3].

[35] For details of the message, 'Farewell from Christine', see: Australia Post, *Submission 3*, p. 27.

[36] Ms Holgate, *Submission 5*, p. 22.

> was extremely distressing to me. At approximately 1pm my email access [was] withdrawn. At approximately 2.30pm my employee note was sent out as Sue Davies had escalated the matter and raised her concerns regarding how unreasonable this was. As Australia Post had cut me off, even employees receiving the email could not reach out to me.[37]

7.40 Ms Davies confirmed that it was through a 'conversation with the acting CEO' that she was able to advocate for the communication to be sent out on Ms Holgate's behalf:

> I'm not sure why the decision was not to send that letter out. Christine wanted to write to 36,000 people and explain what had happened and her decision to resign. I saw no harm in that. I wanted Christine to have the opportunity for people to respond to her as well, and thank her. And that's exactly what happened. She received many, many responses. I thought that was really, really important for Christine's state of health and state of mind at the time.[38]

7.41 Australia Post's letter to Ms Holgate on 24 October 2020 had nominated Mr Cox as her contact for support regarding the Shareholder's investigation.[39] However, after seeking assistance with documents to prepare for the investigation, Ms Holgate submitted that on 8 November 2020 she 'received a phone call from John Cox leaving a message that Rodney Boys had instructed him not to provide me with any information and that any requests should go via our lawyers'. Ms Holgate interpreted this to mean that Australia Post no longer intended to provide her with any assistance or support to participate in the investigation. According to Ms Holgate, the only support she received from that point on was 'moral support from [her former Executive Assistant and Sue Davies] (both of whom have been extremely professional) and other employees'.[40]

7.42 In the weeks that followed, Ms Holgate was asked to complete a number of tasks by Australia Post relating to the investigation and freedom of information (FOI) requests. Noting her resignation, Ms Holgate felt that Australia Post's continued demands were designed to cause her 'harm'. Ms Holgate claimed that Australia Post made these tasks technically difficult by sending her locked documents, partial documents, or imposing unrealistic deadlines Ms Holgate and her lawyer then had to negotiate more reasonable terms.[41]

7.43 Australia Post refuted these claims, saying that it was 'required under legislation to consult with Ms Holgate to ensure that it met its obligations under the *Freedom of Information Act 1982*', and that Ms Holgate 'was afforded all opportunities and

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[37] Ms Holgate, *Submission 5*, p. 23.

[38] Ms Davies, *Committee Hansard*, 13 April 2021, p. 32.

[39] Appendix 9, Australia Post, *Submission 3*, pp. [1–2].

[40] Ms Holgate, *Submission 5*, p. 24.

[41] Ms Holgate, *Submission 5*, p. 30.

assistance by Australia Post reasonably required to allow [her] to review and respond appropriately'. Australia Post said it 'worked tirelessly with Ms Holgate during the consultation process to accommodate her requests and to mitigate concerns she raised'.[42]

7.44 Australia Post explained that it produced cover sheets 'with explanatory comments', which were not required as part of the FOI process, but were agreed 'in recognition of Ms Holgate's concerns and her on-going interest in the production of the documents'. Australia Post provided Ms Holgate with the support of her former Executive Assistant 'as a resource to assist Ms Holgate throughout the process'.[43]

7.45 In conclusion, Australia Post submitted that it:

> …rejects any assertion that it acted in an unreasonable manner or to cause Ms Holgate harm. Rather, it expended considerable time and expense (corresponding with Ms Holgate's lawyers) in seeking to accommodate Ms Holgate's efforts to provide her explanations for the various expenses incurred on those credit cards.[44]

Duty of care

7.46 Ms Holgate submitted that the Board was negligent in that it failed to fulfil its duty of care to her. She submitted:

> …under the Fair Work Act, if somebody is on sick leave—which I was, and they were aware of it; it was formally sick leave, with a doctor, and they knew I was on temazepam [insomnia medication] and that I was suicidal—in that situation they have an obligation of duty, if somebody offers to resign, to test that that resignation is real. There was no testing. The chair never called me. The chair never said: 'Christine, are you sure this is really what you want to do? We know you are ill'.[45]

7.47 Australia Post responded to this claim, saying, 'the Chair sought (without success) to contact Ms Holgate during a break in the Board meeting on 2 November 2020, from 1.35 pm to 2.45 pm'. Phone records show the calls were made as submitted.[46]

7.48 After Ms Holgate sent her resignation to the Chair, Mr Nutt called her and she told him she 'could not speak' to Board members, in case she 'be manipulated further'.[47] Australia Post disputed this characterisation of Ms Holgate as vulnerable, pointing out that Ms Holgate 'is a very experienced and very

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42 Australia Post, *Submission 3.1*, p. 30.

43 Australia Post, *Submission 3.1*, p. 31.

44 Australia Post, *Submission 3.1*, p. 32.

45 Ms Holgate, *Committee Hansard*, 13 April 2021, p. 20.

46 Australia Post, *Submission 3.1*, p. 19.

47 Ms Holgate, *Submission 5*, pp. 21–22.

capable executive and non-executive director', and that she was accompanied by a 'team of experts advising and supporting her, including a barrister, a lawyer, and a media adviser' when she resigned.[48]

7.49 Ms Holgate was asked about the missed calls from the Chair on 2 November 2020. She replied:

> I have no evidence of these calls; your question is my first knowledge of any possibility of them. I asked many times for phone records, and these were never provided until after submissions [to this inquiry] were due, I was even told Australia Post could charge me for providing them. I have no confidence in any evidence provided by the Chair, he has proved highly unreliable throughout this inquiry. If Australia Post had wanted to contact me, why did they not contact my lawyer or message me by text? They did not. If they were in doubt, they should have not gone ahead, especially considering how ill, they knew I was. They failed in their duties.[49]

7.50 Asked if the Board should have accepted her resignation when it knew of Ms Holgate's mental health concerns and the fact that she was on medication and receiving psychological treatment, Mr Di Bartolomeo replied:

> I was certainly aware in the immediate aftermath of the Senate estimates of 22 October that she was under great stress. I agree. Ten days later, Christine sends us a resignation letter…and a copy of a statement she was going to make publicly at two o'clock in any event. And it was a rational letter, a rational statement she was making. While we were very reluctant in the circumstances, we understood the circumstances.[50]

7.51 Ms Holgate also suggested Australia Post failed to support her following her resignation. Australia Post disputed this claim:

> Australia Post acknowledges that this has been an exceptionally challenging time for the organisation and for Ms Holgate personally… Australia Post's support of Ms Holgate's wellbeing (via Ms Davies) continued following Ms Holgate's resignation on 2 November 2020.[51]

7.52 Mr Di Bartolomeo defended Australia Post's efforts to support Ms Holgate, saying the organisation had 'tried to do as much as possible to assist her'. The Chair said Australia Post had organised psychological support for Ms Holgate through the Employee Assistance Program, and provided support via Ms Davies, giving 'her the time and the permission to do that role'. Mr Di Bartolomeo believed Ms Davies did it well 'within the limits that there were'.[52]

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48 Australia Post, *Submission 3.1*, p. 20.

49 Ms Christine Holgate, Answers to written questions from Senator Sarah Henderson, (received 17 May 2021), [p. 5].

50 Mr Di Bartolomeo, *Committee Hansard*, 3 May 2021, p. 42.

51 Australia Post, *Submission 3.1*, pp. 28–29.

52 Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 36.

7.53 Ms Davies said that it was 'hard to separate [herself] from [her] role as exec of people and culture', and her individual support of Ms Holgate. Ms Davies said:

> I think different minds look at this differently. If we could all reflect and go back and hope that something could have been done differently—I think there are probably lots of things that could have been done differently.[53]

7.54 Ms Davies was asked if *she* believed Australia Post had 'demonstrated a duty of care' to Ms Holgate. Ms Davies replied; 'I think that's a difficult question':[54]

> …we do care for our employees greatly. We have many policies, processes and procedures in place to care for our people and to make sure that our people have the right care and support. This is an unprecedented situation—certainly with the CEO of the organisation—but I certainly feel that Australia Post absolutely supports people and has a duty of care.[55]

Actions of the Shareholder Ministers

7.55 On 3 November 2020, after her resignation, the Communications Minister, the Hon Paul Fletcher MP, tried to call Ms Holgate and she missed the call. Ms Holgate and the Minister spoke later that day 'for about five minutes'. The Minister 'asked how [she] was' and 'thanked [Ms Holgate] for [her] service'. Ms Holgate said that she told the Minister 'how difficult everything had been and how disappointed [she] was with the situation', making it clear that she was 'really unhappy'.[56]

7.56 On 23 November 2020, Ms Holgate contacted Senator the Hon Simon Birmingham, Minister for Finance, via email to outline concerns about her treatment by Australia Post and the government, and to seek a resolution to her contract, which she believed was unresolved. [57] Ms Holgate's email said:

> I have not done anything to justify what has happened to me. I purchased 4 watches for 4 managers who had done an outstanding job 2 years ago, securing the largest investment in our history into our Community Post Offices and saving a critical process and subsequently the viability of our Licensed Post Office partners. They were approved by the then Chair as evidenced in his note to each of them. They were within my signing authority. In today's environment giving watches may not pass a 'pub test' for some, but this was not now, it was two years ago for a substantial gain for the organization and the communities we serve. Ironically, I could have given them an additional bonus of $100k each, all within my signing authority and no one would have complained.

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53 Ms Davies, *Committee Hansard*, 13 April 2021, p. 32.

54 Ms Davies, *Committee Hansard*, 13 April 2021, p. 28.

55 Ms Davies, *Committee Hansard*, 13 April 2021, p. 29.

56 Ms Holgate, *Submission 5*, pp. 22–23.

57 Ms Holgate, *Submission 5*, pp. 25–26.

> I find it puzzling that neither the Minister nor Prime Minister appeared to know these facts when commenting in Parliament on [22 October 2020]; their comments suggested they believed it had happened recently…
>
> I have tried to remain respectful throughout the investigation process. I have honoured my commitment and I did not speak to journalists during these 4 weeks, nor did I reach out to members of the Government, whom I know well to avoid any risk of interfering with the process.
>
> Most importantly, I did not agree to stand aside or stand down… This issue has been the cause of great concern to me and I am advised, what the Australia Post Chair did is unlawful…
>
> I have had no voice throughout this investigation period and it is only now that it is finished, do I have an opportunity to address what has happened to me…
>
> At the very least, I would like a public apology of the events that have happened to me, acknowledgement that what I did was not breaking any company governance and that I was rewarding 4 managers for an outstanding performance, which saved a critical service in the Community Post Offices, which more than 50% of all communities depend on. I would like my integrity as a Corporate leader reinstated.[58]

7.57 On 25 November 2020, Minister Birmingham called Ms Holgate at 9.00 am. Ms Holgate submitted that they spoke for approximately 45 minutes and the Minister suggested she forward her correspondence to Minister Fletcher and that the three of them meet to discuss a resolution. Ms Holgate sent the correspondence to Minister Fletcher, and submits that she received no response.[59]

7.58 After following up and again receiving no further response, Ms Holgate concluded that her attempts to reach out to the Shareholder Ministers had ultimately failed: 'Time after time, I reached out and asked for help to resolve things amicably. I have received none'.[60]

7.59 The Licenced Post Office Group (LPOGroup) sought to advocate on behalf of Ms Holgate and was unhappy with the ministers' responses.

7.60 Minister Fletcher conducted a meeting with the LPOGroup on 18 November 2020, during which the LPOGroup said he 'refuted' its suggestion that Ms Holgate's contract of employment was not finalised. In addition, the Minister:

> …assured LPOGroup that Christine Holgate could be replaced with a CEO of equal quality, who would continue to progress Ms Holgate's plans and

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[58] Appendix 5 (Email Trail to Minister Simon Birmingham & Minister Paul Fletcher), Ms Holgate, *Submission 5*, pp. 72–74.

[59] Ms Holgate, *Submission 5*, p. 26.

[60] Ms Holgate, *Submission 5*, p. 5.

> strategies, as she had been doing. [The LPOGroup] expressed [its] opinion that that was highly unlikely.[61]

7.61 Minister Birmingham met with the LPOGroup by teleconference on 13 January 2021, and reportedly supported Minister Fletcher's position.[62]

7.62 Ms Holgate was 'greatly disappointed' that both the Shareholder Ministers and the Prime Minister's Office 'all knew' that there were ongoing issues in relation to Ms Holgate's resignation and contract with Australia Post, and that her 'health was seriously suffering':

> Yet they have all done nothing to help resolve it, even after several requests for help and now claim what has happened to me following the events in Parliament, was a matter for the Board.[63]

Committee view

7.63 From the moment it gave effect to the Shareholder's instruction to stand Ms Holgate aside, the Board was limited in its ability to support her.

7.64 Publically defending Ms Holgate—even correcting blatant errors in media reporting—would have exposed the Board to allegations of hypocrisy and attracted further scrutiny on the decision to stand her aside and other Board actions of 22 October 2020. No doubt it would also have put the Board at odds with the Shareholder.

7.65 Complying with the Shareholder's instruction meant the Board and Australia Post had to treat Ms Holgate as if she was suspected of serious misconduct. This was very distressing to Ms Holgate. Australia Post made an attempt to meet its minimum obligations to support Ms Holgate, such as through providing the support of Ms Davies, access to psychological services, and ongoing assistance from Ms Holgate's former Executive Assistant. However, ultimately, Ms Holgate did not feel supported by Australia Post.

7.66 Evidence from Australia Post indicates that it made no substantial effort to confirm with Ms Holgate that her offer of resignation was made while she was in a fit state. At a minimum, the Board should have spoken with Ms Holgate (or her lawyer if that was her preference), prior to releasing a public statement about the resignation.

7.67 Some decisions made by Australia Post after Ms Holgate's standing aside and her resignation were poorly handled and added to her distress. The prime example is the initial refusal to distribute Ms Holgate's 'farewell' statement to employees. This disempowered and humiliated Ms Holgate, and the committee has been provided with no explanation for the delay.

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61 LPOGroup, *Submission 14*, p. 32.

62 LPOGroup, *Submission 14*, p. 32.

63 Ms Christine Holgate, Response to Australia Post submission, 13 April 2021, p. 7.

7.68 There also seemed to be no clear, transparent process for removing Ms Holgate's access to technology, to files and emails, and to resources, and Ms Holgate was not informed about her rights, or provided with a clear separation plan or schedule. This should have been done, as Ms Holgate was obliged to continue participating in the Shareholder's investigation, which necessitated access to various documents and other resources. Australia Post's failure to have clear policies and processes in place to handle such matters should be rectified.

7.69 Australia Post must ensure that it has fair and transparent separation policies in place and clear mechanisms for dealing with any disputes. Recommendation 9 in Chapter 8 proposes that the Australian National Audit Office undertake an audit into the governance arrangements at Australia Post, including its post-separation arrangements.

Status of Ms Holgate's employment contract

7.70 Ms Holgate maintained that when she emailed her resignation statement to the Board, it was an offer to resign pending a formal agreement:

> My statement clearly states ***I had offered to resign*** and I sought no compensation and I would fully support an investigation, but ***I had asked to be released immediately***. My statement ***did not say I had resigned*** as I clearly had no agreement with the organization when I drafted it. My accompanying letter to the Board had one condition, that the matter was resolved that day.[64]

7.71 Australia Post disputed this assertion, and claims that Ms Holgate's resignation was 'a unilateral act', 'effective from the moment she delivered her resignation letter', and 'also evidenced in Ms Holgate's subsequent public statement', which she released on 2 November 2020.[65]

7.72 Ms Holgate submitted that the Chair's letter to her on the afternoon of 2 November 2020, asking her to sign a variation in her contract, released Australia Post from its obligations, but left Ms Holgate bound by hers:

> If I had signed this letter, it would have potentially prevented me from working for twelve months, I would have received no pay and in addition they added a clause that would prevent me from making any future claim on the organization going forward. I did not sign their variation to my contract.[66]

7.73 Mr Di Bartolomeo disputed the assertion that Australia Post 'put any further limitations' on Ms Holgate. The Chair said that Australia Post sought to release Ms Holgate from her contractual obligation to give six months' notice, and in return, it sought to be released from its obligation to pay her the six months'

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[64] Ms Holgate, *Submission 5*, p. 19.

[65] Australia Post, *Submission 3.1*, p. 18.

[66] Ms Holgate, *Submission 5*, p. 19.

salary that she had stated she did not want. Mr Di Bartolomeo said the non-compete clause in her contract would still apply, meaning Ms Holgate could not 'enter into a job in competition with Australia Post'.[67]

7.74 Ms Holgate's primary concerns appeared to be that Australia Post expected her to remain bound by the non-compete clause while, at the same time, forgoing the compensation she was entitled to according to her contract. In addition, Australia Post was asking her to sign a variation to her contract that stipulated she would not seek 'any other financial compensation from Australia Post'.[68]

7.75 Clause 14.1 of Ms Holgate's Contract of employment (contract) states that variations must be in writing and signed by both parties. Ms Holgate submitted that she has 'not signed any document', and that 'Australia Post appear to blatantly disregard my contract'. According to Ms Holgate, she 'offered to resign with the important condition was that the agreement was reached that day. It was not'.[69]

7.76 Ms Holgate submitted a letter from Australia Post's lawyers, Allens Linklaters, dated 16 December 2020, which clearly stated Australia Post's position that Ms Holgate was still expected to adhere to the restrictions imposed by her contract: 'Australia Post does not agree with your assertion that the post-employment restraints that apply to Ms Holgate are unenforceable in the absence of a payment to her'.[70]

7.77 Further correspondence detailed an offer to Ms Holgate from Australia Post that she could be released from the 'non-competition restraint…[in] her employment contract' if Ms Holgate signed a deed of release. The deed would require her to:

- agree to be bound by a number of 'non-solicit restraints';
- agree to continue to bound by 'the confidentiality obligations set out in the Confidentiality Deed…of her employment contract'; and
- release the Australia Post companies and their officers and employees from 'all legal claims relating to her employment and the termination of her employment'.[71]

7.78 Ms Holgate did not agree to these conditions and did not sign.

7.79 By January 2021, Ms Holgate was still seeking a resolution with Australia Post. On 8 January 2021, Ms Holgate said she spoke with Australia Post Director Mr Nutt for 'more than three hours'. She told Mr Nutt:

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67 Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 52.

68 Appendix 18, Australia Post, *Submission 3*, [p. 97.]

69 Ms Holgate, Response to Australia Post submission, 13 April 2021, p. 5.

70 Appendix 4 (Letters from Australia Post on December 16th 2020), Ms Holgate, Response to Australia Post submission, 13 April 2021, p. 23.

71 Appendix 4, Ms Holgate, Response to Australia Post submission, 13 April 2021, pp. 24–25.

> I had offered to do the right thing, but Australia Post had abused my trust, misled the public and the Government and the Parliament about me, refused to defend me personally, caused me to incur significant legal costs, left me without support despite knowing of my poor mental state, and made no serious attempt to resolve my release from the organisation among other issues. I also complained to him of the unreasonable deadlines I had been given to comply with requests for information.[72]

7.80 Following this conversation, Ms Holgate said that Mr Nutt helped her to secure 'more reasonable deadlines to some of the onerous tasks' she had been asked to complete. However, he was not able to assist in resolving her contract.[73]

7.81 The Department of Infrastructure, Transport, Regional Development and Communications (Department of Communications) submitted:

> On 2 November 2020, the former CEO, Ms Christine Holgate, announced her resignation from the position. The Department received a copy of her resignation letter to the Board on that day. The terms of Ms Holgate's separation from employment is a matter for the Australia Post Board.[74]

7.82 As mentioned elsewhere, Australia Post announced the appointment of a new Group CEO and Managing Director, Mr Paul Graham, on 12 April 2021, just 24 hours before the first public hearing was scheduled to occur in relation to Ms Holgate's matter. The Chair was asked if he believed making the announcement so close to the hearing was 'a good look'. Mr Di Bartolomeo responded; 'We were hoping to have the approval process completed sooner so we could have put more air between the two. But that didn't turn out to be the case; it wasn't intended to'.[75]

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[72] Ms Holgate, *Submission 5*, p. 32.

[73] Ms Holgate, *Submission 5*, p. 32.

[74] Department of Infrastructure, Transport, Regional Development and Communications (Department of Communications), *Submission 16*, p. 3.

[75] Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 43.

Efforts to resolve the matter

7.83 In April of 2021, Ms Holgate engaged Sydney barrister, Mr Arthur Moses SC, and defamation lawyer, Ms Rebekah Giles, a specialist in 'reputational risk', to assist her to resolve her dispute with Australia Post.[76]

7.84 Ms Holgate's legal representatives approached Australia Post to propose mediation. Mr Di Bartolomeo confirmed on 3 May 2021 that Australia Post had received a request for mediation, and indicated its willingness to participate. However, Australia Post was not satisfied with the timeline proposed by Ms Holgate, which the Chair described as 'unreasonable'.[77]

7.85 Australia Post's General Counsel, Mr Nick Macdonald, provided further detail:

> Correspondence proposing a mediation was received from Ms Holgate's lawyers on 21 April—a Wednesday. On the following Monday, our lawyers responded, accepting that invitation to mediate. On 27 April, we had the second day of this hearing. On 28 April, further correspondence was received from Ms Holgate's lawyers. It proposed a mediation, as the chair referred to, on the following Friday, Saturday, and in fact the Tuesday, not today—so, effectively, in a matter of days. Obviously the third day of this hearing is today, which is in amongst those dates. Our lawyers responded on 29 April, repeating that we were willing to participate in a mediation, but noting that it would be necessary for the parties to be properly prepared and advised in order to do that; that the parties would need to agree upon the mediator; and that the parties would need to agree upon the location, the scope, attendees and also the timetable for exchanging position papers. Our board needs to be properly advised. We need an opportunity to brief counsel to appear at the mediation, as has Ms Holgate's lawyers.[78]

7.86 Ms Holgate's legal representative, Ms Giles, issued a media statement saying that Australia Post and Shareholder Ministers had advised they would not be able to conduct mediation by Ms Holgate's preferred deadline, 5 May 2021:

> We offered Australia Post and the government ministers a two-week window to conduct this mediation in order to minimise the ongoing harm that has been caused to Ms Holgate as well as the distraction to Australia Post which ultimately must focus on its important service to the public and its obligations to its employees and operators.
>
> Given [there] appears to be an absence of agreement to mediate this matter expeditiously, Ms Holgate will now have no option but to consider her legal

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[76] Lisa Visentin, 'Holgate hires high-profile lawyers in dispute with Australia Post', Sydney Morning Herald, 22 April 2021, www.smh.com.au/politics/federal/holgate-hires-gun-lawyers-in-dispute-with-australia-post-20210422-p57lhz.html (accessed 1 May 2021).

[77] Mr Di Bartolomeo, *Committee Hansard*, 3 May 2021, p. 35.

[78] Mr Nick Macdonald, General Counsel and Corporate Secretary, Australia Post, *Committee Hansard*, 3 May 2021, p. 35.

> options after the [Senate inquiry] report into these matters is released on May 17.[79]

7.87 At the public hearing on 3 May 2021, the Chair of Australia Post was asked whether he believed Ms Holgate's request for mediation indicated that her 'position' that she was not seeking any financial compensation from Australia Post had changed. Mr Di Bartolomeo said:

> Given that we don't know what the claims are against us yet, in detail, I guess we can't be definitive, but it would appear to be so, given that they are looking for mediation as a prelude to potential litigation after.[80]

7.88 Australia Post Board issued a statement on 5 May 2021 confirming that it had agreed to participate in mediation with Ms Holgate:

> Australia Post's lawyers have again written to Ms Holgate's lawyers confirming that Australia Post will participate in a mediation...
>
> Further, given the public interest in this matter and Australia Post's wish to be transparent about it, we have asked that Ms Holgate agree that following the mediation the parties will make public what she asked Australia Post to give her to settle the dispute and also the outcome of the mediation.[81]

7.89 Mr Andrew Jaggers, Deputy Secretary at the Department of Finance confirmed that Shareholder Ministers had also received the letter from Ms Holgate's solicitor requesting mediation, and that:

> The department will carefully consider that matter; the ministers will carefully consider that matter. Certainly, in many senses, this is a letter from a private citizen to the minister. We take very seriously our obligations around privacy in relation to any legal matter from an Australian citizen that involves the government.[82]

7.90 The Department of Finance confirmed on notice that the Australian Government Solicitor 'has provided advice to Shareholder Departments on a response to correspondence from Ms Holgate's Solicitor'.[83]

Committee view

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[79] Cameron Gooley, 'Christine Holgate threatens legal action against Australia Post', *ABC Online*, 4 May 2021, www.abc.net.au/news/2021-05-03/christine-holgate-threatens-legal-action-against-australia-post/100113284 (accessed 5 May 2021). The reporting date for the inquiry of 17 May 2021 was extended to 25 May 2021.

[80] Mr Di Bartolomeo, *Committee Hansard*, 3 May 2021, p. 44.

[81] Australia Post, 'Australia Post–mediation with former CEO Christine Holgate', 5 May 2021, https://newsroom.auspost.com.au/article/australia-post---mediation-with-former-ceo-christine-holgate (accessed 22 May 2021).

[82] Mr Andrew Jaggers, Deputy Secretary, Commercial and Government Services, Department of Finance, *Committee Hansard*, 27 April 2021, p. 71.

[83] Department of Finance, Answers to questions taken on notice at a public hearing, Canberra, 27 April 2021 (received 10 May 2021), Question No 5, p. 1.

