



2022/23 – 2025/26

Statement of Corporate Intent

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1. Introduction

This statement is prepared for paragraph 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013*, for the reporting period 1 July 2022 to 30 June 2023. It reflects our planning commitments over the four year period 2022/23–2025/26, as agreed by the Board of Australia Post in consultation with its Shareholder Ministers.

We are now much more than a postal service. We are aspiring to be a 21st century e-commerce, digital, retail services and mail provider. Serving all Australians in every community with a financially sustainable future.

The two-year growth we have experienced in parcels is now at an end. The financial tailwinds from the pandemic are now dissipating

This Plan follows two years of benefit from extraordinary growth in parcels, a growth that will plateau in FY23.

COVID has accelerated our transition from a postal to a parcels business. In the past three years Domestic Parcels revenue has grown significantly, while Domestic Letters revenue has continued to fall and letters sent by consumers now represent less than 3% of total letters revenue.

Parcel volume growth will be much less than the levels realised during the extended lockdown periods of the past two years. While year-on-year growth will fall back in FY23, the overall trajectory for later years will continue to trend upwards. There will also be pressure from major customers on price as they look to reduce their costs and find alternative solutions to benefit from eCommerce without the additional costs, including through click and collect, streaming to multi-carriers, and insourcing delivery. To stay efficient and highly competitive, we must continue to invest in parcel facilities, delivery fleet and new technology.

The structural challenges that already existed in letters have deepened

The structural declines that were evident in our letters business prior to the pandemic have only increased and are not sustainable.

With the increasing focus by financial institutions, government (both Federal and State), and other business operators to go ‘digital’, we will see an even greater acceleration of letter declines in the next 3-5 years. In FY23, the rate of letter decline will increase following a reduced rate of decline in FY22, when Census and federal election mailings mitigated the rate of decline.

We are proud to deliver a letters service to all Australians but require change to mitigate the losses associated with it.

There is also reducing demand for over-the-counter and in person services including banking, bill payment and other services. This reduces the revenue through the Post Office network, yet the required number of post offices and the specific geographic distance of post offices remains unchanged from a time when accessibility requirements were much greater and more frequent.

Our cost base will grow in FY23 ...

In FY23 expenditure will see a full year impact of growth in labour costs from our Australia Post and StarTrack EBAs, a full year of five day a week letter delivery in metro areas, and growth in LPO costs from Phase 2 reforms.

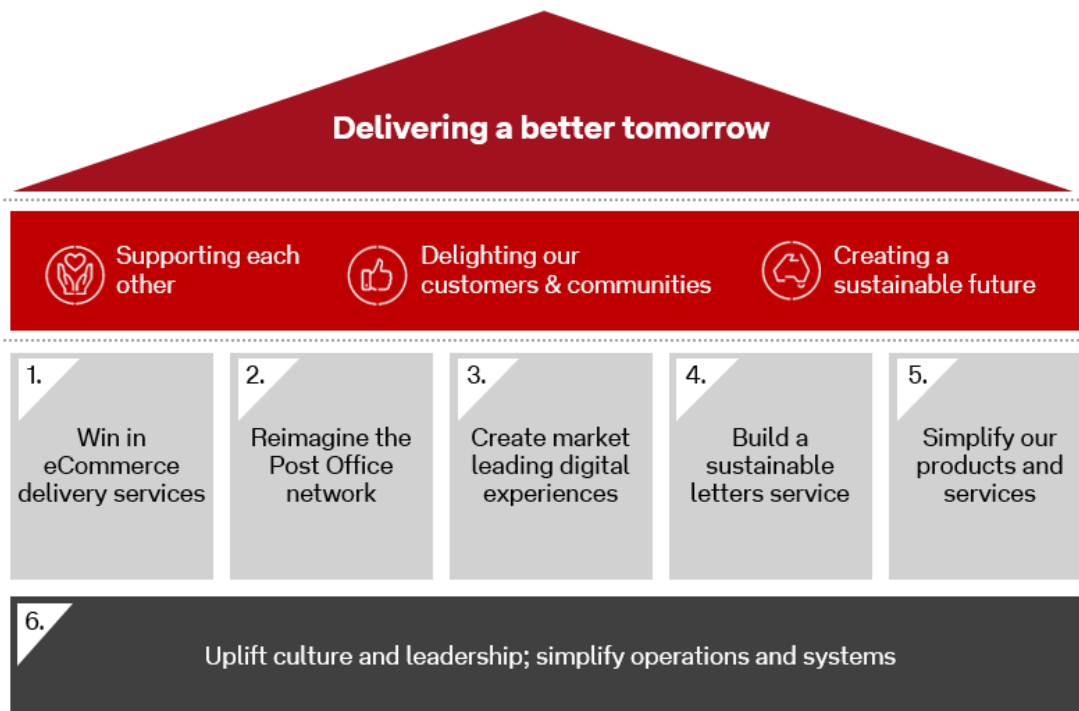
...And much of the cost growth incurred through COVID is likely to continue.

Alongside the transition from letters to parcels, COVID has resulted in increases to our cost base, most notably from investments in our delivery fleet and processing centres to accommodate a new sized business.

While we expect to move away from the lockdown environments of the past two years, many costs will remain, such as

- International air freight rates, now more than double the rates that existed pre COVID;
- Domestic freight costs, as we continue to rely on our dedicated air freighter network until passenger flight capacity returns to pre COVID availability; and
- Additional team costs, from ongoing isolation requirements, and to meet the number of drivers that we need for increased delivery points.

We have an enterprise strategy to deliver a sustainable profit in the later years of the plan but must work quickly to realise future opportunities...



In FY23, our purpose is Delivering a better tomorrow for our customers and community. Our strategy is designed to deliver three strategic imperatives:

1. Supporting each other;
2. Delighting our customers and communities; and
3. Creating a sustainable future.

and we will progress six strategic priorities to realise these imperatives:

1. Winning in eCommerce delivery services;
2. Reimagining the Post Office network;
3. Creating market leading digital experiences
4. Building a sustainable letters business
5. Simplifying our products and services; and
6. Uplift culture and leadership; simplify operations and systems

We continue to engage all our valued stakeholders – our people, customers, partners, community and shareholder.

We will continue our strong support for small businesses, particularly our licensee partners, helping them to grow their business and employ more Australians.

2. Purpose

The Australian Postal Corporation, trading as Australia Post, is a government business enterprise incorporated under the *Australian Postal Corporation Act 1989* (APC Act).

Our purpose is expressed through the APC Act, which set both community service and commercial obligations.

The principal function of Australia Post as per the APC Act is to supply postal services within Australia and between Australia and places outside Australia. While doing this, we will provide high-quality, efficient services to the community, and operate commercially and achieve a reasonable return on assets.

More specifically, we are required to meet our community service obligation by ensuring that the regulated letters service:

- is reasonably accessible to all Australians on an equitable basis;
- operates to performance standards that meet the needs of the community; and
- is provided at a uniform price for standard letters carried by ordinary post within Australia.

In an environment where non-letter products are an ever-increasing part of our network, Australia Post operates to a more expansive purpose of Delivering a Better Tomorrow.

We deliver letters and parcels to all Australians. We deliver incoming international letters and parcels and offer outbound international services. We offer an extensive range of letter and parcel services, to a range of delivery times.

We provide 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 disruption and substitution, in-person services remain highly valued by the Australian community.

We manage an extensive operational asset base (Figure 1), and unrivalled community presence through the post office network (Figure 2).

Our people live our values of trust, inclusivity, empowerment, and safety.

Our values underpin everything we do and are the ties that bind us. We can be trusted to do the right thing; we are inclusive, respecting everyone; and our people are empowered to find a way to help customers. The safety and wellbeing of our people is our highest priority and we have transitioned from an organisation where safety is a necessity, to one where safety is a value – it is who we are.