7.91 The committee does not intend to comment on the merits or otherwise of any potential mediation or legal action in relation to settling Ms Holgate's dispute with Australia Post.

7.92 We encourage Australia Post, and Shareholder Ministers, to work productively and in good faith to come to an agreement with Ms Holgate that resolves this matter effectively and expeditiously.

7.93 Any agreement should include a public acknowledgement by Australia Post and Shareholder Ministers that Ms Holgate did not act dishonestly or fraudulently, or breach any of Australia Post's policies when she made the decision to purchase the watches as rewards in 2018.

7.94 It should include an acknowledgement of the responsibility of the Board in the matter; which, as the accountable authority, had a duty to ensure there were sufficient policies and processes in place to guide employees appropriately.

7.95 The committee encourages Australia Post to prioritise its engagement with this mediation, and seek to reach a satisfactory resolution as soon as is practicable.

7.96 The committee acknowledges that Ms Holgate's employment contract is between Ms Holgate and Australia Post, so it may be inappropriate for Shareholder Ministers to be a party to the mediation. However, in light of the role of the Shareholder Ministers (particularly Minister Fletcher) in Ms Holgate's standing aside, the Shareholder Ministers should support the process in appropriate ways.

An apology

7.97 Mr Di Bartolomeo was asked if he believed Ms Holgate deserved an apology from Australia Post. The Chair replied:

> I think Christine Holgate has been treated abysmally, but I believe the board and management did the right things by her… I don't believe Australia Post owes her an apology, no, but I do believe she has been badly treated.[84]

7.98 Other Board members agreed with the Chair's assertion that Australia Post did not owe Ms Holgate an apology.[85]

7.99 The Chair was asked, if not the Board, or himself, then *who* was responsible for Ms Holgate's 'abysmal' treatment? Mr Di Bartolomeo said 'the environment…was created…through parliament that afternoon and through the media thereafter', which 'made her job and her life very difficult'.[86]

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[84] Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 35.

[85] See: Mr Bruce McIver AM, Non-Executive Director, Ms Jan West AM, Non-Executive Director, Australia Post, and Ms Willmott, *Committee Hansard*, 27 April 2021, pp. 46–47.

[86] Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 35.

7.100 Mr Di Bartolomeo was *then* asked if he believed the Prime Minister should apologise to Ms Holgate. His response was:

> I am not here to talk on behalf of anybody else as to who owes an apology. All I'm saying is that I understand the hurt that she felt, and I appreciated it, and we tried to do as much as possible to assist her.[87]

7.101 Mr Nutt was asked if Ms Holgate was owed an apology. 'Not by Australia Post', he replied. Then by whom, Mr Nutt was asked. His reply was:

> These matters are still on foot, including issues of mediation being discussed at present. So I don't want to be drawn on that… I will draw attention to something that Senator Carr said on the 13th [of April 2021]… He made a very astute observation: What happens to people who haven't had much experience in dealing with the vigour of a robust parliamentary system?... There was a level of commentary, and that increased between that day and the second. What that meant was that she was placed under enormous pressure. So the totality of the situation was much more than a CEO would normally expect to get—certainly starting from a pleasant breakfast and you wind up going home for dinner.[88]

Committee view

7.102 Mr Nutt's comments at the hearing on 3 May 2021 are telling. Ms Holgate started the day on 22 October 2020 as a successful and popular CEO, one of the most influential women in business in Australia. She ended the day disgraced and humiliated, hiding from reporters, and feeling suicidal.

7.103 Ms Holgate's job, the future she envisaged for herself, her reputation, her dignity, and her mental health, were severely damaged that day. Yes, her unwise decision to purchase Cartier watches for executives contributed to this outcome, as did Ms Holgate's poorly-thought out response to Senator Kitching's question about spending taxpayers' money on luxury goods.

7.104 However, it was the Prime Minister's abrupt intervention in Question Time that elevated the story about Ms Holgate's testimony in Senate Estimates to front page news.

7.105 It was the Prime Minister's very public condemnation of Ms Holgate, along with the launch of an investigation by the Shareholder, which made her position untenable.

7.106 The committee believes that, as in the Chair's own words, Ms Holgate was 'treated abysmally'. The Board blames the Shareholder and the Shareholder says it's a matter for Australia Post; no one wants to apologise, and no one has been held accountable.

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87 Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 36.

88 Mr Nutt, *Committee Hansard*, 3 May 2021, p. 20.

7.107 Recommendation 5 in Chapter 6 outlines the committee's recommendation that the Board of Australia Post, the Prime Minister, and the Shareholder Ministers should apologise to Ms Holgate for denying her the legal principles of procedural fairness and natural justice in her departure from Australia Post.

Chapter 8
The adequacy of the Board's oversight

8.1 As 'the oldest continually operating organisation in Australia',[1] Australia Post provides critical services to the Australian public across the country. All Australians have a stake in its future and in ensuring that it is properly managed in a way that serves the national interest.

8.2 This chapter considers evidence in relation to the Board of Australia Post; its directors, and its Chair, Mr Lucio Di Bartolomeo. The chapter looks at:

- governance, oversight and process failures of the Board;
- the mishandling of the Holgate matter by the Board;
- the make-up of the Board, including a lack of diversity and independence from the current government;
- the adequacy of the current processes for appointing Australia Post Board members; and
- best practice approaches to ensuring independence of Australian government boards, both of agencies and government business enterprises (GBEs).

Governance issues and oversight failures of the Board

8.3 Throughout the course of this inquiry, the performance of the Board of Australia Post has repeatedly been called into question.

8.4 As detailed earlier, the Australia Post Board is the accountable authority under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). Under the Commonwealth Government Business Enterprises Guidelines (GBE Guidelines), the Board is responsible for implementing effective governance frameworks to support its role and responsibilities.[2] As such, the Board is required to establish and maintain appropriate systems and processes to ensure compliance with relevant legislation and to live up to community expectations.

8.5 The Maddocks review into the proper use of public resources at Australia Post found that the former Group Chief Executive Officer and Managing Director (CEO), Ms Christine Holgate, did not breach any specific policies when

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[1] 'About Australia Post', auspost.com.au/annualreport2014/about-australiapost.html#:~:text=Australia%20Post%20is%20the%20oldest,the%20community%20and%20our%20customers (accessed 18 May 2021).

[2] *Commonwealth Government Business Enterprises: Governance and Oversight Guidelines* (GBE Guidelines), January 2018, p. 8.

purchasing the watches, despite the purchase appearing to fall short of public expectations.[3]

8.6 The investigation also identified a number of other unspecified expenses incurred by Australia Post that may have similarly failed to meet public expectations. This suggests a more widespread problem of responsible spending across the organisation and failure of oversight by the Board.[4]

8.7 The Maddocks report made two additional findings that relate to the performance of the Board. First, the report found varying levels of understanding of the PGPA Act among current and former Board members, indicating some were not sufficiently aware of their duties and obligations with respect to the corporate governance of Australia Post.[5] The committee notes that Shareholder Departments subsequently required Board members to undertake training on their responsibilities under the PGPA Act.[6]

8.8 Second, the Maddocks report concludes that the Board's induction processes with regard to necessary legislative and policy frameworks were inadequate for new members.[7] The committee notes that under the GBE Guidelines, the responsibility for the induction of board members lies with the respective GBE.[8]

8.9 Despite the clear responsibilities of the Board to ensure adequate processes and policies were in place under the PGPA Act, neither the Board itself, nor any of its individual members, have yet been held to account by the Shareholder Ministers (the Minister for Finance and the Minister for Communications, Urban Infrastructure, Cities and the Arts) for these significant failings. This sits in stark contrast to the government's public and forceful criticism of Ms Holgate.

Policies and processes

8.10 This inquiry has highlighted a range of areas in which the Board of Australia Post appears to have failed to put in place adequate policies and processes. For example, expenses incurred by the former CEO were signed off by the Chief

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3 Maddocks, *Australia Post: Investigation into the proper use of public resources at Australia Post*, publicly released 22 January 2020 (Maddocks report), [p. 17], www.communications.gov.au/file/51265/download?token=H1Bx8_hj (accessed 21 May 2021).

4 Maddocks report, [pp. 6 and 17].

5 Maddocks report, [p. 4].

6 Mr Nick Macdonald, General Counsel and Corporate Secretary, Australia Post, *Committee Hansard*, 3 May 2021, p. 35.

7 Maddocks report, [p. 5].

8 GBE Guidelines, p. 12.

Financial Officer (CFO), who reported directly to the CEO.[9] The former Chair, Mr John Stanhope AO, described this arrangement as 'unusual'.[10] He also stated:

> When I arrived that wasn't happening. I asked the question. I was told by the then company secretary that because I wasn't technically an employee I couldn't. So I accepted that. I recall on another occasion, when it moved across to the CFO from the company secretary, asking the same question and getting the same answer. Before I participated in the departmental inquiry, I asked again the question: 'Where is the documentary evidence to suggest what I was told was correct?' It was not forthcoming.[11]

8.11 The Board of Australia Post has similarly appeared to fail to appropriately manage issues related to Ms Holgate's standing aside and offer of resignation. The Board met repeatedly throughout the afternoon of 22 October 2020 to address what is likely to have been its most pressing and high profile crisis of recent years. Yet, these deliberations were held without the involvement of the corporate secretary and general counsel, with no independent witnesses, and with no written evidence secured in relation to Ms Holgate's alleged agreement to stand aside.[12]

8.12 Records show that Mr Di Bartolomeo advised the Board that he had obtained Ms Holgate's agreement to stand aside from her position as CEO of Australia Post, as discussed in Chapter 6.[13] The committee notes that the Board did not consider the terms of Ms Holgate's contract at any stage during its meeting on 22 October 2020.[14] In addition, the Board did not seek legal advice before agreeing to instruct Ms Holgate to stand aside.[15] Finally, the Board did not even *attempt* to secure Ms Holgate's agreement to stand aside in writing. The failure of the Board to consider Ms Holgate's contract, seek legal advice, and secure her agreement in writing (if indeed there was any agreement, which Ms Holgate contests, as detailed in Chapter 6) suggests a concerning lack of due diligence on behalf of the Board and its Chair.

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9 Maddocks report, [p. 15].

10 Mr John Stanhope AO, Private capacity, *Committee Hansard*, 3 May 2021, p. 50.

11 Mr Stanhope, *Committee Hansard*, 3 May 2021, p. 51.

12 Mr Lucio Di Bartolomeo, Chair of Australia Post, *Committee Hansard*, 3 May 2021, p. 29.

13 Australia Post, Minutes of Australia Post Board meeting 22 October 2020, tabled by Mr Di Bartolomeo, 13 April 2021, www.aph.gov.au/DocumentStore.ashx?id=1b39a848-21dc-40e3-9c00-85ed5482851d (accessed 25 May 2021); confirmed by Mr Di Bartolomeo in Environment and Communications Legislation Committee, *Committee Hansard*, 9 November 2020, p. 73; and Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 54.

14 Mr Di Bartolomeo, *Committee Hansard*, 27 April 2021, pp. 43–44. Further, Ms Holgate said that no one asked Ms Sue Davies, Executive General Manager of People and Culture at Australia Post, for a copy of the contract on 22 October 2020, see: Ms Christine Holgate, Private capacity, *Committee Hansard*, 13 April 2021, p. 22.

15 Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 42.

8.13 In addition, the Minutes of the 22 October 2020 Board meeting indicate that at no point did Non-Executive Director, Mr Tony Nutt, inform the Board of Ms Holgate's preference to take annual leave, rather than stand aside,[16] despite phone calls between himself and Ms Holgate totalling over an hour-and-a-quarter throughout the day,[17] as well as a series of emails, during which she clearly expressed this desire.[18]

8.14 The Minutes of these critical Board discussions related to the contested events of that day and were dictated by the Chair to the General Counsel and Corporate Secretary after the meeting was concluded. They were approved a week later on 29 October 2020, despite the Board convening also on 23 October 2020.[19]

8.15 The Board again failed to act responsibly and proactively on 2 November 2020 to avoid a potential contractual dispute when Ms Holgate offered to resign from her position as CEO of Australia Post. Once again, the Board failed to engage with Ms Holgate and address her concerns related to her offer of resignation, and once again the Board released a public statement before it had secured Ms Holgate's written agreement to vary her contract.

8.16 Members of the Board repeatedly expressed their support for Ms Holgate as an excellent CEO. Mr Di Bartolomeo described her as 'a very good chief executive', while Mr Nutt stated that she was 'an outstanding CEO'.[20] It was therefore surprising that the Board did not attempt to retain Ms Holgate, as far as possible, including adequately supporting her through the strong political backlash she experienced following the Senate Estimates hearing on 22 October 2020. The Board failed to do this.

8.17 As noted in the Licenced Post Office Group (LPOGroup) submission to this inquiry, the CEO of Australia Post reports directly to the Board, not to

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[16] Australia Post, Minutes of Australia Post Board meeting 22 October 2020, tabled by Mr Di Bartolomeo, 13 April 2021. In evidence before this committee, Mr Tony Nutt, Non-Executive Director, Australia Post, confirmed that the Minutes of the 22 October 2020 meeting do not reflect his conversations with Ms Holgate on that day, see *Committee Hansard*, 3 May 2021, pp. 23–25 and 29–30.

[17] Ms Christine Holgate, Outgoing call logs, 22 Oct 2020, tabled by Australia Post, 13 April 2021, pp. 1–2, www.aph.gov.au/DocumentStore.ashx?id=7237868b-2d26-411f-ae95-f7964fe04f1f (accessed 25 May 2021); Mr Tony Nutt, Outgoing call logs, 22 Oct 2020, tabled by Mr Tony Nutt, 3 May 2021, pp. 1–2, www.aph.gov.au/DocumentStore.ashx?id=f8a3f7e3-fbb6-43ef-a269-2b2abe3a59e8 (accessed 25 May 2021).

[18] Ms Christine Holgate, *Submission 5*, p. 41; and confirmed by Mr Nutt, *Committee Hansard*, 3 May 2021, pp. 23–24.

[19] Australia Post, Responses to questions taken on notice from 3 May 2021 (received 13 May 2021), pp. [5–21], www.aph.gov.au/DocumentStore.ashx?id=844906ba-fe38-4de4-99a8-a370cee6660d (accessed 25 May 2021); Mr Di Bartolomeo, *Committee Hansard*, 3 May 2021, p. 29.

[20] Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 27; and Mr Nutt, *Committee Hansard*, 3 May 2021, p. 14.

Shareholder Ministers or to the Prime Minister.[21] It was therefore the responsibility of the Board to make independent and informed decisions that were in the best interests of the organisation and the Australian public with respect to Ms Holgate's position. The speed and determination with which the Board implemented the government's demands and ensured her removal, however, suggests that it failed to do so.

8.18 Ms Jan West, one of the Non-Executive Directors of Australia Post, rejected calls that the Board should take responsibility for the events that occurred in October and November 2020, claiming the Board had 'followed the normal board procedure and that this was a series of events that played out, as we all witnessed and saw'.[22]

8.19 Board members essentially contended that they followed the agreed processes and procedures with respect to Ms Holgate's standing down and offer of resignation. Yet, as this inquiry has demonstrated, these processes were inadequate, leading to repeated scrutiny of the Board's poor performance by this committee. Australia Post has consequently also exposed itself to a potential legal challenge related to this matter (see Chapter 7).

8.20 These events demonstrate that the existing governance procedures and processes within Australia Post were both inadequate and inconsistent. The Board's internal governance processes appear to have been too weak, and its Directors lacking sufficient independence (discussed below), to make the decisions that were in the best interests of the organisation and the public, rather than the government.

Independence of the Board

8.21 As a GBE, Australia Post effectively belongs to the people of Australia. While its Board is directly accountable to its Shareholder Ministers,[23] its ultimate accountability must rest with all Australians. The government itself has acknowledged its limited role with respect to the governance of Australia Post, stating that, as with other GBEs, the organisation operates at 'arms-length from Government'.[24]

8.22 Moreover, under the *Australian Postal Corporation Act 1989* (APC Act), the Shareholder Ministers may, in the case of actions deemed to be necessary for the

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[21] LPOGroup, *Submission 14*, p. 33.

[22] Ms Jan West, Non-Executive Director, Australia Post, *Committee Hansard*, 27 April 2021, p. 47.

[23] GBE Guidelines state that GBE boards are 'fully accountable to Shareholder Ministers', see *GBE Guidelines*, p. 8.

[24] *Australian Government response to the Senate Environment and Communications Legislation Committee report: The Future of Australia Post's Service Delivery*, January 2021, p. 2, www.infrastructure.gov.au/department/ips/files/government-response-to-senate-env-comms-legislation-cttee-inquiry-future-australia-posts.pdf (accessed 14 May 2021).

public interest, issue formal directions to the Board and share such directions with each of the Houses of Parliament. The APC Act establishes that the organisation and its Board are not otherwise subject to government direction.[25]

Makeup of the Board

8.23 The committee notes that throughout this inquiry, the Board has not sufficiently maintained the appearance of having acted in the interests of the Australian public. As an example, in an excerpt from an email cited in the LPOGroup submission, one unnamed individual asked:

> How many Board Members are there, old mates of the LNP getting paid $50,000 a year? Chairman $100,000? What do they contribute to Australia Post. Their lunches for a year probably cost more than the watches given to 4 people who earned $100million from the banks [sic].[26]

8.24 In evidence before this committee, Ms Holgate similarly detailed what she alleged to be close professional and personal ties between many on the current Australia Post Board and the Liberal Party, including the Deputy Chair of Australia Post, Ms Andrea Staines, and Non-Executive Directors, Mr Nutt, Mr Bruce McIver, and Mr Mario D'Orazio.[27]

8.25 Ms Holgate also drew attention to Non-Executive Director the Hon Michael Ronaldson having been a Liberal Senator, alleged close ties between Mr Nutt and the Prime Minister, and described Mr D'Orazio as a 'personal friend' of former Finance Minister, Senator the Hon Mathias Cormann.

8.26 During a public hearing on 3 May 2021, Senator Kitching also described close ties between former Senator Ronaldson and the Shareholder Minister, Senator the Hon Simon Birmingham, Minister for Finance.[28]

8.27 With many of its directors having ties and affiliations to the Liberal Party, it is hard to argue that membership of the Australia Post Board is solely dependent on the specific skillset and experience of its members. Evidence before this committee indicates that the makeup of the Board of this publicly owned company has compromised its ability to take decisions and act independently, as is now also required of them by their own Board Charter.[29]

8.28 In written answers provided to this committee, Australia Post stated that it does not 'maintain a record of any membership with political parties of its personnel (ie directors, employees and contractors)'. Australia Post also insisted that it had

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25 *Australian Postal Corporation Act 1989*, section 49 and section 50.

26 LPOGroup, *Submission 14*, p. 30.

27 Ms Holgate, *Committee Hansard*, 13 April 2021, pp. 13–14.

28 Senator Kimberly Kitching, *Committee Hansard*, 3 May 2021, p. 15.

29 Australia Post, 'Board Charter', 31 March 2021, pp. 1–2, auspost.com.au/content/dam/auspost_corp/media/documents/board-charter.pdf (accessed 14 May 2021).

observed 'no conflicts of interest' with respect to any political involvement of its personnel. The organisation further stated:

> Australia Post recognises the right of its personnel (ie directors, employees and contractors) to participate in their personal, individual capacity in political and policy processes.[30]

Board appointments

8.29 Board directors are responsible for establishing and maintaining effective and robust oversight processes to ensure 'unfettered and independent judgement' and to 'avoid activities that could give rise to questions about their political impartiality'.[31] Yet the Australia Post Board appears to have been unable to function with robust independence, as evidenced by the level of engagement throughout the two critical days in question: 22 October and 2 November 2020.

8.30 Outgoing phone records for Mr Di Bartolomeo and Mr Nutt demonstrate the extent to which the government was involved in the discussions related to Ms Holgate's position:

- Mr Di Bartolomeo called the Minister for Communications, the Hon Paul Fletcher MP, on five occasions on 22 October 2020;
- Mr Di Bartolomeo called the Chief of Staff to the Minister for Communications, Mr Ryan Bloxsom, twice on 22 October 2020 and three times the following day;[32] and
- Mr Nutt called (unsuccessfully) the Chief of Staff to the Prime Minister, Dr John Kunkel, twice on 22 October 2020.[33]

8.31 Australia Post stated that no further contact was made, received, or attempted between the Board and the Shareholder Ministers, the offices of the Shareholder Ministers, or the Prime Minister's Office on 22 October 2020.[34]

8.32 Under the APC Act, directors are appointed on the nomination of the Minister. Under the same Act, the Managing Director is appointed by the Board.[35] The Chair of a GBE is required under the GBE Guidelines to provide

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30 Australia Post, Answers to written questions from Senator Hanson-Young – Board qualifications and affiliations; McKinsey project details, (received 20 May 2021), p. 1, www.aph.gov.au/DocumentStore.ashx?id=8e3c7c2f-a4d7-4d6c-945c-2d7407a244cc (accessed 25 May 2021).

31 GBE Guidelines, pp. 9–10.

32 Mr Lucio Di Bartolomeo, Chair's outgoing call logs, 22 Oct to 30 Nov 2020, tabled by Australia Post, 13 April 2021, pp. 1–2, www.aph.gov.au/DocumentStore.ashx?id=712f8fe2-f415-4ff3-8811-6a2b20c08de9 (accessed 25 May 2021).

33 Mr Tony Nutt, Outgoing call logs, p. 1.

34 Australia Post, Answers to written questions on notice asked by Senator Hanson-Young on 13 May 2021 (received 20 May 2021), www.aph.gov.au/DocumentStore.ashx?id=3d3c7213-cf1a-40bf-bf3b-2d35ff0c4dd6 (accessed 25 May 2021).

35 *Australian Postal Corporations Act 1989*, s. 73 and s. 83.

recommendations to the Shareholder Minister with regard to Board composition and membership.[36]

8.33 The Board is also required to monitor the ongoing independence of its Directors, including maintaining a register of the interests of each director, as detailed in Chapter 3.[37]

8.34 During the Estimates hearing of 23 March 2021, Senator Louise Pratt asked whether the appointment of Mr McIver—a former Liberal Party director—to the Board had been through a merit-based selection process. The Department of Communications subsequently responded in writing that the appointment of Mr McIver was made by the government.[38] Ms Holgate alleged before this committee that the appointment of Deputy Chair, Ms Andrea Staines, was made by Minister Fletcher.[39] The process through which other Board members were appointed remains unclear to the committee.

8.35 The committee notes the objection to these assertions by Non-Executive Director, Ms Deidre Wilmott, who stated that she had 'worked on important issues with all sides of politics'.[40]

8.36 In evidence before this committee, Ms Angela Cramp, Executive Director of the LPOGroup, stated that she believed the decisions taken by the Australia Post Board to be 'politically motivated', describing the Board itself as 'inept and self-interested' and 'obviously under direct political instructions.[41] The LPOGroup submission called for Australia Post to be 'managed by a bipartisan, competent, and qualified Board of Directors and executive team to provide the best commercial outcomes for all stakeholders'.[42]

8.37 The issue of the potential for GBEs to lack sufficient independence from government is well-recognised. A 2012 study into public sector governance in Australia noted that within Commonwealth companies:

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36 GBE Guidelines, p. 10.

37 Australia Post, 'Board Charter', 31 March 2021, pp. 1–2.

38 Department of Communications, Answer to question taken on notice at public hearing in Canberra, 23 March 2021; and Environment and Communications Legislation Committee, *Committee Hansard*, 23 March 2021, p. 21.

39 Ms Holgate, *Committee Hansard*, 13 April 2021, p. 13.

40 Ms Deidre Wilmott, Non-Executive Director, Australia Post, *Committee Hansard*, 27 April 2021, p. 42.

41 Ms Angela Cramp, Executive Director, LPOGroup, *Committee Hansard*, 27 April 2021, p. 31.

42 LPOGroup, *Submission 14*, p. 34.

> The allocation of power is greatly complicated by the role of the minister in appointing directors to the board and the unclear lines of communication that may subsist between the minister, the chief executive and the chair.[43]

8.38 The Cabinet Handbook specifies that relevant ministers are expected to make appointments to GBE boards on the basis of relevant skills, qualifications, and experience.[44] The 2012 study similarly advocated for boards to be composed of highly experienced and diverse directors drawn from both the public and private sector,[45] recommending also that boards propose to Shareholder Ministers the range of skills and experience needed to complement the existing board, and that Ministers consider suitable candidates that reflect these needs.[46]

8.39 While this approach is also supported by the relevant legislation and guidelines outlined earlier, appointments nevertheless remain at the discretion of the relevant ministers, the Prime Minister, and Cabinet.

8.40 Australia Post's current Board appears to the committee as a good example of a board that suffers from a conflict of interest related to its appointments, which can affect the governance and integrity of this important GBE.

8.41 As the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia (CEPU) put to the committee, the APC Act requires that the board include at least one member whom:

> …the Minister, after consultations with representatives of industrial organisations representing employees, is satisfied has an appropriate understanding of the interests of employees.[47]

8.42 CEPU told the committee that they had received a telephone call from the Minister's office—advising them but not consulting them—that this responsibility would be undertaken by the Chair, Mr Di Bartolomeo. This conduct is inconsistent with the original intent of the APC Act.[48]

Committee view

8.43 The committee acknowledges the importance of Australia Post to the Australian people and businesses, as well as its vital role in regional Australia.