Figure 1. Operational asset base¹

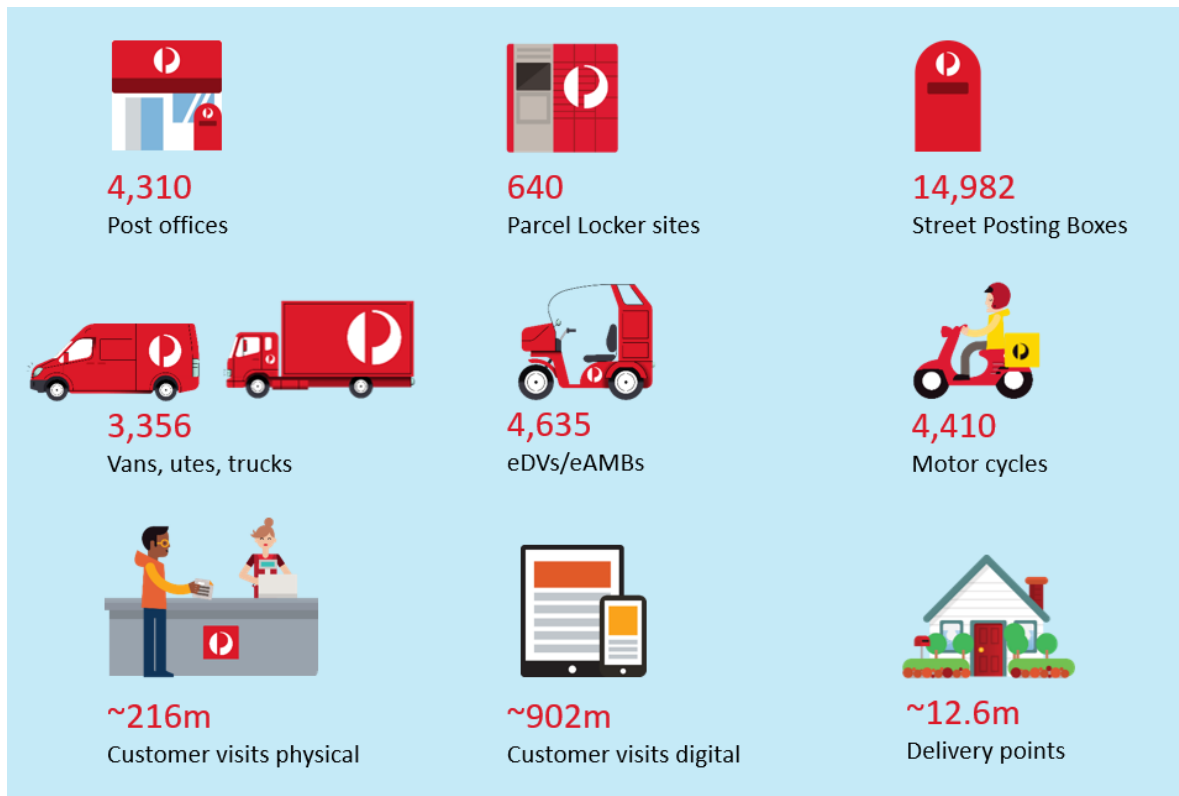
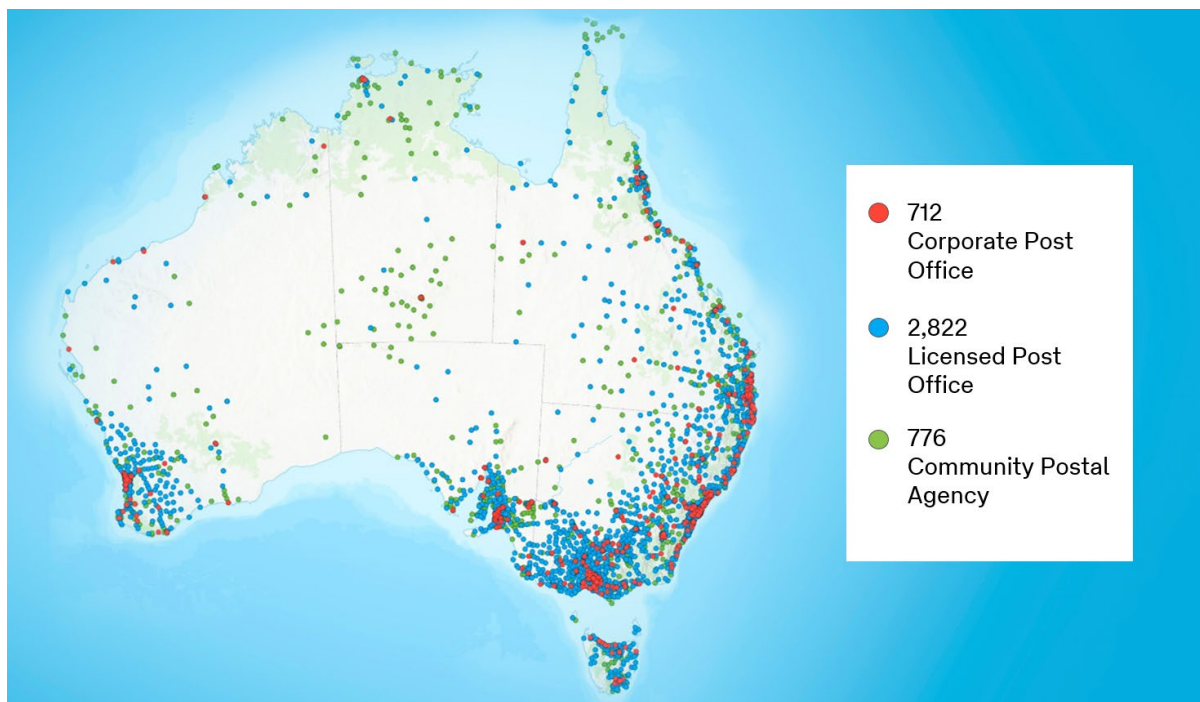


Figure 2. Post office network throughout Australia²



¹ Australia Post network and transport fleet figures are as at 30 June 2022. Parcel lockers include those located at third party (eg Woolworths) sites, eDVs/eAMBs figure also includes 3 electric trucks.

² ArcGIS mapping as at 30 June 2022

3. Environment

The environment in which we operate has been rapidly changing, with five macro forces expected to have a significant impact on Australia Post.

1. Technology advancement and adoption, resulting in:
 - continued high levels of online shopping through 2022 and 2023, but with lower rates of growth; and
 - senders who have become more familiar in communicating digitally with their customers impacting future letter volume and in-person service demand.
2. Ongoing pandemic impacts, including:
 - global supply chain disruptions and shortages of consumer goods;
 - limited freight capacity impacting delivery operations and costs; and
 - border and international restrictions impacting recovery trajectories;
3. Uncertain economic recovery, including:
 - increased inflation rates and fuel costs, impacting business costs and levels of discretionary spend by consumers;
 - falling consumer confidence levels following increases in interest rates; and
 - recovering labour participation rates and falling unemployment.
4. Changing Geopolitical and Trade Dynamics, including international trade impacts affecting imports and exports; and
5. Environment and Sustainability, including increased community expectations and ongoing adoption of renewable energy.

Market context in which we operate

The competitive landscape in the parcels market continues to intensify with several emerging themes:

- Competitors are investing in technology to enhance the customer experience;
- Shipping platforms are enabling heightened pricing transparency and easier use of multi-carrier alternatives;
- Click & Collect has accelerated as a low cost channel to meet customer need for immediacy; and
- Amazon as well as other scale players have increasingly insourced parts of their deliveries.

Our retail network faces competition not only from digital substitution of mail, but a myriad of alternative channels for services that we provide including banking, financial services, passports, and bill payments.

4. Performance

Key planning assumptions underpinning our 2022/23 budget include letter volume declines and price movements, and parcel volume growth rates and price movements.

Key expenditure assumptions include volume related costs, internal wages movements, forecast expenditure to the licensed post office network, and forecast superannuation expenditure. Key capital costs include investments in the delivery network.

Our strategic imperatives of supporting each other, delighting our customers, and building a commercially and environmentally sustainable business, will be delivered by six priorities:

- Winning in eCommerce delivery services;
- Reimagining the Post Office network;
- Creating market leading digital experiences;
- Building a sustainable letter business;
- Simplifying our products and services; and
- Uplift culture and leadership; simplify operations and systems.

Australia Post has joint ventures and subsidiaries, which contribute to our purpose by providing services that serve our community and build a sustainable future.