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43 Meredith Edwards, John Halligan, Bryan Horrigan, and Geoffrey Nicoll, *Public Sector Governance in Australia*, Australian National University E Press, 2012, p. 133.

44 Department of the Prime Minister and Cabinet, *Cabinet Handbook: 14th Edition*, 2020, p. 23; and *Australian Postal Corporation Act 1989*, s. 73.

45 Edwards et al., *Public Sector Governance in Australia*, pp. 142 and 146.

46 Edwards et al., *Public Sector Governance in Australia*, pp. 147–148.

47 *Australian Postal Corporation Act 1989*, ss. 73(3), cited by Mr Greg Rayner, National Divisional Secretary, Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia, *Committee Hansard*, 27 April 2021, p. 2.

48 Mr Rayner, *Committee Hansard*, 27 April 2021, p. 2.

8.44 Yet Australia Post—particularly its future direction—has become too opaque. Stakeholders have not been given adequate opportunities to contribute to important discussions about its future. A culture of secrecy has been allowed to develop, shutting out important voices.

8.45 Those shut out of the conversation are not only the Australian people, but those who run licenced post offices, contractors, and employees and their representative associations, businesses, and industries that are dependent on an effective postal service.

8.46 Even the Parliament has faced repeated challenges accessing information relevant to this inquiry from Australia Post and its Shareholder Departments, as detailed in Chapter 2.

8.47 Australia Post has blamed the Shareholder, and the Shareholder has blamed Australia Post. Each has referred questions to the other, and neither has been willing to provide answers, or to open up an inclusive dialogue. This is not good enough. It shows a profound disrespect for the role of the Senate in exercising scrutiny of government and for the services provided to the Australian public.

8.48 The readiness of the current Chair and Board to submit to an informal 'directive' from the Shareholder to remove the CEO without following Australia Post's own policies, or the regulatory requirements imposed on them, indicates a concerning lack of independence.

8.49 Further, whilst this committee recognises the important role of the Shareholder Departments and Shareholder Ministers with respect to the performance and operation of Australia Post, it emphasises that the ultimate accountability of the Australia Post Board is to the people of Australia—something its directors appear to have forgotten.

8.50 As a result, the Board has failed to live up to either its oversight obligations or its responsibility to ensure adequate policies are in place, as evidenced in its handling of the Holgate matter. The directors of Australia Post appear to have relied on flawed systems of internal governance and oversight that exposed executives to unnecessary risk, ultimately leading to the end of Ms Holgate's tenure as CEO. It is therefore incumbent on the government to review the current makeup of the Australia Post Board with a view to making new appointments based on merit, diversity, skill, and appropriate experience.

8.51 The committee nevertheless acknowledges recent efforts made by Australia Post to improve its governance and accountability processes, including: undertaking a review of policies that apply to executive expenditure; requiring the CEO to seek approval from the Board for transactions exceeding a certain value; and training Board members on the PGPA Act. Australia Post also provided a list of 32 areas that it had identified for improvement related to governance and

financial oversight.[49] The committee also notes that Australia Post has updated many of its policies in light of the events detailed in this report.[50]

8.52 The Board's lack of independence was, however, also evident in its contradictory handling of the Holgate matter relative to its previous attitudes towards rewards and gratuities. For example, in evidence submitted to this committee, Ms Holgate claimed that members of the Board approved a luxury pen for the previous Chair, sent a delegation of executives to the London Olympic Games, and agreed a $10.8 million payment for the previous CEO, Mr Ahmed Fahour, among other large expenses for gifts and rewards.[51]

8.53 In light of the evidence throughout this report, statements made to this committee by members of the Board in relation to Ms Holgate's circumstances appear somewhat disingenuous, insincere, and at times politically motivated.

8.54 Further to this point, the committee notes the Hon Michael Ronaldson's politically-based aspersions that the committee was looking to 'take scalps' was misguided and unnecessarily antagonistic, as was his disrespect for the Senate when he described aspects of the inquiry as 'a complete and utter beat-up'.[52]

8.55 Existing government policies for GBEs promote board independence by encouraging boards to make skill and experience-based recommendations to the Shareholder Minister for future appointments. It is unclear if this was done in the case of the current Australia Post Board. Indeed, the committee remains unconvinced that experience, skills and diversity are adequately considered in GBE board appointments. Moreover, the problematic makeup of the Australia Post Board suggests these policies have fallen short, resulting in a board that lacks sufficient autonomy and independence to govern the organisation effectively, as evident throughout this report.

8.56 It is the committee's strong view that more care and attention must be given to the appointment of directors to GBE boards, including Australia Post, to ensure appropriate levels of diversity, a range of experience and skills, and an absence of political loyalties.

8.57 The current structure of the Australia Post board, although compliant with the *Australian Postal Corporation Act 1989*, does not serve the best interests of the Australian community and does not operate in a way that captures the full

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[49] Australia Post, answers to questions taken on notice at Senate Additional Estimates, 23 March 2021 (received 14 May 2021), Senate Environment and Communications Legislation Committee.

[50] Australia Post, Letter from Australia Post re: treatment of potential witnesses and submitters, 26 April 2021, www.aph.gov.au/DocumentStore.ashx?id=95f966fc-7ade-4569-a259-3955def5d4dd (accessed 22 May 2021).

[51] Ms Holgate, *Submission 5*, p. 56.

[52] The Hon Michael Ronaldson, Non-Executive Director, Australia Post, *Committee Hansard*, 27 April 2021, p. 46.

intent of the Act. A rebalancing needs to occur between public accountability, efficiency and community service obligations.

8.58 The committee believes that the board should be restructured to ensure that it is properly aligned with the original intent of the Act, and that a greater diversity of stakeholders with industry knowledge should have a seat at the table when decisions are made.

8.59 The committee is of the view that there should be a greater involvement of the Parliament, employees and their unions, and of licensees on the Board of Australia Post.

8.60 This approach is not new: models exist currently at the National Archives of Australia and historically at the Australian National University, and similar structures could be replicated in Australia Post. All of these organisations share the common characteristic of having the Australian people as their owners and the delivery of essential services to the Australian people as their core business.

8.61 Restructuring the Board would also create an opportunity to bring the work of Australia Post closer to the Parliament, improving transparency and oversight. As part of the restructure the committee believes there must be board positions for nominees of:

- the House of Representatives;
- the Senate;
- the employees and their unions; and
- the licensees.

8.62 Including these nominees as board members cements the responsibility that Australia Post has to the Parliament and provides employees, unions and licensees with a voice in the decision-making process. Nominees from the House of Representatives and Senate would not receive additional remuneration for their position on the Board, as this work would be considered as a part of their parliamentary duties.

Recommendation 8

8.63 The committee recommends that the Australia Post Board be restructured to ensure that its makeup is consistent with the original intent of the *Australian Postal Corporation Act 1989*, and so that it functions properly as a public enterprise. A restructured board should include nominees of:

- **the House of Representatives;**
- **the Senate;**
- **the employees and unions; and**
- **the licensees.**

Recommendation 9

8.64 The committee recommends that the Australian National Audit Office conduct an audit—of a similar type to the audit conducted into the governance of the Australian Broadcasting Corporation in 2002—into Australia Post's corporate governance arrangements, including its relationship with government, to identify areas in which its governance structures and processes are in need of reform. The audit should also include a review of Australia Post's post-separation arrangements.

Recommendation 10

8.65 The committee recommends that Australia Post, in its annual report, detail the findings of any Board evaluations and actions that the Board might have taken to improve its performance, processes, policies, skillset and composition throughout the year.

Recommendation 11

8.66 The committee recommends that the Australian Government ensure it duly considers the advice from Government Business Enterprise boards related to skills gaps and prospective appointees, and acts upon this advice as far as appropriate when appointing new board members.

Recommendation 12

8.67 The committee recommends that the Department of Finance review the Government Business Enterprise guidelines with a view to ensuring ministerial appointees to Government Business Enterprises are more diverse and more representative of a broader range of skills and experience.

Recommendation 13

8.68 The committee recommends that the Chair of Australia Post resign in acceptance of his responsibility for the organisation's failings with respect to the Holgate matter, the veracity of his evidence provided to the committee, his capacity to defend the independence of Australia Post and the lack of effective robust policies and financial oversight processes in place throughout his tenure.

Part 3
The future of Australia Post

Chapter 9
Challenges and opportunities for Australia Post

9.1 Over the recent past Australia Post has faced several periods of significant public scrutiny, such as the controversial resignation of the former Group Chief Executive Officer and Managing Director (CEO) that has been discussed in detail in Part 2 of this report.

9.2 Part 3 now looks forward, discussing issues relating to the future of Australia Post, in light of the evidence received by the committee in this inquiry. It discusses the following issues in turn:

- the economic and community importance of Australia Post as a trusted and valued national institution, including the opportunities that the organisation has identified as strategic priorities for its future;
- the nature and effect of the Australian Postal Corporation (Performance Standards) Amendment Regulations 2020 (temporary regulations), introduced on 16 May 2020, including the operations of the Alternative Delivery Model (ADM), a reported reduction in quality of Australia Post services, and greater pressure on the capacity of its delivery network and its employees;
- potential extensions to the temporary regulations, and the lack of consultation on the future of the organisation; and
- the review undertaken by the Boston Consulting Group (BCG) for the government, including work on scoping of the privatisation options for Australia Post, and links to the temporary regulations.

9.3 This chapter also includes the committee's view and recommendations on these matters, while noting that the following chapter considers Australia Post's provision of services to regional, rural and remote parts of Australia.

The economic and community value of Australia Post

9.4 Australia Post is one of the most valued, recognised and public institutions for Australians. It is central to our national identity and shared community. It is not only a valuable social and economic asset for the Commonwealth, but also a respected and trusted presence throughout the nation, from our city centres to our communities in rural, regional and remote areas.

9.5 Over its history, Australia Post has kept Australians connected with their friends, families and communities. It has also helped Commonwealth and state governments, businesses and many other organisations build and maintain networks across the country.

9.6 Australia Post has done this while meeting its legislated community standard obligations (CSO) and performance standards, which are founded on the

principles of equity of access, affordability, and speedy communication reaching Australians five-days-a-week, wherever they live.[1]

Economic benefits and opportunities

9.7 Australia Post is a significant asset for Australia's economy. It has delivered a profit for the Commonwealth every year since its incorporation as a government business enterprise (GBE) three decades ago, apart from in 2014-15, when its volume of letters suffered a severe decline due to the rise of online communications.[2]

9.8 As a profitable GBE, it reliably delivers a dividend for government, and gives a substantial return to Australian taxpayers. Although it certainly faces challenges from the rise of online communication and the subsequent decline of letter volumes, it has positioned itself over the last decade as a forward-facing business and a modern fit-for-purpose national postal service.[3]

9.9 In fact, Australia Post made record revenue and profit growth in 2020, when the organisation itself and many commentators had previously questioned whether it could remain viable against broad changing trends in the use of mail services, or the effects of the COVID-19 pandemic.[4]

9.10 In its last annual report, Australia Post's business performance in 2019–20 was reported as 'record revenue' of $7.5 billion. This translated to a profit-before-tax of $53.6 million, up 30 per cent, while finding business efficiency savings of $281.1 million.[5]

9.11 In 2020, Australia Post delivered an unprecedented level of mail traffic, helping Australians access the products they needed in the middle of the most severe pandemic for a century, while also helping Australian businesses reorient themselves to rapidly changing operating conditions. For example, in just one day in August 2020, 2.35 million parcels and letters were dropped off at post offices.[6]

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1 See Chapter 3 for an overview of Australia Post's CSOs and performance standards.

2 Mr Greg Rayner, National Divisional Secretary, Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia (CEPU), *Committee Hansard*, 27 April 2021, p. 3.

3 For instance, see: Ms Christine Holgate, *Submission 5*, pp. 57–59; Mr Lucio Di Bartolomeo, Chair, Australia Post, *Committee Hansard*, 13 April 2021, p. 33.

4 See, for instance, evidence given by Mr Paul Girdler, Lead Organiser, Community and Public Sector Union (CPSU), *Committee Hansard*, 27 April 2021, p. 8.

5 Australia Post, *Annual Report 2020*, p. 1.

6 Ashlynne McGhee and Laura Kewley, 'Australia Post records one of its busiest delivery days, but service struggles with coronavirus demand and delays', *ABC Online*, 1 September 2020, www.abc.net.au/news/2020-09-01/australia-post-to-break-parcel-delivery-record/12614028 (accessed 23 May 2021).

9.12 Australia Post's *Annual Report 2020* noted that in the first eight weeks of the COVID-19 pandemic, the profits from eCommerce were up 80 per cent, with Australia Post delivering approximately 400 million parcels, including 118 million in the last quarter of 2019–20.[7]

9.13 The growth of parcels had clear benefits to Australia Post's financial bottom line, with non-letter revenue up 15 per cent, to 73 per cent of total revenue. The *Annual Report 2020* states that this represents a significant future opportunity:

> We want our business to grow so that it delivers $10 billion in revenue and the ability to handle 700 million parcels annually by 2025. We want to be the partner of choice for our customers and suppliers and to be an employer of choice with world-class safety results.[8]

9.14 However, there is currently a disjuncture between the most profitable part of Australia Post's core business—parcels—on one hand, and the regulatory obligations it has to provide a letter service on the other, where volume and profits are now in decline. This disjuncture was spelled out clearly by the Australia Post Chair, Mr Lucio Di Bartolomeo:

> Parcels is our core business today. Certainly, our regulatory environment puts letters front and centre…
>
> Growth is on the parcel side. And 80 per cent—mostly made up of parcels, let me say—of our revenue is revenue that we gain in a competitive marketplace. In other words, we don't have a monopoly. We are competing in the commercial space. So our focus has been for some time—and further reinforced, given the acceleration of these trends—on ensuring that we have a viable, profitable, successful parcel business.[9]

Banking and financial services

9.15 Alongside this growing demand for parcels, Australia Post's handling of banking and financial transactions through Bank@Post services offers a significant opportunity for growth and service provision in the future. This is particularly the case for non-metropolitan locations, where traditional banking outlets have closed retail banks in many towns in regional and rural locations.[10]

9.16 The committee received evidence that Bank@Post has lifted Australia Post revenues by around $216 million over four years since the deal with participating institutions was renegotiated in 2018. According to Australia Post, the benefits of this renegotiation were not only to its profits, but also that it

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7 Australia Post, *Annual Report 2020*, p. 1.

8 Australia Post, *Annual Report 2020*, pp. 1 and 5.

9 Mr Di Bartolomeo, *Committee Hansard*, 3 May 2021, pp. 32–33.

10 For more information about the Bank@Post service, see Chapter 3 of this report.

'enabled Australia Post to increase payments to Licensed Post Offices and further invest in [the] Post Office network'.[11]

9.17 Ms Christine Holgate, the former CEO of Australia Post, noted in her submission that:

> This [2018] agreement saved the Bank@Post service in around 3,000 Community Post Offices across Australia. The service was threatened with closure as it was heavily loss making. If the service had closed, the consequences would have been devastating for regional communities and many local Post Offices would have closed.
>
> These landmark agreements were the largest ever investment into the Community Post Offices from a non-government agency and gave significant recognition and importance to the Community Post Offices and the vital role they play across Australia.[12]

9.18 Australia Post sees Bank@Post as a vital part of its business going forward, not just financially, but also in building services for communities in areas where traditional banks have pulled out of regional and rural locations. For instance, a Non-Executive Director of the Australia Post Board, the Hon Michael Ronaldson, told the committee that the Board was very proud of and 'totally…behind the Bank@Post'. Regarding the current negotiations underway with banks to renew the service, he commented:

> The only [institution] we couldn't get [in 2018 negotiations], which I think was a matter of great disappointment, was the ANZ. We are still working on that. Our executives are in discussions with the organisations. I gather it's going reasonably well, but it happens with the full imprimatur of the board. We want [Bank@Post] renewed and we want ANZ on board.[13]

Social, community and national security benefits and opportunities

9.19 Alongside the clear economic benefits that Australia Post brings to Australians every day, it has a central role in our communities, including the role it plays in times of crisis. The *Annual Report 2020* lays this out clearly:

> We provide access to important services for the community such as applying for a passport, banking and financial services through a network of more than 4,000 Post Offices, including over 2,500 in rural and remote Australia. While many of the services offered in Post Offices are subject to digital substitution, in-person services remain highly valued by the Australian community. In addition, we offer a range of digital payment solutions for businesses and consumers.[14]

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[11] Australia Post, *Submission 3*, p. 15.

[12] Ms Holgate, *Submission 5*, p 10.

[13] The Hon Michael Ronaldson, Non-Executive Director, Australia Post, *Committee Hansard*, 3 May 2021, pp. 44–45.

[14] Australia Post, *Annual Report 2020*, p. 5.

9.20 There are clear benefits to not only local communities, but also to government in retaining this in-person approach. Over the last year, Australia Post has demonstrated its importance in providing the crucial infrastructure for governments to deliver essential supplies to impacted Australians through its established delivery networks and unparalleled reach.[15] Indeed, as Australia Post has recognised, as 'the most present service provider in rural Australia', post offices and LPOs have pre-existing knowledge of local communities that is invaluable to government in times of need.[16]

9.21 This presence all across Australia is not only in the retail outlets from our city centres to remote communities, but is also amplified by Australia Post's staff. Australia Post is a major employer, not only in metropolitan areas, but also across regional and rural areas. It employs more than 10 000 delivery workers—'posties'—delivering mail and parcels to addresses across Australia.[17]

9.22 The value of Australia Post networks was shown last year, as Australia Post assisted Australians in times of emergency and crisis, including from bushfires and COVID-19. For communities facing bushfires, Australia Post offices and LPOs provided hubs for accurate and up-to-date information to be shared, a sense of community in times of need, and meeting many more practical needs, such as charging mobile phones, accessing the internet or getting cash out.[18]

9.23 A recent Australia Post document sets out how Australia Post can play an essential role in the management of any future crises:

> Australia Post's role in communities becomes heightened when disaster strikes. We've learnt a lot about how our network—from our Post Offices and vehicles to our thousands-strong workforce—can help those in need. In 2020, we were able to put our network into action to help the bushfire and pandemic responses; including providing access to cash and banking services in fire-impacted communities, and helping pharmacies to deliver medication to vulnerable Australians during the pandemic. We're ready to do more.[19]

9.24 Australia Post also plays a role in ensuring our national security, and the security of businesses that rely on identification services. Australia Post provides a range of services relating to identity, including in-person identity checks, and services to protect identity through iDcare, a free Australia Post

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[15] Australia Post, *Helping Australian communities through times of disaster and crisis: A support kit for Government*, pp. 1–8.

[16] Australia Post, *Helping Australian communities through times of disaster and crisis*, p. 4.

[17] Mr Rayner of the CEPU, and Mr Rodney Boys, Acting CEO, Australia Post, *Committee Hansard*, 27 April 2021, pp. 3 and 48 respectively.

[18] Australia Post, *Helping Australian communities through times of disaster and crisis,* p. 3.

[19] Australia Post, *Helping Australian communities through times of disaster and crisis,* p. 3.

partner service which provides support for people who think their identity has been compromised or stolen.[20]

9.25 Australians can apply for National Police Checks, and organisations can use Australia Post to conduct identity checks for employees, contractors and customers.[21] It also provides facilities for people to lodge applications for or pick up passports at Post Offices, and in some jurisdictions drivers licenses can be renewed or applied for.[22]

Recent regulatory, organisational and policy changes to Australia Post

9.26 This section discusses recent regulatory, organisational and policy changes to Australia Post in turn, noting the effects on services from these measures.

Temporary regulatory relief measures from 16 May 2020

9.27 On 31 March 2020 Australia Post wrote to the government seeking a temporary change to some of its community service obligations and performance standards. Although this letter has not been made public, the committee received evidence that the impetus for this was a Board meeting on 23 March 2020, which:

> …considered Australia Post's response to, and preparedness for, the COVID-19 pandemic and its related impacts, and how Australia Post was preparing to manage through the COVID-19 pandemic and protect the business. The Board discussed, among other things, updates regarding our people, potential financial impacts on our business, operational impacts, government and stakeholder engagement, global considerations, and communications. The update on operational impacts outlined the preparation of a case to seek government support for temporary regulatory relief…
>
> Australia Post wrote to its Shareholder Ministers on 31 March 2020. The letter was reviewed and approved by the Chair of Australia Post before it was sent to the Shareholder Ministers.[23]

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[20] Australia Post, 'Online security, scams & fraud', auspost.com.au/about-us/about-our-site/online-security-scams-fraud (accessed 23 May 2021).

[21] Australia Post, 'Case studies: Identity services', auspost.com.au/business/business-admin/research-case-studies/case-studies/identity-services (accessed 23 May 2021).

[22] Australia Post, 'License renewals & applications', auspost.com.au/id-and-document-services/licence-renewals-and-applications (accessed 23 May 2021).

[23] See Department of Infrastructure, Transport, Regional Development and Communications, answer to question on notice, Budget Estimates 2019-20, October 2020 (received 7 December 2020). Note: the letter sent by Australia Post to the Minister has not been released, as it has been the subject of a public interest immunity claim. See Letter from Senator the Hon Mathias Cormann, Minister for Finance, to Senator the Hon David Fawcett, Chair of the Environment and Communications Legislation Committee, 20 July 2020.

9.28 On 21 April 2020, the government announced the temporary regulations, commencing on 16 May 2020 and lasting to 30 June 2021.[24] Australia Post suggested these temporary arrangements would assist to manage the pressures of a then-unprecedented volume of parcel traffic, and outlined the intention and effects of these amendments:

> The temporary changes to delivery standards will help Australia Post to continue to service the broader needs of the community as quickly as possible.
>
> It will enable us to retrain 2,000 motorcycle Posties as parcel drivers, to help process and deliver parcels in line with timeframes that our business and consumer customers expect.
>
> The temporary regulatory relief includes suspending the priority mail letters service, extending the required delivery time for regular intrastate letters to five days after the day of posting, and allows us to deliver letters in metropolitan areas every second day, freeing up resources to help meet the massive demand for parcels. There have been no changes to letter delivery frequency in rural and remote locations, and also for collection from PO boxes and over the counter at Post Offices in all locations.[25]

9.29 In practice, the regulatory relief allowed Australia Post to:

- deliver letters every *second* day in metropolitan areas, rather than every day;
- suspend the regulated priority mail letter service (although with the introduction of new non-regulated bulk mail arrangements);
- extend the maximum delivery times for regular interstate letters;
- manage its post offices, if necessary, including temporarily closing outlets to protect the health and safety of staff and customers due to the pandemic; and
- move its workforce to the Alternative Delivery Model (ADM) system in metropolitan areas, in which maximum allowed delivery times were lengthened significantly, and a number of motorcycle posties were retrained to deliver parcels in vans.[26]

9.30 In announcing these changes, Australia Post noted that 'there's no change to delivery frequencies in rural and remote areas', but that for metropolitan locations:

> Same-state regular letters: Maximum required delivery time is now 5 business days.
>
> Interstate-regular letters: Maximum required delivery time is now 5 business days between capital cities.

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[24] See the full Australian Postal Corporation (Performance Standards) Amendment Regulations 2020 at www.legislation.gov.au/Details/F2020L00579 (accessed 23 May 2021).

[25] Australia Post, *Annual Report 2020*, p. 16.

[26] As outlined in Department of Finance, *Submission 2*, p. 3.

> Maximum required interstate delivery time for other areas is now 6–7 days.
>
> Priority Letter service: Our usual Priority service is suspended from 1 June 2020 up until 1 July 2021. A temporary alternative Priority service is available for [some] types of bulk business letters[.]
>
> Delivery frequencies in metro areas: Letter deliveries are now required every 2 business days in metro areas instead of daily. For example, letters may be delivered to an address on Monday, Wednesday and Friday one week, with deliveries on Tuesday and Thursday the following week.
>
> There are no changes to delivery frequencies in rural and remote areas.
>
> Parcels, Express Post items and PO Box mail will still be delivered every business day.[27]

Support for the regulations

9.31 The former CEO of Australia Post, Ms Holgate, outlined the benefits of the temporary regulations for Australia Post as:

> …a suitable response to the business environment experienced since April 2020. Regulated letter volumes between April 2020 and February [2021] fell 17.4%, which is 314 million fewer letters than the same period the previous year. The service changes made during the period of the Temporary Regulatory Relief have been implemented with no forced redundancies and allowed Australia Post to apply its resources—both capital and people—where they have been most needed to meet the significant challenges and service demand changes. Moreover, during the period of the Temporary Regulatory Relief, Australia Post has introduced an alternate day delivery model in metro areas, which has enabled the transition of more than 2,000 posties to deliver parcels from vans at a time when there was an unprecedented increased demand for parcel services from customers and communities.[28]

9.32 Some stakeholders supported the introduction of the temporary regulations, including Post Office licensees, representatives of the retail sector, and charities.[29] Similarly, the measure was initially supported by some unions, including the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia (CEPU) and the Community and Public Sector Union (CPSU), which both signed

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[27] Australia Post, 'Temporary changes to letter delivery frequencies', *Media Release*, 12 August 2020, https://auspost.com.au/service-updates/current-updates/temporary-changes-to-letter-delivery (accessed 23 May 2021). For the usual performance standards required under CSOs and regulations, see Chapter 3 of this report.

[28] Ms Holgate, *Submission 5*, p. 41.