Key subsidiaries include

- Australia Post Global, which provides cross-border logistic services to the global eCommerce marketplaces;
- Decipha Pty Ltd, offering document management services including solutions for the management of inbound information; and
- SecurePay Pty Ltd, a payment gateway company that specialises in payment-based technologies and other complementary applications including bill payment, eCommerce payment systems and customised payment systems.

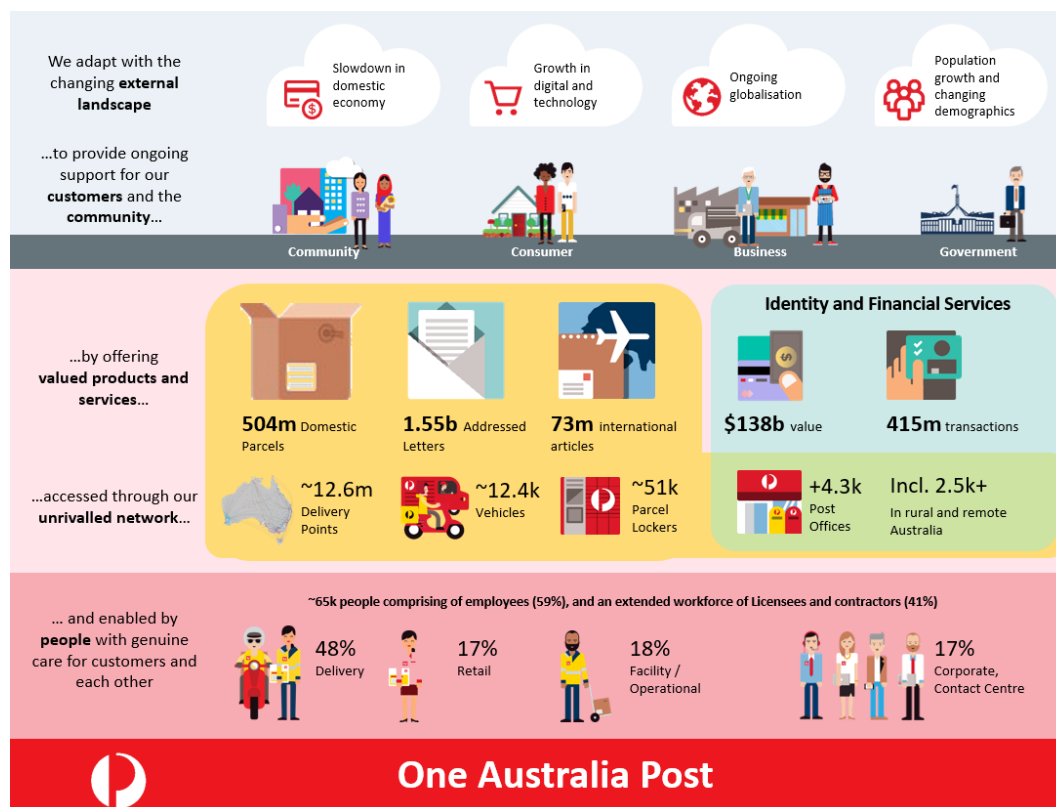
We maintain a joint venture company with China Post, Sai Cheng Logistics International Company Ltd (Sai Cheng). Sai Cheng provides an integrated supply chain solution and cross-border eCommerce logistics capabilities.

5. Operating Context

Australia Post operates in an Australia wide and global environment. We offer an extensive range of products and services to all Australians, accessed through both physical and digital channels, as depicted in Figure 3.

We realise our purpose of delivering a better tomorrow for our customers and communities by providing products and services that are aligned to our customers' needs through an unrivalled network of physical and digital channels.

Figure 3. Our operating context³



Capability

We continuously deliver capability upgrades throughout our business to meet our customers' changing expectations. These include:

- adding critical network capacity and capabilities to meet evolving customer expectations;
- post office and customer: creating a leading-edge marketplace that connects Australians with the world;
- Providing seamless digital experiences;

³ As at 31 July 2022

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- simplifying and enhancing our product portfolio to grow revenue;
 - strengthening our sales capability to provide customers improved experiences; and
 - investing in our people and safety.