[29] For example, see Australian Retail Association, *Submission 1*, p. 1; and Ms Angela Cramp, Executive Director, LPO Group Ltd (LPOGroup), *Committee Hansard*, 27 April 2021, p. 36. See also evidence submitted to the Senate Environment and Communications Legislation Committee's inquiry into Australia Post, outlined in its report at pp. 30–31.

memorandums of understanding (MoUs) with Australia Post to protect the jobs and pay conditions of their members under the temporary regulations.[30]

Concerns raised on the temporary regulations

9.33 A number of concerns were raised in evidence about the ADM introduced under the temporary regulations, including that it led to poorer outcomes for users of mail services, and degraded conditions for Australia Post staff.

Worse outcomes for consumers, businesses and mail users

9.34 Stakeholders argued that the ADM resulted in worse outcomes for users from less reliable delivery times for letters and parcels. For example, Mr Shane Murphy, the National Divisional President for the CEPU, told the committee:

> Under the alternate day delivery model—or the ADM, as it's known—introduced by regulations, Australia Post now only delivers letter based products to households every second business day rather than five days a week. Along with changes to workforce structure that have also led to significant delays to parcel delivery, these have been the most notable changes resulting from the regulations. In our submission to the Senate inquiry into these regulations last year, we warned the parliament that the temporary performance standards were likely to have a significant impact on services to the community, workforce safety and wellbeing. It is now around nine months since the full implementation of the ADM, and it is clear our concerns are well placed.[31]

9.35 Mr Murphy contended that Australia Post is not actually meeting current delivery standards, despite their claims:

> At the moment, Australia Post are failing the service delivery standards. They will say they are meeting their service delivery standards, under the regulation, at around 94 to 97 per cent. We know that the letters that are tested to meet this regulation are test letters, not the ordinary mail going to the Australian people. And they make sure these test letters are getting through the system, that they meet the regulations, so they can then show the Australian people it is all in order.[32]

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[30] See evidence given by Mr Rayner and Ms Brooke Muscat, Deputy National President, CPSU, *Committee Hansard*, 27 April 2021, both at p. 13.

[31] Mr Shane Murphy, National Divisional President, CEPU, *Committee Hansard*, 27 April 2021, p. 3.

[32] Mr Murphy, *Committee Hansard*, 27 April 2021, p. 9.

9.36 Evidence to the committee noted the dependence of many small businesses on the suspended priority mail services.[33] The LPOGroup noted the increase in cost to the consumer as a result of the suspension of the priority mail service, which has been replaced with higher-cost, unregulated options:

> While it appeared on the surface as just another evolution of the letter product, the change to the regulations to allow a two-speed letter service resulted in a more costly priority mail option to simply achieve the service standard that was previously available through standard mail at the basic postage rate.[34]

9.37 Ms Brooke Muscat, Deputy National President of the CPSU, argued that the government should have provided Australia Post with financial assistance to meet the challenges of COVID-19, as 'an essential public service that local communities and businesses rely on'. Ms Muscat argued that:

> Instead of seeking financial support for its supposed financial pressures, Australia Post and the federal government decided to reduce its service delivery and introduced every-second-day delivery at a time when the Australian public, the owners of Australia Post, needed this public service the most.[35]

9.38 The temporary regulations were designed to have no impact on deliveries outside of metropolitan areas. However, the committee received evidence suggesting these changes have affected some regional, rural and remote delivery services, which is discussed in the following chapter.

Greater workload, pressure and job uncertainty for Australia Post staff

9.39 The committee received evidence that argued the ADM had increased workload, job pressures and employment uncertainty for Australia Post employees.

9.40 The submission made by CSPU noted that 'job security continues to be an issue for the Australia Post workforce'. It listed a number of significant concerns arising from Australia Post's management of the temporary regulations, including:

- reports of employees being 'threatened with being stood down';
- 'extreme stress and anxiety' coming from concerns over job security;
- pressure from management to exhaust annual leave and long service leave entitlements;

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33 For instance: Australian Manufacturing Workers Union (AMWU), *Submission 7*, pp. 4–5; LPOGroup, *Submission 14*, p. 35; 'Introductory note' provided by Ms Holgate in *The Issues surrounding the secret review of Australia Post by the Boston Consulting Group*, p. 3.

34 LPOGroup, *Submission 14*, p. 35.

35 Ms Muscat, *Committee Hansard*, 27 April 2021, p. 5.

- for employees with no leave balance, pressure from management to purchase additional leave, being forced onto Leave Without Pay, or to accept new contracts at lower pay grades;
- refusal to redeploy staff members at current pay levels into operational roles, despite new casual staff being hired in those roles; and
- announcements of restructures and redundancies in administrative and operations divisions.[36]

9.41 Mr Murphy observed that the ADM affected not only the morale and capacity of employees, but also customer services:

> It has never been worse for our community or our people delivering. Many have left the job, after years on the job, for mental health issues simply because it has affected them—not being able to deliver the products that their communities rely on under the ADM, as they'd done for many, many years.[37]

9.42 This was reiterated by Mr Kerry Turner, a CEPU Workplace Delegate, who related his experience from his workplace:

> …to give you a snapshot of the coal face, I did a survey and asked a simple question of 70 people at our facility: do you think ADM is working? The results were: 93 per cent no; and seven per cent yes, because they had motorcycles and smaller beats that they were happy with. And the majority of those said they don't believe that the customer is getting the best service at the end of the day, and it has definitely gone backwards.[38]

9.43 Some organisations gave evidence that the temporary regulations arrangement should not be extended past their expiry of 30 June 2021. For example, Ms Angela Cramp of the LPOGroup explained that the organisation initially supported the introduction of the temporary regulations, as it gave LPOs some certainty in a time of great disruption from the pandemic. However, she suggested that it was now time to transition away from the ADM to five-day-a-week delivery, and lift back to the usual CSO standards:

> If Australia Post is to have a future, it is imperative that the committee carefully review the regulatory relief requirements. Now that the impacts of COVID have diminished and the profits have grown substantially, we need Australia Post to get back to delivering on time and growing the opportunities to further service the nation.[39]

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36 CSPU, *Submission 4*, p. 3.

37 Mr Murphy, *Committee Hansard*, 27 April 2021, p. 11.

38 Mr Kerry Turner, Workplace Delegate, CEPU, *Committee Hansard*, 27 April 2021, p. 11.

39 Ms Cramp, *Committee Hansard*, 27 April 2021, p. 31.

9.44 Stakeholders from the union movement also saw it as critical that the government does not extend the temporary regulatory arrangements, due to the worse outcomes for staff and customers, as outlined above.[40]

9.45 Ms Holgate's supplementary submission drew out the potential consequences of extending the temporary arrangements, including the effects on businesses, advising that the government should:

> [Listen] to the voice of the customer and seek a thorough understanding of the impacts of stopping priority mail and longer delivery times. Priority Mail was a very important service for many small businesses and without the service many printing houses and magazine companies suffer. This could impact jobs further.[41]

9.46 Moreover, Ms Holgate advised that when considering extending the temporary arrangements, the government and parliament should contemplate more than cutting costs, instead also taking into account:

> The trade off from delivering significantly higher dividends compared to protecting services and jobs, whilst still remaining viable and delivering to the purpose of Australia Post for the benefit of all Australians.[42]

Supply chain impacts

9.47 As evidence to the Senate Environment and Communication Legislation Committee's previous inquiry into Australia Post revealed, the ADM has had a serious impact on the printing and packing industry. The president of the Print and Visual Communication Association of Australia, Mr Walter Kuhn, and the Australian Manufacturing Workers Union Assistant Secretary for Printing and Packaging, Ms Lorraine Cassin, both told the present inquiry that they had not been consulted on the regulations.[43]

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[40] For example, see the AMWU, *Submission 7*, p. 3; and evidence given by Mr Murphy, *Committee Hansard*, 27 April 2021, pp. 4 and 15.

[41] 'Introductory note' in *The Issues surrounding the secret review of Australia Post by the Boston Consulting Group*, p. 3.

[42] 'Introductory note' in *The Issues surrounding the secret review of Australia Post by the Boston Consulting Group,* p. 4.

[43] Ms Lorraine Cassin, Assistant National Secretary, AMWU and Mr Walter Kuhn, President, Print and Visual Communication Association of Australia, *Committee Hansard*, 27 April 2021, pp. 20–21.

9.48 Ms Cassin said that if Australia Post were to axe the Unaddressed Mail Service (UMS), as suggested in the BCG report discussed below, 'there would be job losses. We would see businesses having to lay people off'. Ms Cassin said that the introduction of the temporary regulations had been deceptive:

> We've had no engagement from Australia Post … We can only go by what we're seeing in the public arena and what's come out through the Senate inquiry.[44]

9.49 Ms Cassin noted that an ACIL Allen report had found that the mailing industry generated $14.3 billion for the economy in 2013–14, adding:

> We would like to see more cooperation between Australia Post and industry stakeholders to promote the traditional mail service, such as the UK's Mail Matters More Than Ever.[45]

9.50 Mr Kuhn said that the print and visual industry was Australia Post's biggest customer but Australia Post:

> …[has] no engagement with the industry… They're not doing the right thing by the industry. The basic UMS, for argument's sake, is an area that could be grown within Australia Post, not reduced, and at no extra cost. Why would they want to shut that down?[46]

9.51 Mr Kuhn added that:

> Every time Australia Post sneezes, the industry catches a cold … The total volume of work that goes through Australia Post is indicative of what comes through the industry, and we're very concerned that Australia Post is trying to reduce the volume of mail going through the system, to the detriment of this industry.[47]

9.52 Mr Kuhn said that whenever Australia Post had increased prices for the UMS:

> …we saw a direct decline through the print houses. It would take some months for that to rebound slightly but it never went back to the previous amount. Since the pandemic started and everything was shut down, we have seen an increase come through. But, again, we feel that Australia Post are trying to create the decline of that area [UMS], hence the increased pricing and the reduction of services.[48]

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44 Ms Cassin, *Committee Hansard*, 27 April 2021, p. 20.

45 Ms Cassin, *Committee Hansard*, 27 April 2021, p. 19.

46 Mr Kuhn, *Committee Hansard*, 27 April 2021, p. 20.

47 Mr Kuhn, *Committee Hansard*, 27 April 2021, p. 19.

48 Mr Kuhn, *Committee Hansard*, 27 April 2021, p. 20.

Review of the temporary arrangements

9.53 The government's response to the Senate Environment and Communications Legislation Committee's inquiry into Australia Post in 2020 made the following commitment regarding monitoring the temporary regulations and consulting appropriately on any further regulatory changes:

> The Government will continue to monitor developments to make sure Australia Post is equipped to meet the needs of all Australians.
>
> Should the Government propose future strategic changes, it would undertake a robust consultation process to ensure all relevant stakeholder views are considered, as it did prior to the 2016 reforms to Australia Post's letters delivery standards. This included Australia Post conducting community engagement events, discussions with key stakeholders (small business, licensees, Australia Post's workforce and unions), a National Conversations Portal and a Workforce Conversations Portal, customer surveys, consultation with key Commonwealth departments and discussions with its international counterparts.[49]

9.54 The Department of Finance confirmed that the government was actively reviewing the temporary arrangements at that time:

> When the temporary arrangements were put in place, ministers indicated that they'd review those arrangements after the first six months, and my recollection is that it was to assist with that initial review of the temporary arrangements.[50]

9.55 In its submission to the current inquiry, the Department of Finance stated:

> Future changes to Australia Post's service model are a matter for the Government. In its response to the Senate Inquiry into *The Future of Australia Post's Service Delivery*, the Government committed to undertake consultation, should future strategic changes be proposed that would result in regulatory and policy reforms.[51]

9.56 However, on notice, the Department of Finance clarified that this review was being undertaken by BCG, with no details of the completion date or whether its report would be released publicly:

> The variation to the BCG contract was executed on 31 July 2020 for the amount of $589,620.00 to consider the ongoing impact of COVID-19 on

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[49] *Australian Government response to the Senate Environment and Communications Legislation Committee report: The Future of Australia Post's Service Delivery* www.infrastructure.gov.au/department/ips/government_responses/government-response-future-auspost-service-delivery.aspx (accessed 23 May 2021). See Chapter 3 for an outline of this Legislation Committee inquiry.

[50] Mr Andrew Jaggers, Deputy Secretary, Commercial and Government Services, Department of Finance, *Committee Hansard*, 27 April 2021, p. 67.

[51] Department of Finance, *Submission 2*, p. 3.

> Australia Post's business and to evaluate the efficacy of the temporary regulatory relief.[52]

9.57 Some evidence to the inquiry suggested that the government and Australia Post are actively looking for ways to extend the temporary regulations beyond their due expiry date of 30 June 2021. Some stakeholders saw this as a way of embedding performance standards that would reduce bottom line costs for Australia Post, while diminishing services and access for Australians. For instance, this was noted by Mr Murphy, who suggested that Australia Post's consultation about the future of Australia Post seemed only to extend to seeking the union's support for the extension of the temporary regulations.[53]

9.58 Mr Rodney Boys, the current Acting CEO of Australia Post, told the committee that this consultation was on the broad future of the organisation, rather than simply the temporary measures:

> We're consulting widely to work out the sustainability of Australia Post but also how we can service the customers. We've had 314 million fewer letters in the 11 months post COVID than we had in the 11 months pre-COVID… To be able to service [growth in parcels], we need to redeploy some of our resources away from letters, which is loss-making. Those losses have been significant, and letters have been declining.[54]

9.59 Mr Tony Nutt, a Non-Executive Director of Australia Post, also commented:

> While the question of whether this relief should be further extended on a temporary basis remains a matter for government, it is now clear that we can't go back to where we were. Since the peak in volumes back in 2008, various independent reviews of Australia Post have determined that, in order to deliver on our dual purpose of meeting our community service obligations and not being a financial burden to the taxpayer, regulatory reform of some description is required… In determining ultimately what will be the framework for a sustainable Australia Post, we are committed to consulting with our people, union representatives, licensees, communities, customers and other valued stakeholders to develop a mutually beneficial outcome.[55]

The Boston Consulting Group Review undertaken for the government

9.60 As outlined in previous chapters, the management consultancy firm BCG undertook a review for the government, ostensibly to inform the incoming

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[52] Department of Finance, Answers to written questions taken on notice, 27 April 2021 (received 10 May 2021), Question 4, p. 2.

[53] Mr Murphy, *Committee Hansard*, 27 April 2021, p. 15.

[54] Mr Boys, *Committee Hansard*, 13 April 2021, p. 63.

[55] Mr Tony Nutt, Non-Executive Director, Australia Post, *Committee Hansard*, 3 May 2021, p. 28.

Chair, Mr Di Bartolomeo.[56] The Department of Finance set out its purpose as follows:

> The *Review of Australia Post* by the Boston Consulting Group (BCG) was focussed on enabling Australia Post to operate as a sustainable and fit-for-purpose service provider, in anticipation of trends that were expected to continue over many years.[57]

9.61 The Review cost $1.32 million, and its final report was handed to government on 21 February 2020.[58] The Review was not released publicly, so the committee has had to rely on the following sources of information that were provided as part of this inquiry:

- a Steering Committee paper from 11 December 2019;
- a Steering Committee paper from 19 December 2019;
- a presentation given by BCG to the Australia Post Board on 20 February 2020; and
- an 'Executive Summary marked *As at 21 February 2020*'.[59] [60]

9.62 Consistent questions raised in this inquiry have been whether:

- the BCG Review recommended privatisation of parts of Australia Post, particularly the lucrative parcels trade; and
- the government had an agenda to privatise parts of Australia Post, which informed the terms of reference of the BCG Review.

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[56] The Hon Paul Fletcher MP, Minister for Communications and Senator the Hon Mathias Cormann, Minister for Finance, 'Chair of the Board of Australia Post', *Joint Media Release*, 1 July 2019.

[57] Department of Finance, Answers to written questions taken on notice, 27 April 2021 (received 10 May 2021), Question 1, p. 1.

[58] See evidence given by Mr Jaggers and Ms Stacie Hall, First Assistant Secretary of the Commercial Investments Division, both of the Department of Finance, *Committee Hansard*, 27 April 2021, pp. 65–66.

[59] The Boston Consulting Group (BCG) Steering Committee papers from 11 and 19 December 2019, as well as the 'Executive Summary marked *As at 21 February 2020*' can be found in *The Issues surrounding the secret review of Australia Post by the Boston Consulting Group*, tabled by Ms Christine Holgate, 13 April 2021, as appendices F2, F3 and F4 (F4 also called Appendix 4) respectively, at www.aph.gov.au/DocumentStore.ashx?id=33e7626b-8909-4f71-9a56-1ad05863677d. Note all page numbers of appendices referenced refer to the page number of the specific appendix, not the consolidated document, which is not paginated consistently.

[60] *BCG Presentation to Australia Post Board of Directors, 20 February 2020*, at www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/AustraliaPostinquiry/Additional_Documents?docType=Additional%20Information (accessed 24 May 2021).

9.63 On the first question, it is clear that the BCG Review closely considered 'divestiture'—or privatisation—throughout its process. For example, the Executive Summary from a BCG Steering Committee meeting on 11 December 2019 openly asked:

> Should the divestiture of Parcels business be immediately explored…? [and]
>
> …what AustPost be [sic] most effective effectively and efficiently operated in its current form or with a different corporate structure and/or owner? (e.g. corporatized, IPO'd)[i.e. listing the company on the stock exchange.][61]

9.64 The Executive Summary for this BCG Steering Committee meeting also noted the potential commercial benefits if Australia Post were 'directed to operate its Parcels business with a wholly commercial focus'. This outlined the potentially negative side effects to the net financial impact for Australia Post, including from 'up-pricing in non-metro, [and] ceasing any unviable coverage', as well as 'implications for senders and receivers (e.g. % priced out in non-metro)'.[62]

9.65 Potential divestment and an increase to the commerciality of the non-metro Parcels business was still on the table in a following Steering Committee meeting on 19 December 2019, which lasted for around 2.5 hours. The paper for the meeting noted that there:

> …appears to be merit in further exploring partial divestiture of this [parcels] business to release case and avoid significant investment over time.[63]

9.66 It also noted that simply 'reducing affordability for as many as 2 million citizens in non-metro areas', that is by lifting prices for rural and regional Australians, 'may have problematic commercial flow-on effects', for instance making services unaffordable for everyday people and businesses.[64]

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[61] 'BCG's analysis for SteerCo#3 is oriented around a set of key questions' in *The Issues surrounding the secret review of Australia Post by the Boston Consulting Group* (Appendix F2), p. [1]. For the date of this meeting, see the 'Introductory Note' at p. 3.

[62] 'BCG's analysis for SteerCo#3 is oriented around a set of key questions' in *The Issues surrounding the secret review of Australia Post by the Boston Consulting Group* (Appendix F2), p. [1].

[63] 'Executive Summary for Steering Committee meeting on 19 December 2019' in *The Issues surrounding the secret review of Australia Post by the Boston Consulting Group* (Appendix F3), p. [1].

[64] 'Executive Summary for Steering Committee meeting on 19 December 2019' in *The Issues surrounding the secret review of Australia Post by the Boston Consulting Group* (Appendix F3), p. [1].

9.67 This option was also evident in the BCG presentation to the Australia Post Board, given on the day before the final BCG Review was handed to government (20 February 2020). This presentation set out options to reduce the quality and accessibility of services with an eye to eventual privatisation:

> **BCG believes it is prudent for Government and AusPost to undertake more fundamental, sequenced reforms to AustPost's current regulatory and operations. These include**:
>
> Reducing letters service standards (frequency and speed)…
>
> Streamlining the metro CPO network by closing at least 106 unprofitable outlets… [and]
>
> Exploring the potential for a *divestiture of Parcels*, while noting that this would leave a loss-making core business without meaningful reforms to letters.[65]

9.68 More specifically, the BCG 'Executive Summary marked *As at 21 February 2020*'—the very day the final review was handed to government—explicitly made a recommendation for privatisation:

> More specifically, from across the broad range of possible reform options for AusPost, *BCG recommends* that the following actions be undertaken:
>
> (1) Implement a set of near-term efficiencies…
> (2) Streamline the post office network…
> (3) Set out a path to reform the Letters business…
> (4) Establish a clear process to guide AusPost's strategic direction…[and]
> (5) *Take a range of steps to optimise AusPost's capital structure, including exploring potential divestitures* of specific subsidiaries (e.g. Star Track Road Express, SecurePay).[66]

9.69 Questioned about the evidence on whether BCG made a recommendation for government to explore potential divestitures, representatives of BCG denied that they made an explicit recommendation of privatisation in the final Review.[67]

9.70 This is despite the clear evidence that the 20 February 2020 presentation on the Final Review to the Board considered that exploring divestment was 'prudent' for the government to consider; and that the same matter was clearly cast as one of the 'recommendations' in the Steering Committee in December 2019 and also the Final Draft of the BCG 'Executive Summary marked *As at 21 February 2020*'.

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[65] Bold in original. Italic emphasis added. See *BCG Presentation to Australia Post Board of Directors, 20 February 2020*, p. 22.

[66] Emphasis added. 'Executive Summary marked *As at 21 February 2020*' in *The Issues surrounding the secret review of Australia Post by the Boston Consulting Group* (Appendix F4), p. [10].

[67] Ms Trish Clancy, Managing Director and Partner, BCG, *Committee Hansard*, 3 May 2021, p. 4.

9.71 BCG confirmed that the option to 'streamline' the network by closing 106 offices would translate to a significant reduction of positions, of 'between 590 and 1,045 roles', some of which could be redeployed in other growth areas of Australia Post.[68]

9.72 Regarding the contention that the government was consciously seeking views on the privatisation of parts of Australia Post, while there is no evidence that the government did so, there is also no evidence that they ruled the option as out-of-scope for the review. This at least suggests privatisation was on the table as a potential financial reform to ensure the financial viability of Australia Post.

Committee view

9.73 It is undeniable that the Shareholder Ministers were unaware that the BCG Review was examining the financial benefits to government of privatising the parcels role of Australia Post. The committee notes that Department of Finance evidence shows that senior officers of the department participated in the Steering Committee, as did two senior advisers for the Shareholder Ministers, including the Communications Minister's Chief of Staff. The Department of Finance also noted that:

> The Minister for Finance and the Minister for Communications received written and verbal briefings throughout the period of the *Review of Australia Post*, from November 2019 to February 2020.[69]

9.74 Regarding the question of whether Australia Post was conscious of the consideration being given to the privatising of parcels, the committee also notes the presence of two senior Australia Post employees on the Steering Committee, which met six times over the course of the BCG Review, including the current Acting CEO, Mr Boys.[70]

9.75 Approximately a month after the government received the BCG Report, on 30 March 2020, the then Minister for Finance, former Senator the Hon Mathias Cormann, sent a letter to the Chair and Board of Australia Post, which made it clear that the government expected Australia Post to incorporate the BCG proposals in developing its corporate plan—presumably including any privatisation models:

> We thank you for your assistance during the review and look forward to continuing to work closely with the board and Australia Post as you manage the effects of Covid-19 on your workforce, your customers and the business, and through the upcoming corporate plan process. As an initial step, we envisage that BCG's finding should be taken into account as the corporate

[68] Ms Clancy, *Committee Hansard*, 3 May 2021, p. 4.

[69] Department of Finance, Answers to written questions taken on notice, 27 April 2021 (received 10 May 2021), Question 1, p. 2.

[70] Department of Finance, Answers to written questions taken on notice, 27 April 2021 (received 10 May 2021), Question 2, p. 2.

> plan process is developed as we work together to support Australia Post's ambition for transformation.[71]

Board consideration of BCG proposals

9.76 The committee has some concerns that the Board has either failed to adequately discuss proposals that were canvassed in the BCG Review handed to government on 21 February 2020, particularly the proposal to divest the Parcels business, or failed to be fully transparent about its consideration of this proposal.[72]

9.77 These concerns are not based on an assessment of the merits of BCG's recommendation for part-privatisation to be considered by the government, which is discussed earlier in the chapter. Rather, these concerns are based on evidence—or lack thereof—that suggests the Board may not have adequately applied the due diligence that is incumbent on it to discuss a matter so important for the future of the organisation.

9.78 Regarding privatisation, Mr Di Bartolomeo, the Chair of the Australia Post, told the inquiry that:

> I can confirm to the committee that it [privatisation] has never been discussed by the board.[73]

9.79 Several Board members concurred that privatisation had never been discussed at Board meetings.[74] Some also voiced their strong opposition to the prospect of privatising or part-privatising Australia Post. As Mr Ronaldson categorically stated to the committee on both matters:

> The board has never discussed privatisation. We've never been asked by the shareholder ministers to discuss privatisation. And, as one of my colleagues said earlier, it would have a snowflake's chance in hell of getting up.[75]

9.80 The committee received evidence that on 20 February 2020, the Board received a lengthy presentation on the BCG Review, which includes a recommendation

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71 Senator the Hon Mathias Cormann, Minister for Finance, to Australia Post, cited in 'Introductory note' in *The Issues surrounding the secret review of Australia Post by the Boston Consulting Group*, p. 8.

72 A clarification of evidence was received from Australia Post on 24 May 2021 regarding its evidence of 27 April 2021 and 3 May 2021, which was too late to be properly considered by the committee for inclusion in this report. Available at: Australia Post, Clarification of evidence given at public hearings, 27 April and 3 May 2021 (received 24 May 2021), www.aph.gov.au/DocumentStore.ashx?id=2bc52365-2f23-406a-a31b-2ccbed9a52b7 (accessed 25 May 2021).

73 Mr Di Bartolomeo, *Committee Hansard*, 3 May 2021, p. 28.

74 See for example: Non-Executive Directors, the Hon Michael Ronaldson, Mr Bruce McIver AM, Ms Jan West AM, Ms Andrea Staines OAM, and Mr Mario D'Orazio; in addition, Mr Tony Nutt, Non-Executive Director, and Mr Di Bartolomeo, *Committee Hansard*, 27 April 2021, pp. 51–52; and 3 May 2021, pp. 27–28 and 20 respectively.

75 The Hon Michael Ronaldson, *Committee Hansard*, 27 April 2021, p. 51.

that the divestment of the profitable parcels area of Australia Post was a 'prudent' reform option for government to consider.[76]

9.81 The committee notes that the Ministerial announcement for the commissioning of the BCG Review suggested it was to 'inform the incoming Chairman' and the Board. The committee also notes that in March 2020, former Minister Cormann wrote to the Chair, asking that 'BCG's finding should be taken into account' in Australia Post's planning for its corporate plan and strategic direction.

9.82 Despite clear guidance on how the Board should approach the findings of the BCG Review, the Board has informed the committee repeatedly that it did not discuss the critical question of divestiture.

9.83 If this is so, it should have been. As a potentially significant matter to the future purpose, capacity, and financially sustainability of Australia Post, divestment of any part of the business should have been discussed by the Board as part of its deliberations.

9.84 To not do so seems to the committee to be an abrogation of the responsibility of the Board to adequately exercise principles of good governance in overseeing and guiding the strategic direction of Australia Post, as they are required to by the *Australian Postal Corporation Act 1989* and the Board Charter, as well as the *Public Governance, Performance and Accountability Act 2013*.

Opposition to privatisation

9.85 Many stakeholders expressed a strong opposition to the privatisation of all or parts of Australia Post, including regarding the profitable parcels area identified for potential divestment by BCG. This included members of the Board and the former CEO.

9.86 Speaking for the Board of Australia Post, its Chair, Mr Di Bartolomeo, commented: 'There are no plans for privatisation. Instead, our strategy is to invest, to grow the business'.[77]

9.87 Mr Nutt set out the rationale behind his opposition to the privatisation of Australia Post:

> I support 100 per cent public ownership. I don't support any divestiture of Australia Post assets. I don't support privatisation. I don't support the breaking off of something very important like the parcels business… It's bad public policy because, if you divested parcels, you would put an enormous financial hole in the finances of Australia Post… Secondly…it would affect LPOs, it would affect jobs, it would affect Australia Post's capacity to do

[76] See *BCG Presentation to Australia Post Board of Directors, 20 February 2020*, p. 22.

[77] Mr Di Bartolomeo, *Committee Hansard*, 3 May 2021, p. 29.

> everything it is expected to do in terms of community service obligations. So it's a bad idea, bad policy and bad finances.[78]

9.88 Ms Holgate set out the rationale behind her opposition to the privatisation of the Parcels business of Australia Post, based not only on Australia Post's value to Australians, but also looking to the failures of privatised models overseas:

> I think we can just look to the UK model, which split out parcels and privatised it and left the post offices behind. The post offices went bankrupt, and I am sure you are very aware of the multiple legal cases they had to take against the government. That is No. 1. No. 2 is that, most importantly, this is a national asset that is critical to the infrastructure of our country, particularly for rural and regional Australia. We are one of the largest employers. Almost 100,000 families are dependent on employment at Australia Post: 80,000 including our direct contractors and about another 20,000 more through people who primarily work for us. We know that, for every person we employ, there are two more jobs in the economy, so, when you take down one Australia Post person, you're taking three jobs away. That is a massive negative impact.[79]

9.89 Ms Cramp told the committee that she had heard rumours and 'inside information' of potential moves towards privatisation under the previous CEO, Mr Ahmed Fahour. In particular, she noted under Mr Fahour's leadership there was increased routing of parcels through the Australia Post subsidiary StarTrack, which she suggested would be easy to 'cut off' and sell as a profitable business.[80]

9.90 Despite reassurances from Australia Post, some stakeholders voiced concerns that privatisation lay behind some recent regulatory, policy and organisational decisions. For example, Mr Rayner of the CEPU suggested that the introduction of temporary regulations signalled the government's intention to eventually move to a full or partial privatisation of Australia Post:

> At the time the regulatory relief was introduced, we warned that the changes to letter delivery, the reduced community service obligations and especially the different treatment of parcel delivery under the regulations were almost certainly the beginning of a process of softening up the community for a full or partial privatisation of Australia Post. Critically, the changed arrangements for parcel deliveries under the regulations point unmistakably to an agenda within the Australia Post board and the government to divest the parcels business—that is, to sell it off to the private sector—as the BCG report recommends under one scenario.[81]

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78 Mr Nutt, *Committee Hansard*, 3 May 2021, p. 20.

79 Ms Holgate, *Committee Hansard*, 13 April 2021, p. 5.

80 Ms Cramp, *Committee Hansard*, 27 April 2021, p. 35.

81 Mr Rayner, *Committee Hansard*, 27 April 2021, p. 2.

9.91 Ms Muscat of the CPSU told the committee that:

> Our members are deeply concerned about the potential privatisation of Australia Post and the negative effect it will have on their job security. This is compounded by the unnecessary actions made by Australia Post under the pretence of a response to COVID-19, which now appears to have been part of their underhanded plan to privatise the parcels and financial services areas of Australia Post.[82]

9.92 Some witnesses observed that privatisation would have a disproportionate effect on regional and rural communities, including difficulties accessing services, higher prices and longer delivery times.[83] This is discussed in the following chapter of this report.

9.93 Over the course of the inquiry, Australia Post announced the hiring of a new CEO to commence in September 2021, Mr Paul Graham, who is currently working for Woolworths. Some stakeholders expressed some concern about what this signals for the future of Australia Post. For instance, Mr Murphy noted his concern that the incoming CEO had a history of rationalisation of businesses.[84] Ms Muscat shared these concerns:

> We are concerned that the new CEO may…move towards the privatisation of Australia Post. Given the way that Australia Post has acted over the last eight months in particular, in terms of our members and [Australia Post's] lack of interest in providing members tangible protections around their jobs, we are very nervous about what the future of Australia Post might look like.[85]

9.94 Although Australia Post's board members deny that the reduction of services leading to privatisation of parts of the business was on the corporation's agenda, it is difficult to square this assertion with pricing decisions that can only reduce the volume of mail, especially unaddressed mail.

9.95 Printing and packaging is the largest manufacturing industry in Australia, with 130 000 employees, and UMS creates business opportunities for Australia Post. As an essential community service, Australia Post should take account of the consequences of its pricing and procurement decisions on its industry stakeholders.[86]

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82 Ms Muscat, *Committee Hansard*, 27 April 2021, p. 6.

83 Mr Rayner, *Committee Hansard*, 27 April 2021, p. 3.

84 Mr Murphy, *Committee Hansard*, 27 April 2021, p. 11.

85 Ms Muscat, *Committee Hansard*, 27 April 2021, p. 11.

86 AMWU, *Submission 7*, p. 3.

Influence of the BCG Report on Australia Post policies

9.96 Some commentators suggested that the Australia Post request for regulatory relief was inspired more by the cost-saving measures outlined in the BCG Review, rather than as a response to the pressures of COVID-19.

9.97 The Department of Finance submitted that 'the BCG review was used to inform Government's consideration of Australia Post's request for temporary regulatory relief in response to COVID-19'.[87] However, in answers to questions on notice, the department commented that the Review:

> …was focussed on enabling Australia Post to operate as a sustainable and fit-for-purpose service provider, in anticipation of trends that were expected to continue over many years. COVID-19 however resulted in a sudden and significant impact on Australia Post's operations. The sustainability of the business during this time was a key focus for Australia Post and for the Government. The consumer and business behavioural changes observed at the start of the COVID-19 pandemic accelerated the pace of change, at a magnitude equivalent to several years of change. While this was consistent with some of the trends that were anticipated by BCG, COVID-19 entailed additional unanticipated impacts such as severe disruptions to air and road freight networks.[88]

9.98 Evidence provided by Australia Post's Board suggests that its access to the final Report was limited and that it had not influenced its decision-making in seeking regulatory relief. Ms Holgate shared this view, but did not speculate further on the government's use of BCG findings to inform regulatory changes:

> Whether the review conducted by the Boston Consulting Group in the 2019/20 financial year was a relevant consideration to making those changes [the temporary regulations] is a matter for Government, however the request for Temporary Regulatory Relief was not based on that review.[89]

9.99 Mr Murphy attributed many of the current policy changes to Australia Post's operations to the recommendations of the BCG Report:

> All of the cuts in Australia Post at the moment—whether it be farmers not being able to send their perishable goods, changing work hours, cutting back on overtime and the number of Sundays worked, and not picking up mail on Sundays—are related to the BCG report.[90]

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87 Department of Finance, *Submission 2*, p. 3.

88 Department of Finance, Answers to written questions taken on notice, 27 April 2021 (received 10 May 2021), Written question 1, p. 2.

89 Ms Holgate, *Submission 5*, p. 5.

90 Mr Murphy, *Committee Hansard*, 27 April 2021, p. 10.

Committee view

9.100 This chapter has considered the future of Australia Post, based not only on statements and strategic forecasts from the organisation itself, but also in light of the information received over the course of this inquiry.

9.101 Australia Post is clearly facing profound challenges, from declining trends in letter volumes, from competitors in the growing parcels market, and in realising fully the promise offered by its growing financial and identification services. While the challenges on these fronts are clear, the significant opportunities they offer Australia Post, the government, the business sector and the Australian people are also evident.

9.102 The massive growth of e-commerce and online shopping is a big potential source of revenue for Australia Post in the future, as well as a way in which it can assist the growth of Australian businesses and a healthy consumer market. In this regard, the committee sees it as essential that parcels remain an intrinsic part of Australia Post's services and business model into the future.

9.103 It is also clear that the deal struck in relation to Bank@Post services in 2018 has also ensured the financial viability of much of its regional and rural LPO network, and strengthened their role in the communities they service. Sustaining and growing this and similar services should be a core part of Australia Post's future business model.

9.104 The committee acknowledges that Bank@Post is a vital part of the Australia Post business going forward and is particularly important in regional and rural areas. The committee is also aware that the negotiation of the deal in relation to Bank@Post took considerable effort and resources for Australia Post and the deals with individual banks are required to be renegotiated on a regular basis, and that stakeholders such as the LPOGroup have expressed concern over the uncertain future of Bank@Post.

9.105 The committee is of the view that the Australian Government should investigate options available to the government to ensure the future of the Bank@Post.

Recommendation 14

9.106 The committee recommends that the Australian Government consider requiring authorised deposit-taking institutions (ADIs) to allow Australia Post to process basic banking transactions for their customers as a condition of their licence; and that fees be levied on ADIs that are sufficient to cover the cost to post offices of providing this service.

9.107 However, alongside these significant opportunities for growth, evidence provided to this committee shows Australia Post faces far more serious challenges than external factors of letter and parcel trends, and the realities of competitive markets, namely:

- a government that has run down Australia Post's standards, staffing and services, has not consulted stakeholders on significant policy or regulatory changes, and which seems to have been working towards the privatisation of the profitable Parcels business, which would effectively gut the long-term financial viability of the organisation;
- a Board that lacks sufficient independence and robustness to act in the long-term interests of Australia Post, rather than reactively responding to the short-term interests of its Shareholder Ministers; and
- a senior executive that has endured uncertainty, particularly with the shambolic replacement of a widely acclaimed CEO that turned around the bottom line of Australia Post's business revenue, with an incoming CEO not commencing until September 2021.

Australia Post as a strong Public Enterprise

9.108 Underlying the turmoil and anxiety caused to Australia Post staff by the ADM, and disputes between the corporation's Board and former CEO Ms Holgate over future directions, is a deeper question: what makes this GBE unique?

9.109 Australia Post is not just a business that happens to be owned by the taxpayer. It is owned by the taxpayer because it provides a basic service to the community that the government needs to underwrite and guarantee, and which would be at risk if the corporation were ever to be privatised, even in part. That is why it should remain in public ownership.

9.110 Some in the community will use Australia Post's services more than others, who might be able to afford private couriers instead. But all of us will use Australia Post at some time, and many Australians depend on it. The widespread use of electronic mail and the increase in parcel deliveries resulting from online shopping have not eliminated the need for traditional postal services. Some people, especially in older age groups, do not have internet access, and physical mail services are still required for many official purposes.

9.111 Australia Post brings all of these services together through a unique network of offices, agencies and local posties that binds Australians together. This network not only continues to fulfil its traditional role but, because of that role, has been able to provide new forms of community service also. A notable example is the provision of banking services in communities that the larger banks no longer serve. Market logic alone might dictate the closure of bank branches; but experience in other countries, and now in Australia, has shown that banking services do not have to be provided only through branches of a large bank. Postal outlets are well-suited to providing these services too.

9.112 The network that binds Australians through the activities of Australia Post is mapped by the postcodes that define where each of us lives, but it is not reducible to this set of numbers. It is also about human interaction. The unions who gave evidence to the inquiry spoke of how posties get to know not only the

homes and businesses to which they deliver, but also the people who live and work in them. For some people who are old and live alone, and may suffer from ill-health, the postie may be their most regular human contact. This is a service that postal services in some other jurisdictions have not only acknowledged but institutionalised: Irish posties are required to make occasional checks on the welfare of those who live on their round.

9.113 If Australia Post were to follow the example of its Irish counterpart, it would need to be properly resourced and funded to do so. It is not a service that any private courier would undertake, because it almost certainly could not generate a profit. Yet there is no doubt that, despite the connectedness supposedly provided by the internet, the need for direct human contact endures. If a postie on the public payroll provides that contact, it is further confirmation of Australia Post's unique place in the community.

9.114 That uniqueness has always been understood by Australians across the political spectrum. As Australia Post Non-Executive Director Mr Nutt said in evidence to the committee, quoting the Liberal founder Robert Menzies: 'You don't have to be a socialist to think that the Government should own the post office'.[91] Only those who are so ideologically blinkered that they think markets can satisfy all human needs could doubt that.

Building a strong public postal service for the 21st Century

9.115 The committee's inquiry has highlighted that Australia Post has been unable to strike the balance between public accountability, efficiency and its CSOs. Australia Post is an organisation that is central to the political economy and social fabric of the nation.

9.116 However, it is clear from the evidence to this committee that for some time Australia Post has allowed a culture to develop which has side stepped consultation collaboration, which has supressed Australia Post's ability to be a strong public postal service of the 21st century.

9.117 As part of a cultural change program, the committee is of the view that Australia Post must change the way it consults and collaborates, and with whom.

9.118 Australia Post must return to a culture of meaningful consultation and collaboration in good faith. As a public enterprise it must have, at a minimum, a tripartite model of consultation that brings Australia Post, government, business and unions to build a strong public postal service for the 21st Century.

9.119 It is the view of the committee that, as part of this cultural change, Australia Post should establish an Innovation Council to promote dialogue and develop long-term strategies for boosting innovation and productivity.

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[91] Mr Nutt, *Committee Hansard*, 3 May 2021, p. 20.

9.120 An innovation council would look to make Australia Post more productive and more competitive, increasing its capacity to find new markets, with new technology and find new ways of doing business whilst building developing high skill employees with strong community service obligations.

Recommendation 15

9.121 The committee recommends that Australia Post establish an Innovation Council formed on a tripartite basis that brings government, business and unions together to build a strong, productive and competitive public postal service with stronger community service obligations.

Privatisation of Australia Post

9.122 The committee has examined the question of whether the government was considering the privatisation of Australia Post, particularly its profitable parcels services. The evidence suggests that the government at the very least had not ruled it out-of-scope for the BCG Review of Australia Post's financial sustainability—and thereby were open to potential privatisation models. At the worst, it seems that the government was secretly working towards selling-off Australia Post's profitable parcels service, for a short-term financial gain that would have disastrous effects for Australian consumers, businesses, and employees of a valued and trusted Commonwealth asset.

9.123 This intent is clear in evidence obtained by the committee relating to the secret BCG Report. As noted above, the Executive Summary prepared for an 11 December 2019 BCG Review Steering Committee meeting, asked whether parcels should be 'divested', and whether Australia Post stocks should be sold off in an Initial Public Offering. This same meeting noted the possibility of running down services in parcels for regional and rural Australians as a cost-saving measure, which was still being considered at the Steering Committee meeting a week later.[92]

9.124 The proposal for privatisation was still in the BCG Review's recommendation on 20 February 2020, the day before the report was finalised, when the Board was given a preview of the final report. This set out a blueprint for reducing the quality and accessibility of services with an eye to eventual privatisation. This document clearly states: '**BCG believes it is prudent for Government and**

[92] 'BCG's analysis for SteerCo#3 is oriented around a set of key questions' and 'Executive Summary for Steering Committee meeting on 19 December 2019', in *The Issues surrounding the secret review of Australia Post by the Boston Consulting Group*, (Appendix F2 and F3 respectively), p. [1] and pp. [1–2].

AusPost to undertake more fundamental, sequenced reforms…[including] Exploring the potential for a *divestiture of Parcels.*[93]

9.125 More importantly, the final report explicitly made a recommendation for privatisation: *'BCG recommends* that [the government and Australia Post should]…*Take a range of steps to optimise AusPost's capital structure, including exploring potential divestitures* of specific subsidiaries (e.g. Star Track Road Express, SecurePay)'.[94]

9.126 The government has denied setting a privatisation agenda or knowing about the deliberations of BCG, even when two senior advisers from the offices of the two Shareholders Ministers were participants in the Steering Committee.

9.127 It appears that the government has tried to distance itself from the suggestion that privatising Australia Post is on its agenda, once the intentions of the secret BCG Review were exposed. However, this is not merely a change of heart on its part; rather, it seems more to do with the political difficulties of developing and implementing a policy that would close at least 213 post offices, lose nearly 8000 jobs, and impact vulnerable Australians, particularly in regional communities.

9.128 If the government genuinely did not want BCG to consider the privatisation of Australia Post, then privatisation should have been ruled out-of-scope from the start of the Review.

9.129 Many Australians remember the Abbott Government's Commission of Audit, delivered soon after Coalition came to power in 2013. It recommended the privatisation of Australia Post, which the then-Treasurer, the Hon Joe Hockey refused to rule out-of-scope before his disastrous Budget of 2014.[95]

9.130 This inquiry has made it apparent that this sentiment still sits beneath the surface of the government's agenda, even if it understands it is politically unpalatable. The government knows how Australians feel about the potential gutting of their trusted and valued postal network. That is why it refused to release the BCG report and why it continues to progress its reform agenda without genuine consultation.

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93 Cited in full above, bold in original, italic emphasis added. See *BCG Presentation to Australia Post Board of Directors, 20 February 2020*, p. 22.

94 Cited in full above, emphasis added. 'Executive Summary marked *As at 21 February 2020'*, in *The Issues surrounding the secret review of Australia Post by the Boston Consulting Group* (Appendix F4), p. [10].

95 Latika Bourke, 'Australia Post sell-off possible: Federal Treasurer Joe Hockey fails to rule out privatisation', *ABC Online*, 13 February 2014, www.abc.net.au/news/2014-02-13/australia-post-selloff-possible-says-joe-hockey/5258496 (accessed 23 May 2021).

Recommendation 16

9.131 The committee recommends that the Australian Government immediately release the Boston Consulting Group *Review of Australia Post's Financial Sustainability.*

Recommendation 17

9.132 The committee recommends that the Australian Government expressly rule out privatising or divesting of Australia Post, or any of its services, including parcels.

Recommendation 18

9.133 The committee recommends that Australia Post review its procurement principles and seek to incorporate sections of the Commonwealth Procurement Rules into these principles, particularly relating to local content of purchases.

The future of parcel deliveries

9.134 Evidence received by the committee unanimously recognised that the delivery of parcels is a core and growing part of Australia Post's services. With the massive recent growth of eCommerce, and Australian consumers and businesses increasingly turning to the online marketplace, this outlook is set to continue, even with the challenges of other providers.

9.135 This has been recognised across the board: by the government, by Australia Post itself, by BCG and other consultancies who have analysed the market, and lastly by consumers and businesses, who have driven this trend.

9.136 Given this universal recognition of the importance of parcels to Australia Post's services and ongoing financial security, the committee considers that the government should embed a parcel provision within the *Australian Postal Corporation Act 1989,* and associated performance standards. This would not only bolster Australia Post's future financial security, but also ensure that all Australians are able to access and afford an effective parcel delivery service.

Recommendation 19

9.137 The committee recommends that the Australian Government bring forward amendments to the *Australian Postal Corporation Act 1989* and associated regulations, to incorporate parcel-related benchmarks in Australia Post's community service obligations and performance standards, to ensure parcel services are affordable and equitable for all Australians, and that parcel delivery remains a core element of Australia Post's services. In developing these amendments and associated regulations, the committee recommends that the government and Australia Post consult a wide range of stakeholders, such as business, employees and their representatives, and interested communities, including those representing regional and rural Australia.

Addressing Australia Post delivery standards and services

9.138 The regulatory relief temporary arrangements are expressly designed to make deliveries more infrequent and speeds of mail transport slower. They are similarly designed to reduce cost for Australia Post, while having the effect of increasing the workload and uncertainty its employees face in doing their job.

9.139 These regulatory amendments were introduced by the government in 2020, at the request of Australia Post, under the guise of adapting to the pressures of the COVID-19 pandemic.

9.140 However, evidence presented to this inquiry, as well as to the Legislation Committee's inquiry of 2020 and received through the Estimates process, shows that the government was considering significant cuts to Australia Post in 2019, well before the COVID-19 crisis hit. Additionally, many stakeholders suspect that the government will extend the 'temporary' changes significantly, or seek to make them permanent.

9.141 In this regard, it was widely observed that the regulatory loosening of CSOs and Performance Standards align remarkably to the cost-cutting recommendations of the BCG Review, rather than any real need to manage the effects of the pandemic. Indeed, the BCG recommendations handed to government in February 2020—well before the pandemic had unfolded in Australia—foreshadowed the regulatory relief requested by Australia Post, and granted by government.

9.142 For example, the BCG Review specifically canvassed the options of moving to alternate weekday deliveries, removing priority mail, and slowing the required delivery speed stipulated in performance standards.[96] Along with the significant fiscal savings to government, BCG also noted the significant job losses this would create, as well as the negative effects for users of postal services, LPO

[96] *BCG Presentation to Australia Post Board of Directors, 20 February 2020*, p. 15.

licensees, employees, and the lost value for receivers waiting longer for their mail.[97]

9.143 What the BCG Review did not foreshadow was losses to Australian businesses, poorer outcomes for users and consumers, and the difficulties faced by employees who face uncertainty in employment, and have increased workloads.

9.144 The regulations are due to end on 30 June 2021. The government has signalled that it will consult with stakeholders on how the regulations have been implemented and their effects, before considering any extension beyond this time. The committee notes that the evidence suggests that this consultation has not yet been undertaken, and that there is a great deal of uncertainty over the government's intentions in the future.

Recommendation 20

9.145 The committee recommends that:

- **the Australian Government publicly release the reports or final findings of the Boston Consulting Group relating to the ongoing impact of COVID-19 on Australia Post's business, including any evaluation of the efficacy of the temporary regulatory relief; and**
- **Australia Post release the findings of the McKinsey report into the development of forward-looking delivery network strategies and plans for Australia Post.**

Recommendation 21

9.146 The committee recommends that the Senate oppose any extension to the temporary regulations now in force.

Recommendation 22

9.147 The committee recommends that the Australian Government consult widely and extensively on any proposed continuation of the current temporary regulations or introduction of any future regulatory changes, including with post users, businesses, licensees, and employees, contractors and their representatives.

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[97] *BCG Presentation to Australia Post Board of Directors, 20 February 2020*, p .17.

Chapter 10
Servicing rural and regional Australia

10.1 This chapter sets out the evidence received by this committee on the future of Australia Post for Australians living in rural, regional and remote communities.

10.2 It covers the following matters related to Australia Post's provision of services to regional and rural communities:

- relevant Australia Post community service obligations (CSOs);
- Deloitte Access Economics (Deloitte) research on the economic and social value of Australia Post;
- the effects of regulatory relief and other recent policy measures on regional and rural communities; and
- the risks of privatisation to Australia Post's services to regional and rural communities.

10.3 This chapter then sets out the Environment and Communications Legislation Committee's (committee) views and recommendations.

Australia Post's community service obligations to rural and regional communities

10.4 As outlined in Chapter 3, Australia Post has legislated obligations to provide services in its four CSOs, which are set out in section 27 of the *Australian Postal Corporation Act 1989* (the Act). Three of these CSOs apply to services provided to regional and rural communities, namely that:

- the service be available at a single uniform rate within Australia for standard letters;
- the service be reasonably accessible to all Australians wherever they reside; and
- the performance standards for the service reasonably meet the social, industrial and commercial needs of the community.[1]

10.5 These CSOs are, in part, designed to ensure that Australian communities have equal access to services at the same prices across both metropolitan areas and regional, rural or remote locations.

10.6 CSOs are underpinned by Performance Standards, which are set out in the Australian Postal Corporation (Performance Standards) Regulations 1998 (Performance Standards Regulations), which are set out in Chapter 3 of this report.

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[1] As set out in the *Australian Postal Corporation Act 1989*, s. 27.

10.7 The Australia Post *Annual Report 2019* noted that all Performance Standards relating to delivery and collection of mail frequency are being met or exceeded, including in regional and rural areas, as set out in the table below.