Risk oversight and management

Our Group Risk Management Framework describes the core strategies and processes that support the business in effectively managing risks, and also provides clarity to the roles and responsibilities for those managing risks.

We support a culture of risk management by ensuring that all business areas are accountable for identifying, managing and mitigating the risks associated with their activities and strategic objectives. All employees are also responsible for identifying risks and complying with the regulatory obligations, policies and procedures associated with their roles.

Our Group Risk Appetite Statement describes the levels of risk that we are willing to take for different risk categories.

Our predominant risks remain the safety and wellbeing of our people and meeting the challenges of parcels growth as we transition our operations to align with these changes.

Additional key risks include cyber security, including unauthorised access, manipulation or disclose of business critical or sensitive information by internal or external parties, and the risk of technology interruptions impacting critical business services and operations.

Mitigation strategies and actions are in place to limit these risks.

Our Group Risk Management Framework describes the core strategies, processes and internal controls that support the business in effectively managing risks, and also provides clarity to the roles and responsibilities for those managing risks.

Who we co-operate with

We engage with a broad range of stakeholders including:

- Community: particularly groups with special needs, and socially disadvantaged and isolated;
- Customers: enabling online shopping and services for consumers, supporting businesses to grow in eCommerce (in Australia and internationally), providing access to government and corporate services (both online and through the post office), and connecting international customers with Australia and the world;

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- Team members: comprises directly employed team members, and partnerships with licensees and contractors, who manage a large component of our delivery and post office networks;
 - Partners: network of suppliers, Joint Ventures, industry and strategic partnerships;
 - Shareholder: The Minister for Communications and the Minister for Finance, and their respective departments; and
 - Government: which is both a customer and regulator.

We play an integral role bringing both economic and social value to Australian communities. A review of the value that Australia Post provides has found:

- almost three-quarters of Australians think that Australia Post is a core part of Australia's national identity and has significant heritage value, and that post offices are a trusted part of their community;
- each job in Australia Post supports another job elsewhere in the Australian economy, and each job in a post office supports another two jobs in the economy;
- almost 60% of Australia Post's retail presence is in regional and remote Australia, which is triple that of other Australian industries, like transport, finance and health; and
- access to postal services is a key driver of vitality and viability in rural, regional and remote communities⁴.

Australia Post's external Stakeholder Council reviews and gives feedback on issues including corporate responsibility, stakeholder relations and social and environmental sustainability. The purpose of the Council is to:

- improve communication with Australia Post's external stakeholders;
- improve external stakeholder understanding of Australia Post's business and its portfolio of products and services;
- improve Australia Post's understanding of stakeholder needs and expectations;
- enhance Australia Post service and product initiatives through review and feedback; and
- contribute, review and provide feedback on major Australia Post corporate responsibility initiatives.

⁴Economic and social value of Australia Post in regional, rural and remote communities, Deloitte Access Economics, 2020

6. Performance Standards

We are required to meet prescribed performance standards that align to our community service obligation. These relate to frequency, speed and accuracy of letter delivery, and the availability or accessibility of retail outlets or mail lodgement points.

Lodgement points

At least 4,000 retail outlets and 10,000 street posting boxes will be maintained.

At least 2,500 retail outlets in operation will be located in rural or remote areas.

Retail outlets will be located so that:

- in metropolitan areas, at least 90 per cent of residences are within 2.5km of an outlet; and
- in non-metropolitan areas, at least 85 per cent of residences are within 7.5km of an outlet.

Delivery timetable

For letters posted by the latest advertised posting times:

Address of Letter	Priority	Regular
Delivery within a State		
Metro to metro	One business day	Three business days
Same/adjacent country to country	One business day	Three business days
All else	Two business days	Four business days
Delivery between States		
Metro to metro	Two business days	Five business days
Country to metro	Three business days	Six business days
Metro to country	Three business days	Six business days
Between country areas	Four business days	Seven business days

Delivery frequency

At least 98 per cent of all delivery points to receive deliveries five days a week, Monday to Friday (excluding public holidays).

At least 99.7 per cent of all delivery points to receive deliveries no less than twice a week.

Accuracy and speed of delivery

At least 94 per cent of reserved services letters carried by Australia Post will be delivered by the advertised delivery times.