Figure 10.1 Australia Post Performance Standards 2018/19 performance

Performance Standard			2018/19 performance
Lodgement			
10,000 street posting boxes			15,037
Delivery timetables	**PRIORITY**	**REGULAR**	
Delivery within a State			
Metro to metro	next business day	3 business days	Maintained
Same/adjacent country to country	next business day	3 business days	Maintained
All else	2 business days	4 business days	Maintained
Delivery between States			
Metro to metro	2 business days	5 business days	Maintained
Country to metro	3 business days	6 business days	Maintained
Metro to country	3 business days	6 business days	Maintained
Between country areas	4 business days	7 business days	Maintained
On-time delivery			
94.0% of reserved services letters			98.9%
Access			
4,000 retail outlets (2,500 in rural and remote areas)			4,343 (2,529 in rural and remote areas)
Retail outlets located so that:			
• in metropolitan areas at least 90% of residences are within 2.5km of an outlet			93.6%
• in non-metropolitan areas at least 85% of residences are within 7.5km of an outlet			88.9%
Delivery frequency			
• 98.0% of delivery points to receive deliveries five days a week			98.8%
• 99.7% of delivery points to receive deliveries no less than twice a week			99.9%

Source: Australia Post Annual Report 2020, p. 138.

10.8 Some aspects of these Performance Standards have been temporarily suspended until 30 June 2021, under the government's relief of Australia Post's regulation. Evidence received on the effects of the temporary regulatory measures on regional and rural communities is discussed below.[2]

Deloitte Access Economics: *Economic and social value of Australia Post in regional, rural and remote communities*

10.9 In 2020, Australia Post commissioned Deloitte to undertake a report into *Australia Post's contribution to the economic and social health of regional, rural and remote Australian communities* (Deloitte Report).[3]

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[2] See Chapters 3 and 9.

[3] Deloitte Access Economics (Deloitte), *Economic and social value of Australia Post in regional, rural and remote communities* (*Australia Post in regional, rural and remote communities*), https://auspost.com.au/content/dam/auspost_corp/media/documents/australia-post-in-regional-rural-and-remote-communities.pdf (accessed 23 May 2021).

10.10 This report recognised the central role of regional, rural and remote communities in the Australian economic and social fabric. It observed that more than 8 million Australians live in these areas, and that businesses in the regions account for approximately 40 per cent of Australia's GDP. It also recognised Australia Post's broader importance in and to these communities:

> An important institution in enabling thriving regional communities is Australia Post. It has a significant physical presence–over 2,500 post offices–across Regional and Remote Australia. Australia Post delivers economic and social value to these areas through the provision of services, with one-third of its total financial transactions and almost 40% of its total parcel collections occurring in Regional and Remote communities. The value of providing services to these areas is much higher than the prices charged and revenue earned by Australia Post, as evidenced by the large consumer surplus associated with the use of these services, particularly in Remote areas.[4]

10.11 The 2020 Deloitte study found compelling evidence that Australia Post is an important economic institution in regional and rural communities, supporting Australia Post's figures of an estimated 10 802 full time equivalent jobs in regional and remote Australia through its delivery and post office network, and facilitating $806 million of economic activity outside metropolitan centres.[5]

10.12 Deloitte estimated that regional economies and new e-commerce models meant regional and rural businesses were worth around $10.6 billion in 2019 to the Australian economy. Regional business owners, the report found, rely on Australia Post's unparalleled post office and delivery networks to power their enterprises, making an average of 25 visits over a six-month period to a post office. Moreover, in 2019, regional post offices facilitated 28.8 million financial transactions, including banking and bill paying, as well as around 1.6 million identity verifications.[6]

10.13 Beyond its significant economic role in the regions, the social value of Australia Post in these areas is also considerable. Deloitte found that:

- Post offices are the most present service provider in regional and remote Australia, with 96 per cent of residents having a local post office;
- Australia Post is among the most trusted service providers in these areas;
- People with disabilities consume post office services more frequently than average, and socially distanced individuals visit the post office more often;
- 90 per cent of regional and remote residents believe that Australia Post is important for equity of access to core services; and

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4 Deloitte, *Australia Post in regional, rural and remote communities*, p. 8.

5 Deloitte, *Australia Post in regional, rural and remote communities*, p. 8; see also Australia Post, *Annual Report 2020*, p. 1.

6 Deloitte, *Australia Post in regional, rural and remote communities*, pp. 8–9.

- Almost one third of regional and remote Australians believe their post office's role as a service provider has increased in importance over the last five years.[7]

10.14 Regarding the future of Australia Post, Deloitte noted the challenges of declining letter volumes, but suggested there are many opportunities, particularly in non-metropolitan areas:

> …there are several reasons to believe that Australia Post services may grow into the future, above the continued role for at least some hardcopy postal service for certain documents and to serve certain customers. As infrastructure supporting the digital and e-commerce economy, through parcel delivery and identity services, Australia Post's role should grow. As a service centre for the growing financial services and public sector agencies, there is also considerable potential for an expansion in services. Finally, as a trusted institution that enjoys the support of communities, there will be considerable resistance to a contraction of presence or services.[8]

10.15 The Deloitte Report concluded:

> Overall, [the evidence] suggests that Australia Post continues to provide important economic and social infrastructure to regional, rural and remote communities. Moreover, as other service providers close their physical branches in regional Australia, there may be even more opportunities for Australia Post to deliver services and value to these communities in the future. For example, the post office network could be well-placed to increase offerings in financial and government services, or provide more e-commerce and other network capabilities. Australia Post's presence and services in regional, rural and remote communities are therefore likely to continue to remain relevant in the future.[9]

Recent policies and regional, rural and remote communities

10.16 The committee received evidence on the effects of recent Australia Post-related policies on regional and rural communities, which this section will discuss in turn:

- regulatory relief of CSOs and the Alternative Delivery Model (ADM);
- the opportunities provided by financial and other services; and
- recent attempts to ban perishable produce.

Regulatory relief and the Alternative Delivery Model

10.17 The temporary regulatory relief implemented by the government in 2020 explicitly excluded regional and rural areas from the loosening of CSOs. For example, Australia Post issued an update on 12 August 2020, which stated unequivocally:

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7 Deloitte, *Australia Post in regional, rural and remote communities*, p. 5.

8 Deloitte, *Australia Post in regional, rural and remote communities*, p. 57.

9 Deloitte, *Australia Post in regional, rural and remote communities*, p. 58.

> The Australian government has temporarily changed some of our performance targets to help us meet the challenges of COVID-19 restrictions and other operating constraints. New delivery frequencies apply in metro areas until 30 June 2021.
>
> **There's no change to delivery frequencies in rural and remote areas.**[10]

10.18 However, despite the exclusion of non-metropolitan areas from the temporary regulatory relief arrangements, the committee received evidence that this had not been the case in reality.

10.19 For example, representatives of the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia (CEPU) and the Community and Public Sector Union (CPSU) stated that they were certain that the temporary regulatory relief arrangements had profoundly negative effects on regional and rural service delivery standards.[11]

10.20 Mr Shane Murphy, National Divisional President of the CEPU, provided examples of where mail was taking longer to reach regional and rural customers:

> As you know, there are regional areas caught up in this regulation change—Tweed Heads, Townsville, Geelong, the South Coast, the Central Coast and the Hunter region, including Port Stephens. Those areas are no longer getting daily delivery services. And, when it comes to their second-day delivery services, they are not even able to receive their mail or parcels on the day they are due. Our posties at these facilities are bringing product back—or they're not taking it out. They simply cannot do what they were doing for the community pre-ADM, when the product was delivered on a daily basis.[12]

10.21 The CEPU clarified that Australia Post had re-zoned some regional capitals to metropolitan areas, based on guidance from 1991, and in doing so made them subject to the ADM. This means, the CEPU claimed, that growing regional cities with populations over 100 000, such as Bendigo, Cessnock and the Hunter Valley, were now classed as 'metro' and therefore included in the reduced service-level ADM.[13]

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[10] Emphasis in original. See Australia Post, 'Temporary changes to letter delivery frequencies', 12 August 2020, auspost.com.au/service-updates/current-updates/temporary-changes-to-letter-delivery (accessed 23 May 2021).

[11] See evidence given by Mr Shane Murphy, National Divisional President and Mr Mathew Dean, Workplace Delegate, both of the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia (CEPU); and by Ms Brooke Muscat, Deputy National President, Community and Public Sector Union, *Committee Hansard*, 27 April 2021, all at p. 11.

[12] Mr Murphy, *Committee Hansard*, 27 April 2021, p. 9.

[13] Mr Murphy and Mr Mathew Dean, Workplace Delegate, CEPU, *Committee Hansard*, 27 April 2021, pp. 9–10.

10.22 Mr Martin O'Nea, an Industrial Officer for the Communication Workers Union, Postal and Telecommunications Branch, Victoria (CWUVIC), provided a further example of the effects of this re-zoning:

> …there were a number of exclusions in regional Australia for the rollout of the ADM, and it was only supposed to happen in regional areas in Australia. I think you've heard evidence already that that's not the case. The one standout exclusion in Victoria for us, I suppose, was Geelong, which previously was classed as regional. It was then changed some years later to metro and, even though we requested Australia Post to acknowledge Geelong is in a regional area, they refused. They just wanted to roll out the ADM in as many places as possible.[14]

10.23 Regarding the definition of regional communities, Australia Post has stated:

> Australia Post does not have the ability or discretion to determine which areas are, or are not, metropolitan areas.
>
> Metropolitan, rural and remote areas are defined by the Rural, Remote and Metropolitan Areas Classification 1991 Census Edition that applies to Australia Post's prescribed performance standards. A metropolitan area is a State or Territory capital city, or an urban centre with more than 100,000 residents, according to the 1991 Census.[15]

10.24 The Department of Communications confirmed that there had been no discussion or consideration of extending the regulatory relief measures including the ADM to regional and rural communities.[16]

Intended changes to Australia Post's carriage of perishable food products

10.25 Australia Post announced on 18 April 2021 that it would cease to carry certain kinds of perishable consumable goods from 1 July 2021, due to the 'complex regulatory requirements differing across states and territories'. This included meats, seafood, frozen meals and other products.[17]

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[14] Mr Martin O'Nea, Industrial Officer, Communication Workers Union, Postal and Telecommunications Branch, Victoria, *Committee Hansard*, 27 April 2021, p. 27.

[15] Australia Post, 'Temporary changes to letter delivery frequencies', 12 August 2020.

[16] Mr Richard Windeyer, Deputy Secretary, Department of Infrastructure, Transport, Regional Development and Communications (Department of Communications), *Committee Hansard*, 27 April 2021, p. 75.

[17] See Chapter 3 for further information about these proposed changes. For the announcement of the new policy see Australia Post statement released to NCA Newswire on Monday 19 April 2021, reported in Evin Priest, 'Australia Post to stop delivering perishable foods from June 30', *The Australian*, 20 April 2021, www.theaustralian.com.au/breaking-news/small-business-owners-demand-clarity-after-australia-post-reveals-ban-on-perishable-foods/news-story/601e1540f6131f1e6a17b07ac18e2c1b (accessed 24 May 2021).

10.26 This announcement was met with widespread opposition from several sectors, including producers of consumable goods and small businesses that rely on Australia Post to service their customers, particularly from regional areas.[18]

10.27 For example, an ABC article on the effects of the new policy noted:

- The owner of a NSW Truffle business that was 'devastated' by the shift, who said: 'We'd been using express post and have been very happy and confident in telling our customers that if they purchase fresh truffles, Australia Post will get it to them within a day or two… I can only imagine that using a courier or other means of transport will be extremely expensive and not as reliable and not as efficient';
- The co-owner of a Tasmanian salmon farm business sending around $80–100 000 worth of freight a year with Australia Post, who commented: 'We as a business community had a meeting with Australia Post and suggested that they ask for a 12-month reprieve or moratorium, and that they go to each state regulator and have an open discussion about how to get this sorted… The government has been pushing to buy online and use COVID-safe delivery, so everyone is spending thousands upgrading their systems and now the only carrier specifically for Tasmanians–that has a door-to-door reach for all of Australia–can't do that now'; and
- A NSW cheese company manager, who said: 'Now with Australia Post removing that service, it does limit our ability to move our product to a wide distribution at a price that's fair and reasonable… We are trialling a couple of other companies now, but because these are perishable items there's no guarantee. It's at your own risk'.[19]

10.28 Although the perishable food ban was not the main focus of this inquiry, the committee received evidence that suggested there had been little consultation with stakeholders before its introduction.[20]

10.29 Some suggested that this was an example of the broader failure of Australia Post to consult on policy more generally. For instance, Mr Andrew Hirst of the Licenced Post Office Group (LPOGroup) told the committee that she saw this policy as indicative of the attitude of the new Acting Group Chief Executive

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[18] For instance, see Eden Hynninen, 'Producers 'devastated' as Australia Post decides to stop delivering perishable food', *ABC Online*, 20 April 2021, www.abc.net.au/news/2021-04-20/producers-devastated-by-australia-post-decision/100082016 (accessed 9 May 2021).

[19] Eden Hynninen, 'Producers 'devastated' as Australia Post decides to stop delivering perishable food', *ABC Online*.

[20] See for instance, evidence given by: Ms Muscat; Mr Greg Rayner, National Divisional Secretary and Mr Murphy, both of CEPU; Ms Margaret Hogan, National Industrial Officer, Australian Manufacturing Workers Union; Mr O'Nea; and Ms Angela Cramp, Executive Director, and Mr Andrew Hirst, Chairman, both of the LPOGroup; all at *Committee Hansard*, 27 April 2021, pp. 10, 21, 28 and 34 respectively.

Officer and Managing Director (CEO) of Australia Post, Mr Rodney Boys, and observed that:

> Australia Post management never consult. It's not in their vocabulary. They say they consult but they have no understanding of the word 'consult'. They consulted with us by sending us a letter saying that this was taking place… It was 'inform'. We were informed of their decision-making processes.[21]

10.30 After considerable stakeholder opposition to these measures clearly emerged, Australia Post announced it would not proceed with these changes. Instead, it announced that it would continue to ship perishable goods, and intended to 'work collaboratively to find solutions' to state-based variations in shipping regulations with Small Business and Family Enterprise Ombudsman, the Hon Bruce Bilson. In announcing the reversal of these changes, Mr Boys stated:

> We recognise the original date for ceasing perishable transport through our network would cause significant disruption to small businesses, many who have experienced significant growth in eCommerce sales during COVID-19... Through this new forum, we will better understand what our customer capabilities and needs are and work hand-in-hand with regulators to determine, where changes may be required.[22]

Banking and financial services

10.31 The committee received evidence that suggested Australia Post's Bank@Post service had transformed access to banking services for many communities, where banks had closed their retail outlets. This evidence provided an example of the substantial opportunities for Australia Post in regional and rural areas, as well as expressing a hope that the program would continue into the future.

10.32 In announcing the new arrangements in October 2018, then-CEO, Ms Christine Holgate outlined the scale of the problem the new Bank@Post deal would address for regional and remote communities:

> There are 1550 communities across Australia, predominantly in rural and regional Australia, who today have no bank branch. The citizens and small businesses of these communities depend on Australia Post to provide access to financial services through the Bank@Post service in their local Post Office.[23]

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[21] Mr Hirst, LPOGroup, *Committee Hansard*, 27 April 2021, p. 34.

[22] Australia Post, 'Sending perishable food products', *Media Release*, 22 April 2021, auspost.com.au/service-updates/current-updates/sending-perishable-food-products (accessed 24 May 2021).

[23] Australia Post, 'Commonwealth Bank of Australia confirms landmark agreement with Australia Post', *Media Release*, 8 October 2021, provided as part of Ms Christine Holgate, *Submission 5* (Appendix 1), p. 61.

10.33 Ms Holgate, the former CEO of Australia Post appearing in a private capacity, suggested that securing the Bank@Post program had not been easy, given substantial losses in its first year of operation:

> Fifty-five per cent of the communities of Australia no longer have a bank. This particular service lost $48 million in the year before CBA committed to actually working with us… So we were faced with closing the service, and this transaction [the renegotiation of the Bank@Post contracts] saved that service, brought that important investment into the post offices and, very importantly, enabled the [licenced] post offices to have a new technology platform. They had had none in 30 years—none. I just think it's staggering that we were actually letting them operate on such an old system.[24]

10.34 Ms Gail Doyle, New South Wales Chair of the LPOGroup and the licensee of a regional post office in NSW, confirmed the value of the Bank@Post, both for LPOs and for regional communities:

> I'm the licensee of Bundanoon post office in New South Wales, a regional centre, and during COVID we witnessed the closure of many bank branches in our closest town, which is a good 15-minute drive from Bundanoon or a 30-minute bus ride for some of our elderly people who don't drive. Those branches were closed, the ATMs were ripped out of the streets and the only option was for these members of our community to come to post offices to do their banking. If we weren't there, the services wouldn't be on offer. It was terrifying for these people, especially moving throughout the community during COVID and being susceptible to the virus. So it was very important that banking services had been implemented in post offices well before COVID began, because it was a life saver for the communities of Australia, especially in rural and regional centres.[25]

10.35 Ms Cramp, Executive Director of the LPOGroup, expressed some concerns that the future of some Bank@Post service agreements were uncertain:

> I have massive concerns. Why aren't they already renewed? Why aren't we already comforted with 'we're doing this, and they will be turned over'? We have only two that expire in September. The CBA signed on for five years. But, yes, we are very concerned that part of the BCG report says to decrease financial services.[26]

10.36 Representatives of BCG suggested that the 2020 BCG Report found there were significant opportunities for Australia Post to extend and consolidate financial services in regional and rural areas. This would not only provide essential services to communities where banks no longer have branches, they stated, but also bolster the income and purpose of LPOs in those communities.[27]

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[24] Ms Christine Holgate, Private capacity, *Committee Hansard*, 13 April 2021, p. 6.

[25] Ms Gail Doyle, NSW Chair, LPOGroup, *Committee Hansard*, 27 April 2021, p. 33.

[26] Ms Cramp, *Committee Hansard*, 27 April 2021, p. 33.

[27] Mr Miguel Carrasco, Managing Director and Senior Partner, and Ms Trish Clancy, Managing Director and a Partner, BCG, *Committee Hansard*, 27 April 2021, p. 5.

10.37 Mr Di Bartolomeo commented that Australia Post was intending to renew the Bank@Post arrangements, and that negotiations with participating institutions are 'currently underway'.[28]

10.38 Similarly, the Hon Michael Ronaldson, a Non-Executive Director of Australia Post, commented that the Board was excited by the Bank@Post refresh in 2018, and that Australia Post remained committed to the service:

> …there are now 80-odd organisations, from recollection, who are involved in Bank@Post. There are minor financial institutions. It is a fantastic initiative and quite frankly…this is a really, really important thing for regional and rural communities. As the banks pull out we are filling that space. We want to expand that and extend it, not in any way reduce it.[29]

Risks of privatisation of Australia Post to regional and rural communities

10.39 This report has previously discussed the BCG Report undertaken for Shareholder Ministers, which canvased the divestment or privatisation of parts of Australia Post, including parcel deliveries.

10.40 As outlined in the previous chapter, the BCG Review noted the negative consequences for regional and rural communities from both privatisation of the parcels businesses, as well as from more aggressive pricing of parcels. For instance, several papers prepared for BCG Steering Committee meetings discussed:

- potentially negative side effects of Australia Post being directed to operate its Parcels business with a 'wholly commercial focus', which could include 'up-pricing in non-metro, [and] ceasing any unviable coverage', and consequential 'implications for senders and receivers (e.g. % priced out in non-metro)';[30] and
- that simply 'reducing affordability for as many as 2 million citizens in non-metro areas', that is by lifting prices for rural and regional Australians, 'may have problematic commercial flow-on effects', for instance making services unaffordable for everyday people and businesses.[31]

10.41 The committee considered some evidence that privatisation of Australia Post's parcel capacity would have a disproportionate effect in regional and rural areas. For example, Mr Greg Rayner, the National Divisional Secretary of the CEPU,

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[28] Mr Lucio Di Bartolomeo, Chair, Australia Post, *Committee Hansard*, 3 May 2021, p. 32.

[29] The Hon Michael Ronaldson, Non-Executive Director, Australia Post, *Committee Hansard*, 3 May 2021, p. 45.

[30] 'BCG's analysis for SteerCo#3 is oriented around a set of key questions' in *The Issues surrounding the secret review of Australia Post by the Boston Consulting Group* (Appendix F2), p. [1].

[31] 'Executive Summary for Steering Committee meeting on 19 December 2019' in *The Issues surrounding the secret review of Australia Post by the Boston Consulting Group* (Appendix F3), p. [1].

claimed that any privatisation of Australia Post would adversely affect regional and rural communities:

> The privatisation of Australia Post in part or in whole would be disastrous for rural and regional communities, small businesses and the families of tens of thousands of dedicated postal workers who provide a world-class service to the Australian people.[32]

10.42 A Department of Communications regulation impact statement prepared for proposed 2015 Australia Post reforms, noted that 'removal' of the CSOs as part of deregulation of the postal market would disproportionally affect users in regional and rural areas:

> Removal of the CSOs (as one element of deregulation of the postal market) would significantly impact consumers in regional communities. Such a move is unlikely to result in the introduction of significant competition in the delivery of letters and small parcels in regional Australia, due to the significant distances, high costs and relatively low volumes involved.[33]

10.43 The Chair of Australia Post, Mr Di Bartolomeo suggested that there were no plans for the organisation to implement cost cutting measures for LPOs, including those outside of metropolitan areas:

> I can guarantee that the work that we're doing today in the corporate plan that is currently in place, and the new corporate plan, as our annual strategic planning process is in place—we have absolutely no plans to change the LPOs and particularly the rural and regional arrangements… We certainly will not be closing or reducing any of the LPOs.[34]

10.44 Mr Di Bartolomeo made it clear he expected that this would be the case going forward, with Mr Paul Graham commencing as CEO in September 2021:

> I believe we've appointed a CEO that will take up the reins of what [Ms Holgate] left it with and continue forward and onwards. The LPOs, for instance, and their concerns about potential privatisation and the like—there is no such evidence and no such initiative on the board's part, in our corporate plan, in our corporate strategy. We're developing our next round of corporate planning, and there is absolutely no such desire or intent to do that, to change, particularly, the regional and rural LPOs that are out there in the system.[35]

Committee view

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32 Mr Rayner, *Committee Hansard*, 27 April 2021, p. 3.

33 Department of Communications, *Regulation Impact Statement for proposed reforms to postal regulation*, webcache.googleusercontent.com/search?q=cache:4w3O52Rtm-4J:https://ris.pmc.gov.au/sites/default/files/posts/2015/08/26-Postal-Reform-RIS-accessible-public-version-13-Aug-2015.docx+&cd=8&hl=en&ct=clnk&gl=au (accessed 24 May 2021).

34 Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 36.

35 Mr Di Bartolomeo, *Committee Hansard*, 13 April 2021, p. 47.

10.45 Evidence received by the committee showed that Australia Post brings significant economic and social benefits to regional and rural communities–and that, in turn, those communities bring immense economic, social and community benefits to our nation.

10.46 It is a positive sign that Australia Post recognises its value to our regions, as well as the significance of these communities to Australia Post's own revenue base. Moreover, it is encouraging that Australia Post is conscious of the importance of its role in supporting all regional, rural and remote communities across the country as our nation recovers from the COVID-19 pandemic.

10.47 The committee notes the recognition of this two-way relationship in the 2020 Deloitte report, as well as evidence given to this inquiry. It also notes the government's commitment to protect regional and rural CSOs in the temporary relief regulations.

10.48 The committee has concerns relating to delivery standards to regional and rural communities. Australia Post must ensure that these standards are being met for Australians living in regions, including regional centres.

Recommendation 23

10.49 The committee recommends that the Australian Government work with Australia Post, licensees, employees, contractor and worker representative organisations, and other stakeholders, to explore new ways to support the network of licensed post offices around Australia to benefit communities, particularly rural and regional communities.

Recommendation 24

10.50 The committee recommends that the Australian Government consider excluding regional capitals with a population of over 100 000 from the definition of 'metropolitan' in the regulatory relief and Alternative Delivery Model, should these regulations be extended.

10.51 The committee also has concerns regarding the adequacy of Australia Post's consultation practices. In introducing new policies, there appears to be a disjuncture between the recognition of the importance of regional and rural communities to Australia Post on one hand, and the development and implementation of policy on the other.

10.52 This failure is clearly evident in the recent perishable food handling ban debacle. Australia Post reversed this poorly conceived policy decision so soon after it was announced, following the considerable backlash from consumers, producers, and government stakeholders.

10.53 Australia Post has clearly recognised that it was an error to make these changes without adequate consultation. The committee notes in particular that the Acting CEO, Mr Boys, has undertaken to 'better understand what our customer

capabilities and needs are and work hand-in-hand with regulators to determine where changes may be required' in the new industry working forum.[36]

10.54 However, the committee considers it telling that Australia Post made this decision in the first place. Adequate consultation carried out before announcing a perishable goods handling ban would have told Australia Post that the policy would fail to meet the expectations and needs of Australian consumers, businesses and producers, many of who are based outside of city centres.

10.55 The committee is concerned that this is indicative of a more general failure of Australia Post's management to engage in appropriate consultation with stakeholders, including those from regional and rural communities.

Recommendation 25

10.56 The committee recommends that Australia Post improve its consultation arrangements with regional, rural and remote communities across Australia in the development of future policies and implementation plans.

Senator Sarah Hanson-Young
Chair

[36] Australia Post, 'Australia Post Partners with Small Business Ombudsman to develop solution for perishable freight', *Media Release*, 22 April 2021, https://newsroom.auspost.com.au/article/australia-post-partners-with-small-business-ombudsman-to-develop-solution-for-perishable-freight (accessed 24 May 2021).

Liberal and Nationals Senators' dissenting report

1.1 On 25 February 2021, the Senate referred an inquiry into Australia Post to the Environment and Communications References Committee. The genesis of this inquiry can be found in the questions from Senator Kimberley Kitching (Australian Labor Party, VIC) to Ms Christine Holgate during Senate Estimates hearings in October 2020. These questions related to Ms Holgate's purchase of Cartier watches worth almost $20 000 for Australia Post executives as a performance bonus.

1.2 The response by the Australian Labor Party (ALP) to the revelations stemming from Senator Kitching's questions, ranged from outrage at Ms Holgate's conduct to calls for her resignation coming from the Leader of the Opposition and union figures. Examples of the nature of the response include:

- 'Christine Holgate has done the wrong thing. I support her paying a price for that' (the Hon Anthony Albanese MP, 30 October 2020);
- 'I think her position is untenable' (the Hon Anthony Albanese MP, 30 October 2020);
- 'I think it's perfectly reasonable that Christine Holgate resign' (the Hon Anthony Albanese MP, 3 November 2020);
- 'I said this at the time, that this did not pass the muster for any responsible spending' (Ms Michelle Rowland, 3 November 2020);
- 'The union representing Australia Post workers, the CPSU, is calling for the resignation of Australia Post CEO and investigation into the board' (Community and Public Sector Union media release, 22 October 2020);
- 'Ms Holgate appears to be living high on the hog' (Senator Kitching, 12 October 2020); and
- 'unspeakably outrageous rort' opinion piece (Senator Kitching, 16 November 2020).

1.3 Subsequently, it appears that the opportunity to criticise the Government, led to a change in rhetoric and this inquiry has become a highly politicised exercise. This has had an impact on many of the recommendations in the majority report and the events leading up to and during the inquiry became a significant distraction to the valuable work of Australia Post.

1.4 Liberal and Nationals Senators do not support aspects of the analysis of evidence and many of the recommendations of the majority report. We make the following observations regarding the following recommendations.

Recommendation 1

1.5 Australia Post and other Government Business Enterprises are responsible for familiarising themselves with parliamentary processes, and their responsibilities to the Parliament and its committees. Liberal and Nationals

Senators support the recommendation and note that the Department of the Prime Minister and Cabinet has published the Government Guidelines for Official Witnesses Before Parliamentary Committees and Related Matters.[1]

1.6 The guidelines are designed to assist departmental and agency officials, statutory office holders and the staff of statutory authorities in their dealings with the Parliament. This includes advice on providing written material to a parliamentary committee inquiry, preparing to give evidence as a witness and the procedures associated with public interest immunity claims.

1.7 The Department of Finance provides additional advice to Australia Post and other Government Business Enterprises (GBEs), which operate at arms-length from Government, through the Commonwealth Government Business Enterprises – Governance and Oversight Guidelines and other guidance material focussed on advising directors of a GBE of their accountability and governance requirements.[2]

Recommendation 2

1.8 The Government has already initiated a Performance Bonus Review into Commonwealth entities. On 12 November 2020, the Prime Minister wrote to the Assistant Minister to the Prime Minister and Cabinet agreeing to a review of existing performance bonus arrangements for Senior Executive Service-level Australian Public Service employees, as well as officials of corporate Commonwealth entities and Commonwealth companies. The interim report was published on 25 March 2021. The Hon. Ben Morton MP, Assistant Minister to the Minister for the Public Service, has agreed to the two recommendations of the interim report.

Recommendation 3

1.9 The Government has already instructed the Australia Post Board to review and update Australia Post's internal governance arrangements and financial controls to ensure that they comply with its legislative obligations and reflect public expectations. The Finance Minister also wrote in similar terms to the accountable authorities for other Government entities.

Recommendation 4

1.10 The Auditor-General's jurisdiction does not extend to reviews of Ministerial conduct. Neither the *Auditor-General Act 1997* nor the *Australian Postal Corporation Act 1989* would empower the Auditor-General to undertake such an investigation.

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1 www.pmc.gov.au/resource-centre/government/government-guidelines-officialwitnesses-parliamentary-committees-and-related-matters-february-2015.

2 Further information is available at www.finance.gov.au/government-business-enterprises.

Recommendation 5

1.11 The claim that Ms Holgate was denied procedural fairness and natural justice is contested. Evidence to the inquiry was characterised by differing recollections of events and interpretations placed on evidence such as phone records. While disputed by Ms Holgate, the Australia Post Chair made the case based on key email evidence (which regrettably was not initially made available to the committee) that Ms Holgate agreed to temporarily stand aside from her role as chief executive officer, albeit reluctantly, on 22 October 2020. Ms Holgate tendered her letter of resignation from Australia Post on 2 November 2020. On 10 May 2021, it was announced that Ms Holgate would take up the role of Chief Executive Officer with the company Global Express. Ms Holgate and Australia Post have confirmed that the matters surrounding Ms Holgate's departure from Australia Post are now subject to mediation between Ms Holgate and Australia Post.

Recommendation 6

1.12 The evidence of the Chair of Australia Post, Mr Lucio Di Bartolomeo, confirmed that the Minister for Communications had asked him to stand Ms Christine Holgate aside. However, despite agreeing, Mr Di Bartolomeo gave evidence this had not been taken as a 'formal direction'.[3]

1.13 If a formal direction had been given by the Minister, it would have been given to the Board of Australia Post by the Minister for Communications under section 49 of the *Australian Postal Corporation Act 1989*. It does not appear that any formal direction under section 49 of the Act was given by the Minister to Australia Post on 22 October 2020.

Recommendation 7

1.14 The suggestion that the Australia Post Board is not independent was not supported by evidence or precedence.

1.15 Independent directors are not members of management and are free of any business or other relationship that could materially interfere with – or could reasonably be perceived to interfere with – the independent exercise of their judgement. Board members are required to complete a Private Interests Declaration to identify any private, business, and financial interests that might conflict with their duties.

1.16 While the Board did have Directors who had been associated with the Liberal Party in former careers, previous political involvement does not preclude a post political career for competent individuals from any political party. Previous members of Parliament are employed by the private sector in areas as diverse as the minerals sector to communications, often in governance roles such as

[3] Mr Lucio Di Bartolomeo, Chair, Australia Post, *Committee Hansard*, 13 April 2021, p. 41.

Boards. Precedence highlights that the composition of the Australia Post Board has also included Directors appointed by, or affiliated with former Labor Governments:

- Mr John Stanhope AO, former Chair, appointed by the Hon Stephen Conroy from November 2012;
- Ms Trish White appointed in July 2010. From 1994, spent 16 years as a Labor MP in South Australia and was a Senior Cabinet Minister in the Rann Government; and
- Mr Bill Mansfield served from October 2008 and was Assistant Secretary of the Australian Council of Trade Unions.

Recommendation 8

1.17 Directors of the Australia Post Board are appointed by the Governor-General on the nomination of the Shareholder Ministers. This approach has been consistently taken by Australian Governments since 1989.

1.18 The recommended approach would also be inconsistent with the arrangements that exist for other Government Business Enterprises (GBE). GBE Boards require members selected on skill in corporate governance, public administration and/or the relevant commercial industry fields in which each GBE operates. It would be contrary to that requirement if members were appointed solely on representative grounds.

Recommendation 9

1.19 An independent review of the performance of the Board is conducted every two years, while an internal review is conducted in the intervening years. Each Committee of the Board undertakes an annual self-assessment of their performance against the requirements of its Charter and provides that information to the Board.

1.20 Post-separation arrangements are common for senior executives from both Government and the private sector. There are many benchmarks that Australia Post could use to evaluate its own policies rather than diverting the resources of the ANAO. Potential audits are matters for the ANAO to consider.

Recommendation 10

1.21 In addition to measures outlined in comments on Recommendation 9, the Australia Post Board already annually reviews its performance, including its performance against the requirements of its Charters, and of individual Directors. While the Board could include relevant details in the annual report, such self-disclosure does not provide as much independent scrutiny as Senate Estimates already provides.

Recommendation 11

1.22 Directors of the Australia Post Board are appointed by the Governor-General on the nomination of the Shareholder Ministers. Comments on Recommendation 8 are also relevant.

Recommendation 12

1.23 See comments to Recommendations 7 and 8.

Recommendation 13

1.24 The purchase of the watches by Ms Holgate occurred in November 2018, when Mr Stanhope was the Chair of Australia Post.

1.25 Mr Di Bartolomeo was appointed Chair of Australia Post in November 2019.

1.26 Evidence to the Committee highlighted that the current Chair sought to work in a constructive manner with Ms Holgate during what was a fast-moving sequence of events being played out in the spotlight of the media.

Recommendation 14

1.27 The Australian Government Cost-Recovery policy requires not just bare cost-recovery as default charging practice by GBEs, but commercial pricing (i.e. including contribution to profit).

1.28 The Bank@Post deal significantly improved the profitability of Licensed Post Offices (LPOs), particularly in non-metropolitan areas. The importance of the Bank@Post deal was acknowledged by the Hon Michael Ronaldson, Non-Executive Director of Australia Post, in his evidence to the committee, stating that Australia Post wants to expand and extend, and not reduce financial services offered through the Bank@Post deal.[4]

1.29 While Liberal and Nationals Senators agree with the sentiment of the recommendation—given that the big four banks have left many rural and regional communities without branch services—Liberal and Nationals Senators do not support the recommendation for a direct intervention into the commercial arrangements between Authorised Deposit-Taking Institution (ADIs) and Australia Post via regulation.

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[4] The Hon Michael Ronaldson, Non-Executive Director, Australia Post, *Committee Hansard*, 3 May 2021 p. 45.

1.30 Liberal and Nationals Senators note that the Community Service Obligations (CSOs) set out in section 27 of the *Australian Postal Corporation Act 1989* require that in respect to core business such as letter delivery:

- the service be available at a single uniform rate within Australia for standard letters;
- the service be reasonably accessible to all Australians wherever they reside; and
- the performance standards for the service reasonably meet the social, industrial, and commercial needs of the community.

1.31 Parcels and financial services are now core Australia Post services, particularly for rural and regional communities. Consideration should be given to whether the scope of the CSO should be expanded and the optimal model for cost recovery that provides equity for communities and sustainability for LPOs, Australia Post and ADIs. Comments to Recommendation 19 are also relevant.

Recommendation 16

1.32 The Boston Consulting Group (BCG) Report is subject to a Public Interest Immunity claim. This process exists in recognition that the Executive has the right to maintain the confidentiality of some information and advice it has received. The financially sensitive information in the BCG report is a good example in a competitive market. However, in light of the lack of clarity and perceived risk caused by not releasing the report, in future it may be helpful for the Government to consider a publicly releasable version of such a report or an expedited Government response to address concerns created for licensees, staff and the community.

Recommendation 17

1.33 Liberal and Nationals Senators reject privatisation in whole or in part of Australia Post. The Minister for Communications has already publicly stated that the Government has no intention of partially or fully privatising Australia Post. The Treasurer has also publicly ruled out privatisation.

Recommendation 18

1.34 The Commonwealth Procurement Rules exempt GBEs so that they can act competitively, including by allowing them to direct source for large contracts without the cost and delay of formal tender processes, where that is the most efficient way to secure best terms and generate returns.

Recommendation 19

Parcel services

1.35 As a GBE, Australia Post is required under the *Australian Postal Corporation Act 1989* to balance its commercial obligations with its community service

obligations. Given the significance and growth of the parcel service (financially and socially) to Australia Post and its customers, it may also be worth exploring avenues to ensure parcels are a core business of Australia Post. As per comments on Recommendation 17, the Liberal and Nationals Government is not supportive of Australia Post being privatised. This is a longstanding position of the Nationals which is supported by the Liberal and Nationals Government.

1.36 Liberal and Nationals Senators recommend Australia Post should investigate and implement business models that maintain or increase the number of LPOs in regional, rural and remote areas, and that further enhance the delivery of Australia Post services in these communities through the consideration of changes to the Community Service Obligations.

1.37 Doing so will secure the financial viability and ongoing sustainability for the LPOs, their licensees and employees, with subsequent benefits flowing to the communities that are reliant on access to the services offered by Australia Post.

1.38 Given the significance and growth[5] of the parcel service, legislative amendments should be made to incorporate the parcel service as a core-business of Australia Post, and performance regulations and standards should be implemented to support this.

1.39 Mr Di Bartolomeo gave evidence that 'Parcels is our core business today. Certainly, our regulatory environment puts letters front and centre'[6]. The incorporation of parcels as core business was supported by Australia Post Non-Executive Director, Mr Tony Nutt AO[7], and Mr Miguel Carrasco[8], Managing Director of BCG, in evidence to the committee.

1.40 Incorporating the parcels service as core business of the organisation would be a concrete demonstration of the commitment of the Government and Australia Post to not privatise or divest elements of the business. In line with comments on Recommendation 14, the Government could consider how to modernise Australia Post's CSOs and performance standards in line with the changing service demands.

1.41 Liberal and Nationals Senators recommend that the Government should consider amending the *Australian Postal Corporation Act 1989*, associated regulations, and Australia Post's Community Service Obligations and performance standards to include parcels as a core business of the organisation while maintaining affordable and equitable service delivery for all Australians, particularly those in regional, rural and remote areas.

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5 Mr Di Bartolomeo, *Committee Hansard*, 3 May 2021, p. 33.

6 Mr Di Bartolomeo, *Committee Hansard*, 3 May 2021, p. 32.

7 Mr Tony Nutt AO, Non-Executive Director, Australia Post, *Committee Hansard*, 3 May 2021, p. 21.

8 Mr Carrasco, *Committee Hansard*, 3 May 2021, p. 12.

Perishable foods

1.42 During the inquiry, Nationals senators raised the issue of the decision by Australia Post to cease delivery of perishable foods by 30 June 2021. Businesses in regional, rural, and remote Australia will be severely impacted if Australia Post stops delivering perishable foods. The lack of consultation by Australia Post with affected stakeholders and LPOs was extremely disappointing and highlighted further evidence of poor consultation practices raised by witnesses during the inquiry.[9]

1.43 Australia Post renounced the decision to cease delivery of perishable foods by 30 June 2021 and formed a consultative group led by the Small Business Ombudsman.

1.44 In evidence, Mr Rodney Boys, Acting Group Chief Executive Officer and Managing Director (CEO) of Australia Post, stated that the decision to cease perishable food deliveries occurred when '…we realised that it was a complex regulatory environment that we had to work through – in both origin and sending'.[10]

1.45 With the importance of perishable food delivery not just to small primary producer and food businesses, but to their customers who purchase these products, prompt action should be taken by Australia Post in conjunction with the Australian and state and territory governments to revise regulations pertaining to perishable food delivery.

1.46 Liberal and Nationals Senators recommend that the Australian Government in collaboration with state and territory governments, and Australia Post should seek to address regulatory issues affecting the ability for perishable foods to be delivered so that the service can be continued indefinitely.

Recommendation 20

1.47 See comments on Recommendation 16.

Recommendations 21 and 22

1.48 Regulatory relief was sought by Ms Holgate (as CEO of Australia Post) from the Government on 31 March 2020.

1.49 On 21 April 2020, the Government announced temporary regulatory relief to assist Australia Post to continue providing important postal services for all Australians during the COVID-19 pandemic. The changes took effect on 16 May 2020 and will end on 30 June 2021.

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9 Ms Muscat and Mr Rayner, *Committee Hansard*, 27 April 2021, p. 10; Ms Rayner, *Committee Hansard*, 27 April 2021, p. 21; Mr O'Nea, *Committee Hansard*, 27 April 2021, p. 28; and Mr Boys, *Committee Hansard*, 27 April 2021, p. 47.

10 Mr Boys, *Committee Hansard*, 27 April 2021, p. 47.

Recommendation 24

1.50 The classification of metropolitan, rural, and remote classifications is embedded in Australia Post's performance standard regulations. The classification document is the publication titled *Rural, Remote and Metropolitan Areas Classification 1991 Census Edition*, prepared by the Department of Primary Industries and Energy and the Department of Human Services and Health in November 1994 (based on 1991 Census data).

1.51 As metropolitan, rural and remote classifications do not necessarily align with the geographic realities of the boundaries that denote regional, rural and remote communities of interest, the appropriateness of the classification embedded in Australia Post's performance standard regulations should be reviewed to ascertain whether the underlying application of the 1991 Census data remains fit for purpose.

1.52 If such a review is not completed, Liberal and Nationals Senators recommend that the Government consider amending the performance standard regulations to exclude regional capitals that have a population of more than 100 000 from the definition of 'metropolitan'.

Senator the Hon David Fawcett
Deputy Chair

Senator the Hon Bridget McKenzie
Senator for Victoria

Senator Pauline Hanson's additional comments

1.1 As a participating member, I thank Senator Hanson-Young for the courtesy and professionalism she extended to me in her role as Chair of the Committee, throughout the recent Australia Post inquiry hearings.

1.2 Following are my comments and recommendations, the first two of which support those of the main report.

Recommendation 1

1.3 That the Australia Post Chair, Mr Lucio Di Bartolomeo, be removed from the Board.

1.4 Mr Di Bartolomeo's evidence to both Senate Estimates and the Committee's subsequent inquiry has shown him to, at best, have an appalling memory and, at worst, have been deliberately evasive and misleading.

1.5 His explanation of events of 22 October 2020, including his reliance on call records to substantiate conversations with Ms Christine Holgate relating to her agreement to stand aside—assertions that she and others specifically deny occurred—are tenuous at best. Ms Holgate has produced evidence of emails and text messages that cast very strong doubt around the veracity of the Chair's evidence.

1.6 His failure to produce any formal agreement signed by Ms Holgate stating she would stand aside—substantiated only by the Board's own documents—casts further doubt on the veracity and reliability of his overall evidence.

1.7 His failure to act in the best interests of Australia Post, its employees and stakeholders by supporting and defending Ms Holgate–herself one of Australia's most successful and applauded Chief Executive Officers and who had recently achieved a rating from the Board of 95 per cent in her role (against a target of 70 per cent)[1]—was such a spectacular failure of leadership that the organisation will take years to recover financially and culturally. Mr Di Bartolomeo bowed to his political masters, the Prime Minister and Shareholder Ministers Fletcher and Birmingham, in the way he railroaded Ms Holgate with complete indifference for any duty of care she was owed. That Ms Holgate suffered serious health consequences because of her treatment at the hands of the Board, Ministers, and media, evidences the ineffective approach and complete failure of the duty of care she was owed by the Board and the organisation.

[1] Australia Post, *2020 Annual Report*, 2020, p. 78, auspost.com.au/content/dam/auspost_corp/media/documents/2020-australia-post-annual-report.pdf (accessed 25 May 2021).

1.8 Any one of the above, together with other points which have been noted by the Committee or raised during the public hearings—including evidence of constructive dismissal, failure to take the inquiry seriously, failure to properly prepare to give evidence and his attitude to the annual expenditure of around $360 000 for the recent Isaacawards[2]–provide irrefutable evidence that Mr Di Bartolomeo is not up to the job of chairing or being a Board member of Australia Post and should be dismissed forthwith.

Recommendation 2

1.9 That the Prime Minister and the Shareholder Ministers, Ministers Fletcher and Birmingham, should each offer an unqualified apology to Ms Christine Holgate.

1.10 The reasons for this recommendation have been self-evident since 22 October 2020. Without the Prime Minister's now memorable outburst against Ms Holgate from the floor of Parliament it is likely Ms Holgate would still be the Group Chief Executive Officer and Managing Director of Australia Post and would not have lost her job or, in her words, been subjected to portrayal in the media as a prostitute or forced to seek urgent and ongoing mental health assistance. The behaviour of Minster Fletcher ('directing without actually directing' the Chair to immediately stand her aside) and Minister Birmingham (offering assistance to a trusting Ms Holgate which never eventuated) makes them equally culpable and an apology from all three at the very least is in order.

Recommendation 3

1.11 That Mr Bruce McIver AM, currently the longest serving Board member at Australia Post, be forthwith appointed as interim Chair and that his appointment to the Board, which is currently due to expire this year, be extended accordingly.

Senator Pauline Hanson
Senator for Queensland

[2] Australia Post, Answers to questions taken on notice at the public hearing on 3 May 2021 (received 13 May 2021), Document 13, p. 2.

Appendix 1
Submissions and additional information

Submissions

1 Australian Retailers Association
2 Department of Finance
3 Australia Post
- Supplementary submission 3.1

4 Community and Public Sector Union
5 Ms Christine Holgate
6 Earth Global Consulting Pty Ltd
7 Australian Manufacturing Workers Union
8 Digital Finance Analytics
9 Assyrian Chaldean Syriac Council of Australia
10 The Red Cow (Australia) Pty Ltd
11 Tuncurry LPO
12 D & D Mining Pty Ltd
13 Mr Paul Rowland
14 LPOGroup
15 Communications Electrical Plumbing Union
- Supplementary submission 15.1

16 Department of Infrastructure, Transport, Regional Development and Communications
- Attachment 1
- Attachment 2

17 Mr Ross Roberts
18 Mr Stephen Taylor
19 Mr Greg Earl, Dr Alice Woodhead, Dr Imran Lum, Lesley Alway, Tamerlaine Beasley and Prof. Nicolas Farrelly
20 Mrs Dianne Rowland
21 Mr Ray Hylard
22 Mrs Tracy Catlin, Whitton LPO
23 Fair Go for Pensioners
24 Communication Workers Union, Postal & Telecommunication Branch Victoria
25 Mrs Janet Pukallus
26 Mrs Debbie Barnham
27 Mr Ian Mason
28 Mr Kevin Bidewell, Pinjarra LPO
29 Mrs Susan Bidewell
30 Ms Ellen Collier

31 Tasmanian Small Business Council
32 Ms Monica Mesch
33 Mr Wayne Harrison
34 Mr Simon Fenton
35 Mr Emeric Charles, Blackbutt LPO
36 Mrs Fiona Jackson, Barham LPO
37 Mrs Louise Ackland
38 Gulgong Community Post Office
39 Ms Gaye Nicholls
- Attachment 1
- Attachment 2

40 Oddette & Scott Avery, Wee Waa LPO
41 Kelly Eckel, Woodbridge LPO
42 Mr Hugh Drum
43 Ms Judith Clark
44 Stephen and Debra Coleman
45 *Name Withheld*
46 Mr Sean O'Keefe
47 Mr Stewart Harden
48 Mr Peter Coutsournas
49 Ms Patricia Warren
50 Mr Garth Gilbert
51 Mrs Gail Gransden
52 Mrs Alison Ryan
53 Mrs Rebekah Strachan
54 G.E Tibbits
55 John and Vicky Fregon, Beverley LPO
56 Mr Tim Berthet
57 Peter and Dot Newman
58 Mr Geoff Hansen
59 Mr Bruce Thompson
60 Ms Margaret Thornton
61 Mr Graeme Medhurst
62 Mr Terry Connolly
63 Mr Scott Etherington
64 *Name Withheld*
65 Mr Andrew & Ms Erica Hirst, Beresfield LPO
66 Mrs Lynaire Poless, Kalbar LPO
67 Mr Neil Collins, Agnes Water LPO
68 Mr Richard Barrett
69 Mr Scott Evans
70 *Name Withheld*
71 Mr Scott Burnham, Baldivis LPO

72 Mr Simon Brownbridge
73 Mr Mike Booth, Bundaberg West and Toowoomba South LPOs
74 Mrs Gail Doyle, Bundanoon LPO
75 Ms Noelene Isherwood
76 Mr Greg & Ms Maree Stewart, Toora LPO
77 Mrs Elisa Barwick
78 Mr Jared Lopez
79 Mr Aaron Ziebell, Oxley LPO
80 Mr Malcolm Whitle, Howlong LPO
81 *Name Withheld*
82 Mr John Dixon, Missenden Road LPO
83 Mrs Mandy Healey, Bargara LPO
84 *Name Withheld*
85 Mr Terri Polman
86 Ms Julianne d'Auvergne
87 Ms Luisa Fina, Shellharbour LPO
88 Mr Alan Cummine
89 Ms Amanda Gibson, Riverside LPO
90 Mr Barry Thomas, Narrabundah LPO
91 Ms Elizabeth Williams
- Supplementary submission 91.1
- Attachment 1

92 *Name Withheld*
93 *Name Withheld*
94 *Name Withheld*
95 Mr Roger and Mrs Judy Dixon, Bulahdelah LPO
96 Mr Francis Smyth
97 Australian National Audit Office
98 Executive Council of Australian Jewry Inc.
99 Citizens Party
- Supplementary submission 99.1

100 Mr Terry Ashcroft
101 Mr Greg Rosier, Fairy Meadow LPO
102 *Name Withheld*
103 *Name Withheld*
104 *Name Withheld*

Additional Information

1 Australia Post - Clarification of evidence given at public hearing, 13 April 2021 (received 30 April 2021)
2 Ms Christine Holgate - Clarification of evidence given at public hearing, 13 April 2021 (received 30 April 2021)

3 Ms Christine Holgate – BCG Presentation to Australia Post Board of Directors, 20 February 2020

4 BCG - Correction and clarification of evidence given at public hearing, 27 April 2021 (received 10 May 2021)

5 Australia Post - Clarification of evidence given at public hearing, 27 April 2021 (received 20 May 2021)

6 Australia Post - Clarification of evidence given at public hearings, 27 April and 3 May 2021 (received 24 May 2021)

Answer to Question on Notice

1 Australia Post - Answers to questions taken on notice, public hearing, Canberra, 13 April 2021 (received 24 April 2021)

2 Christine Holgate - Answers to questions taken on notice at public hearing, 13 April 2021 (received 30 April 2021)

3 AMWU - Answers to questions taken on notice at a public hearing, Canberra, 27 April 2021 (received 5 May 2021)

4 CWU Victoria Telecommunications - Answers to questions taken on notice at a public hearing, Canberra, 27 April 2021 (received 5 May 2021)

5 LPOGroup - Answers to questions taken on notice at public hearing, 27 April 2021 (received 3 May 2021)

6 Australia Post - Answers to questions taken on notice, public hearing, Canberra, 13 April 2021 (received 5 May 2021)

7 Department of Infrastructure, Transport, Regional Development and Communications - Answers to questions taken on notice at a public hearing, Canberra, 27 April 2021 (received 6 May 2021)

8 Department of Infrastructure, Transport, Regional Development and Communications - Second set of answers to questions taken on notice at a public hearing, Canberra, 27 April 2021 (received 6 May 2021)

9 Australia Post - Answers to questions taken on notice related to the public hearing on 27 April 2021 – perishable foods (received 7 May 2021)

10 Australia Post - Answers to questions taken on notice related to the public hearing on 3 May 2021 - Mr Tony Nutt (received 10 May 2021)

11 Australia Post - Answers to questions taken on notice related to the public hearing on 3 May 2021 (received 10 May 2021)

12 BCG- Answers to Questions on Notice taken at public hearing on 27 April 2021 (received 10 May 2021)

13 Australia Post Answers to Questions taken on Notice at the public hearing on 3 May 2021 (received 13 May 2021)

14 Supplementary to - Australia Post Answers to Questions taken on Notice at the public hearing on 3 May 2021 (received 13 May 2021)

15 BCG - Answers to written Questions on Notice from 7 May 2021 (received 13 May 2021)

16 Department of Finance, Answers to questions taken on notice at a public hearing, Canberra, 27 April 2021 (received 10 May 2021)

17 Department of Finance, Answers to written questions related to the public hearing on 27 April 2021 – BCG review and regional Australia (received 10 May 2021)

18 Australia Post, Answers to questions taken on notice at a public hearing, Canberra, 27 April 2021 – MsKinsey and polices (received 6 May 2021)

19 Department of Infrastructure, Transport, Regional Development and Communications, answers to written questions on notice asked by Senator Kitching on 5 May 2021 - NBN gifts and bonuses (received 13 May 2021)

20 Ms Christine Holgate, Answers to written questions from Senator the Hon Sarah Henderson (received 17 May 2021)

21 Australia Post, answers to written questions on notice asked by Senator Hanson-Young on 13 May 2021 - board-Government contact (received 20 May 2021)

22 Australia Post, answers to written questions on notice asked by Senator Hanson-Young - Chair's 22 October 2020 media statement (received 20 May 2021)

23 Australia Post, answers to written questions on notice asked by Senator Hanson-Young – Board qualifications and affiliations; McKinsey project details (received 20 May 2021)

24 Australia Post, answers to written questions on notice asked by Senator Hanson-Young on 7 May 2021 - KordaMentha and secondments (received 21 May 2021)

25 Department of Finance, Answers to written questions on notice asked by Senator Hanson-Young on 7 May 2021 - KordaMentha (received 25 May 2021)

26 Department of Finance, Answers to written questions on notice asked by Senator Hanson-Young on 7 May 2021 - Secondments (received 25 May 2021)

27 Department of Finance, Answers to written questions on notice asked by Senator Hanson-Young on 7 May 2021 - BCG Review (received 25 May 2021)

28 Minister for Finance, Answer to question on notice from Senator Hanson (received 18 May 2021)

29 Australia Post, Answer to follow-up written questions from Senator Kitching – policies (received 16 May 2021)

Correspondence

1 Letter from Committee to Australia Post re: treatment of potential witnesses and submitters, 6 April 2021

2 Letter from Australia Post re: treatment of potential witnesses and submitters, 26 April 2021

3 Correspondence from the Committee for the Scrutiny of Delegated Legislation, on ministerial directions, 5 May 2021

Tabled Documents

1 Chronology of events, tabled by Ms Christine Holgate, 13 April 2021

2 Response to Australia Post submission and subsequent announcements, tabled by Ms Christine Holgate, 13 April 2021

3 The Issues surrounding the secret review of Australia Post by the Boston Consulting Group, tabled by Ms Christine Holgate, 13 April 2021

4 Opening Statement, tabled by Ms Christine Holgate, 13 April 2021

5 Opening Statement, tabled by Mr Lucio Di Bartolomeo, 13 April 2021

6 Summary of telephone calls between the Australia Post Chairman and Ms Christine Holgate, tabled 13 April 2021

7 Minutes of Australia Post Board meeting 22 October 2020, tabled by Mr Lucio Di Bartolomeo, 13 April 2021

8 Australia Post WA Deliveries Tracker Daily Update, tabled by Senator Carr, 13 April 2021

9 Photograph, Tweed Heads mail facility (redacted), tabled by CEPU, 27 April 2021

10 Opening statement, Mr Shane Murphy, National Divisional President, CEPU, tabled 27 April 2021

11 Booklet, Our Ethics: How we do things at Australia Post, tabled by CWU Postal & Telecommunication Branch Victoria, 27 April 2021

12 Licenced Post Office Group Tweet, tabled by Senator Henderson, 27 April 2021

13 Emails from Christine Holgate to Australia Post executives on 23 and 25 Oct 2020 (redacted), tabled by Australia Post, 27 April 2021

14 Audit and Risk Committee Charter, tabled by Australia Post, 3 May 2021

15 Boston Consulting Group Opening Statement, tabled by BCG, 3 May 2021

16 Mr Lucio Di Bartolomeo, Chair, Opening Statement, tabled by Australia Post, 3 May 2021

17 Mr Tony Nutt Opening Statement, tabled 3 May 2021

18 Mr Lucio Di Bartolomeo, Chair's outgoing call logs, 22 October to 30 November 2020, tabled by Australia Post, 13 April 2021

19 Ms Christine Holgate's outgoing call logs, 22 October 2020, tabled by Australia Post, 13 April 2021

20 Mr Tony Nutt's outgoing call logs, 22 October 2020, tabled by Mr Nutt, 3 May 2021

Appendix 2
Public hearings and witnesses

Tuesday, 13 April 2021
Committee Room 2S1
Parliament House
Canberra

Ms Christine Holgate, Private capacity

Ms Taeressa Fawthrop, Private capacity

Mrs Angela Cramp, Private capacity

Ms Susan Davies, Private capacity

LPOGroup

- Mr Andrew Hirst, Chairman
- Mrs Angela Cramp, Executive Director
- Mrs Gail Doyle, NSW State Chair

Mr Lucio Di Bartolomeo, Private capacity

Australia Post

- Mr Lucio Di Bartolomeo, Chair
- Mr Rodney Boys, Acting Group Chief Executive Officer and Managing Director
- Ms Susan Davies, Executive General Manager, People and Culture
- Ms Nicole Sheffield, Executive General Manager, Community and Consumer
- Mr Rod Barnes, Executive General Manager, Deliveries
- Mr Nick Macdonald, General Counsel and Corporate Secretary

Department of Finance

- Mr Andrew Jaggers, Deputy Secretary, Commercial and Government Services
- Ms Stacie Hall, First Assistant Secretary, Commercial Investments Division, Commercial and Government Services
- Mr Hew Atkin, Assistant Secretary, Communications and Energy Investments, Commercial Investments Division, Commercial and Government Services

Department of Infrastructure, Transport, Regional Development and Communications

- Mr Richard Windeyer, Deputy Secretary
- Mr Lachlann Paterson, First Assistant Secretary

Tuesday, 27 April 2021
Main Committee Room
Parliament House
Canberra

Communications Electrical Plumbing Union
- Mr Shane Murphy, National Divisional President
- Mr Greg Rayner, National Secretary
- Mr Kerry Thomas, Workplace Delegate and Postal Delivery Officer
- Mr Mathew Dean, Workplace Delegate and Postal Delivery Officer

Community and Public Sector Union
- Ms Brooke Muscat, Deputy National President
- Mr Paul Girdler, Lead Organiser (via videoconference)

Australian Manufacturing Workers Union
- Ms Margaret Hogan, National Industrial Officer
- Ms Lorraine Cassin, Assistant National Secretary, AMWU Graphical Print and Packaging Membership

Print and Visual Communication Association
- Mr Walter Kuhn, President

Communication Workers Union, Postal and Telecommunication Branch Victoria
- Mr Leroy Lazaro, Branch Secretary
- Ms Elizabeth Williams, Victorian Postal Delivery Officer
- Ms Joanne Kelly, Victorian Postal Delivery Officer
- Mr Martin O'Nea, Industrial Officer

LPOGroup
- Mr Andrew Hirst, Chair
- Mrs Gail Doyle, NSW Chair
- Mrs Angela Cramp, Executive Director

The Hon. Bob Katter MP, Private capacity

Australia Post
- Mr Tony Nutt AO, Non-Executive Director

Australia Post

- Mr Lucio Di Bartolomeo, Chair (via videoconference)
- Ms Andrea Staines, Deputy Chair (via videoconference)
- Mr Mario D'Orazio, Non-Executive Director(via videoconference)
- Mr Bruce McIver, Non-Executive Director(via videoconference)
- Mr Tony Nutt AO, Non-Executive Director
- The Hon Michael Ronaldson, Non-Executive Director(via videoconference)
- Ms Jan West, Non-Executive Director(via videoconference)
- Ms Deidre Willmott, Non-Executive Director(via videoconference)
- Mr Rodney Boys, Acting Group Chief Executive Officer & Managing Director
- Mr Nick Macdonald, General Counsel & Corporate Secretary

Department of Finance

- Mr Andrew Jaggers, Deputy Secretary, Commercial and Government Services
- Ms Stacie Hall, First Assistant Secretary, Commercial Investments Division, Commercial and Government Services
- Mr Hew Atkin, Assistant Secretary, Communications and Energy Investments, Commercial Investments Division, Commercial and Government Services

Department of Infrastructure, Transport, Regional Development and Communications

- Mr Richard Windeyer, Deputy Secretary
- Mr Lachlann Paterson, First Assistant Secretary
- Mr Peter Good, Acting Assistant Secretary, Post and ACMA Branch

Monday, 3 May 2021

Committee Room 2S3
Parliament House
Canberra

Boston Consulting Group (no submission)

- Mr Miguel Carrasco, Managing Director & Senior Partner
- Ms Trish Clancy, Managing Director & Partner
- Mr Mark Watters, Managing Director & Partner

Mr Tony Nutt AO, Private capacity

Australia Post

- Mr Lucio Di Bartolomeo, Chair
- Mr Tony Nutt AO, Non-Executive Director
- Mr Bruce McIver, Non-Executive Director
- The Hon Michael Ronaldson, Non-Executive Director
- Ms Jan West, Non-Executive Director
- Ms Deidre Wilmott, Non-Executive Director
- Mr Nick Macdonald, General Counsel and Corporate Secretary

Mr John Stanhope AO, Private capacity

Appendix 3
Additional information on Australia Post

In the last decade there have been several reviews that have considered the challenges facing Australia Post and its future role, as well as Senate scrutiny of Australia Post's activities and relevant legislation.

All of these have some relevance to this inquiry, given the debate over the future of Australia Post and its service to regional and rural Australia, which is discussed in Chapters 9 and 10 of this report.

However, where some reports have been discussed in detail in the main report, contextual information on others has been provided in this appendix, which will be discussed in turn:

- Boston Consulting Group (BCG): *Australian and International Postal Services Overview Background Report*, commissioned by the Commonwealth (2014) (BCG Overview Report);
- Deloitte Access Economics (Deloitte): *Economic and Social Value of Australia Post* (2018), which was commissioned by Australia Post (Deloitte Review); and
- PricewaterhouseCoopers (PwC): *Australia Post Strategic Review* (2018), commissioned by Australia Post (PwC Strategic Review).

Further to this, Senate committees have also examined the following matters:

- Senate Environment and Communications Legislation Committee (the Legislation Committee), *Performance, importance and role of Australia Post in Australian communities and its operations in relation to licensed post offices* (LPO Report 2013); and
- consideration of the temporary regulations by the Senate Standing Committee for the Scrutiny of Delegated Legislation (the Delegated Legislation Committee) (2020).

Boston Consulting Group: Australian and International Postal Services Overview Background Report (2014)

The government engaged BCG to undertake an 'expert assessment of an internal review by Australia Post of its letters business', which was handed to government in June 2014.[1] This report did not contain recommendations but set out the type of reforms undertaken by postal corporations internationally to address global trends in mail volumes.

Among other findings, BCG suggested that the losses from declining letter volumes could be more serious than estimated in Australia Post forecasts:

[1] Boston Consulting Group (BCG), *Australian and International Postal Services Overview Background Report*, (June 2014), p. 1.

> …BCG expects that escalating letters losses will soon overwhelm parcel profits. This will result in losses at an enterprise level as early as FY14/15. Although additional efficiency savings might defer losses for 1-2 years, time is required to implement reforms. Even if reforms commenced now they will take years to yield the full financial benefit. BCG does not believe it is either feasible or desirable to rely on the profits of the growing, competitive parcels business, or the profits of other businesses (e.g. government service delivery through Australia Post's retail outlets), to fund the losses of the declining letters monopoly.[2]

The BCG report noted that these trends were global and set out the general types of reform undertaken by postal corporations internationally:

> Responses by international postal operators have drawn on a mix of three types of levers–used to differing extents and in different combinations depending on the circumstances:
>
> - Price, including the price differential between products;
> - Service, including speed, frequency and delivery location; and
> - Operating model, including processing model, acceptance model, labour model; and indirect costs.[3]

Deloitte Access Economics: Economic and Social Value of Australia Post (2018)

The Deloitte review considered the future of Australia Post, given trends in declining letter volumes, and the transformation of communities and the business sector from the growing prevalence of online communications and transactions. It noted the 'economic, business, consumer and social value' of Australia Post, to determine its significance and potential future role.[4] It concluded that:

> Despite the perception that Australia Post's relevance is declining in an increasingly digital age, this report finds that it continues to play an important economic and social role. This is not simply about letter revenue being replaced by parcel revenue, but also the role of Australia Post's retail network of post offices in local communities. For many Australians, Australia Post and its retail network are synonymous – people use the network for delivery, financial and other services, and even if they do not frequently visit the post office, its existence is valued for equity and access considerations.[5]

Moreover, the report suggested that Australia Post's 'brand and trusted role in local communities' had potential to deliver useful services and value for individuals and businesses, including in regional and remote areas:

> This report finds that only a minority of Australians believe that post offices are irrelevant in today's society despite the increasing availability of digital substitutes, and many people still use their services because of convenience

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2 BCG, *Australian and International Postal Services Overview Background Report*, pp. 15–16.

3 BCG, *Australian and International Postal Services Overview Background Report*, p. 24.

4 Deloitte, *Economic and Social Value of Australia Post* (2018), p. 2.

5 Deloitte, *Economic and Social Value of Australia Post* (2018), p. 41.

> or limited alternative options. These findings suggest that Australia Post's operations will continue to support the everyday activities of Australian individuals and businesses, even as the form of this support evolves to better complement the use of digital platforms and transactions.
>
> Furthermore, in this increasingly digital world, it is important that in-person services remain available as an option to Australians who are unable to readily access the internet. Australia Post's national network of post offices, which have a more significant presence in the regional and remote parts of Australia than many other businesses and industries, means that it can meet the needs to these cohorts who prefer to transact in person. Delivering accessibility and equity in the provision of these core services will remain an important part of Australia Post's future role.[6]

PricewaterhouseCoopers: *Australia Post Strategic Review* (2018)

Australia Post commissioned PwC to undertake a strategic review, which was provided to shareholder departments on 25 May 2018. In answers to questions on notice, the Department of Finance (Finance) stated that:

> It contains information that is commercially sensitive and its disclosure could jeopardise Australia Post's commercial operations. Requests regarding the disclosure of the contents of this report should be directed to Australia Post as owner of this information.[7]

The PwC Strategic Review has not been made public. However, in April 2020 Nine papers obtained a leaked copy and reported:

> Australia Post considered slashing letter deliveries to just once a week and replacing full-service post offices with 'automated kiosks', with the company's own financial projections showing it could lose more than $400 million next year.
>
> The forecasts, contained in a confidential strategic review dated May 2018 and obtained by *The Sydney Morning Herald* and *The Age*, note an analysis by consulting firm PwC found 'without significant transformation, Australia Post faces a transition into loss as early as [2019], escalating to a loss of $426 million by 2021'.[8]

This report also noted a number of other potential recommendations, including changes to legislated rules to:

- increase delivery times for regular letters by up to three days (marked 'not recommended at this time'), for savings of up to $184 million per annum but which would dramatically increase post delays in regional and rural areas;

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6 Deloitte, *Economic and Social Value of Australia Post* (2018), p. 41.

7 Environment and Communications Legislation Committee, Answers to questions taken on notice at public hearing in Canberra, 8 July 2020 (received 21 July 2020), p. 2.

8 Kylar Loussikian and Samantha Hutchinson, 'Australia Post considered once-a-week letter deliveries in confidential review', *Sydney Morning Herald Online*, 14 April 2020, www.smh.com.au/business/consumer-affairs/australia-post-considered-once-a-week-letterdeliveries-in-confidential-review-20200413-p54jbv.html (accessed 24 May 2021).

- allow post boxes to not be cleared on Sundays, potentially saving $7.4 million per annum; and
- reduce the number of mandated retail outlets to downsize the Australia Post network (there must be at least 4000 outlets in the current rules, with at least half in regional and rural areas), so as to allow an expansion in metro services and replacing 'full-service locations to small-footprint automated kiosks with parcel lockers'.[9]

Regarding this commentary on the unpublished PwC findings, Australia Post suggested that 'any assumptions made at that point in time would now be comprehensively outdated'.[10]

However, Australia Post confirmed that some of these proposals had been canvassed in PwC recommendations, informing the Legislation Committee that the review had 'identified a number of strategic options for consideration in the interests of preserving Australia Post's financial sustainability', including:

- seeking a temporary government subsidy for meeting the Community Service Obligations (CSOs) in rural, regional and remote areas;
- simplifying and modernising the regulatory framework, including performance standards; and
- making delivery times longer for regular letters by three days.[11]

Senate inquiry into Licensed Post Offices (2013)

In 2013, the Legislation Committee undertook an inquiry into the *Performance, importance and role of Australia Post in Australian communities and its operations in relation to licensed post offices* (LPO inquiry), which raised concerns about the then-arrangements for LPOs, particularly in regional and rural communities.[12]

Many witnesses to the LPO inquiry highlighted that post offices have a central role in the community and economic life of many of these non-metropolitan communities, particularly where banks, government services and offices had been closed or moved to cities or regional centres.[13] In conclusion, the committee noted:

> In small remote, rural and regional communities, the postal network provides essential services for communities. This is particularly the case where other facilities are no longer available with the additional services provided by post offices, such as banking and account payments, ensuring

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[9] 'Australia Post considered once-a-week letter deliveries in confidential review', *Sydney Morning Herald Online*.

[10] 'Australia Post considered once-a-week letter deliveries in confidential review', *Sydney Morning Herald Online*.

[11] Australia Post, Answers to question taken on notice at public hearing in Canberra, 8 July 2020, and additional written questions provided 10 July 2020 (received 17 July 2020), pp. 5–6.

[12] Senate Environment and Communications Legislation Committee, *Performance, importance and role of Australia Post in Australian communities and its operations in relation to licensed post offices* (2013) (LPO report 2013).

[13] See, for instance, evidence outlined in Chapter 2 of the LPO Report 2013, pp. 12–19.

> that community life can continue. This is of great importance in areas where public transport is limited, where major towns are some distance away and where internet services are unreliable. The post office also provides invaluable services for individuals who cannot afford computer access or have difficulty using electronic means of communication.[14]

Regarding LPOs, the Legislation Committee received much evidence about areas where the arrangements between Australia Post and licensees could be improved, including fees, payments, competitive practices and a range of other issues. The committee noted that Australia Post had conceded that there may be opportunities to reassess LPO agreements for 'a mutually beneficial outcome' and recommended:

> …that the Minister for Communications, as a matter of urgency, commission an independent audit of the activities undertaken by the Licensed Post Office network specifically to determine the validity of claims made by licensees that payments made under the LPO Agreement are not fair or reasonable.
>
> The committee recommends that where a payment is found to be not fair or reasonable, that a study should be conducted to determine what an appropriate payment rate should be.[15]

Consideration by the Scrutiny of Delegated Legislation Committee

The Delegated Legislation Committee considered the temporary regulations in mid-2020. This included writing to Minister Fletcher to seek more information on whether consultation had been adequate in developing the regulations, particularly if the views of stakeholders had been sought including with:

> …other persons and entities likely to be affected by the measures, including employees of Australia Post and their representatives, and persons and entities that regularly utilise postal services.[16]

Minister Fletcher responded to this query by noting that 'given the urgency and unprecedented circumstances [of COVID-19], broader public consultation was not possible'. He noted that the regulatory changes were temporary and would be assessed by the end of 2020, and that any extension would only be implemented following extensive consultation:

> Reflecting the unprecedented circumstances, the Government made the changes time limited, they are in effect until 30 June 2021. The effect of these temporary arrangements will be assessed before the end of the year to determine if it is necessary for them to stay in place for the full period. Any

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[14] LPO Report 2013, p. 19.

[15] Recommendation 17, LPO Report 2013, p. 147.

[16] Letter from Senator the Hon Concetta Fierravantti-Wells, Chair of the Standing Committee for the Scrutiny of Delegated Legislation (Delegated Legislation Committee), to the Minister for Communications, Cyber Safety and the Arts, the Hon Paul Fletcher MP (Minister Fletcher), 11 June 2020, [p. 2]. Note: correspondence between the Delegated Legislation Committee and Minister Fletcher has been consolidated in one document available here: www.aph.gov.au/Parliamentary_Business/Committees/Senate/Scrutiny_of_Delegated_Legislation/Index/Index_2020 (accessed 10 May 2021).

> extension of the temporary relief measures would only be implemented after consultations with all relevant parties have been undertaken, and it would also be subject to a new disallowance period enabling Parliamentary oversight, as is appropriate.[17]

The Delegated Legislation Committee sought further detail from the minister on this consultation, including seeking more information on:

> - …the type, scope and nature of consultation undertaken in the drafting of the instrument with the following persons likely to be affected by the instrument:
> - members of the public;
> - customers of Australia Post, including small and large business customers;
> - Australia Post licensees;
> - employees of Australia Post and their representatives; and
> - other Australia Post stakeholders (e.g. through the Australia Post Stakeholder Council);
> - whether any further consultation will be conducted in relation to this instrument, noting that it is intended that the measures will continue to be in force until at least 30 June 2021;
> - the nature of consultation that will be undertaken in relation to plans to extend the duration of the instrument or the measures it contains; and
> - whether the exemption granted by the Prime Minister from the need to complete a regulatory impact analysis for measures made in response to COVID-19 influenced the type, nature and scope of consultation undertaken in relation to the instrument.[18]

The minister provided more information about the government's commitment to review the temporary regulation by the end of 2020:

> The Amending Regulations end on 30 June 2021 and will be reviewed later this year [2020] to determine if they remain in place for the full period. The Government review will examine:
>
> - letter and parcel volumes and delivery speeds, including whether Australia Post has met its prescribed performance standards under the relief;
> - community and business feedback to determine whether Australia Post is meeting the needs of the community and businesses during the COVID-19 pandemic;
> - the impact on the Australia Post workforce; and
> - other dependencies, such as developments in the aviation sector.
>
> The Government will consider the views of stakeholders as part of the review, including the Australia Post workforce, Licenced Post Office

[17] Letter from Minister Fletcher to the Delegated Legislation Committee, 27 June 2020, [p. 2].

[18] Letter from the Delegated Legislation Committee to Minister Fletcher, 22 July 2020, [p. 2].

> franchisees, large and small businesses, and the print industry. I will write directly to representatives of these sectors seeking their views.
>
> Australia Post will continue to consult over the coming months with both the community and businesses on the temporary changes and report to the Government on the responses received.[19]

Minister Fletcher also commented that the government had 'no plan to extend the temporary relief', and would only do so following 'consultations with all relevant parties' and a 'new disallowance period enabling parliamentary oversight'.[20]
In later correspondence to the Delegated Legislation Committee, Minister Fletcher outlined the consultation he had undertaken: writing to 33 stakeholders, including unions, LPO franchisees, large and small businesses, and the print industry. He also committed to providing updates on the progress of consultation, including any concerns raised or actions taken as a result.[21]

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[19] Letter from Minister Fletcher to the Delegated Legislation Committee, 30 July 2020, [p. 2].

[20] Letter from Minister Fletcher to the Delegated Legislation Committee, 30 July 2020, [p. 2].

[21] Letter from Minister Fletcher to the Delegated Legislation Committee, 30 July 2020, [p. 2].