



THE MARKET

Australia's messaging and delivery marketplace has changed dramatically over the last decade, creating a range of competitive pressures and new business challenges for Australia Post in its core markets.

In essence, Australia Post is focused on three main markets:

- delivering letters
- handling parcels
- retailing (including financial services).

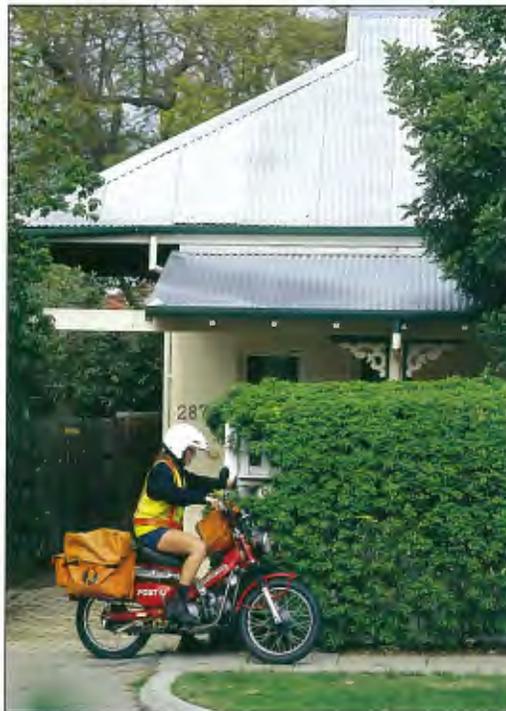
The corporation's business strategy remains relatively straightforward – it is to defend its position in these core markets and extend into complementary or substitute business areas where there is the potential for growth and profits.

Australia Post's main challenge has come from new electronic messaging and distribution technologies, such as email and the Internet. The corporation is responding to this challenge by establishing a leadership position in substitute markets (such as electronic bill presentment and payment, through Postbillpay) and by leveraging its core competencies in new business areas (such as the establishment of an integrated logistics service, called Post Logistics).

ACHIEVEMENTS

Over the last 15 years, Australia Post has transformed its image, corporate culture and operations to emerge as one of Australia's most successful and reputable businesses. The modern transformation of Australia Post effectively began in 1989 when Australia Post became a Government Business Enterprise (GBE).

As a GBE, the newly formed corporation began to implement an intensive program to streamline



and upgrade all aspects of operations and to strengthen the Australia Post brand. As a result, profitability has increased more than seven times since 1989 and the corporation's productivity improvements have been double the national average over the same period.

Australia Post's improved commercial and customer focus is most clearly evident in its nationwide network of post offices. The corporation's post offices have been transformed over the last decade into modern, profitable, sales-oriented retail outlets.

Significantly, the commercial transformation of Australia Post has been achieved without

sacrificing the corporation's reputation as a trusted and reliable provider of community services. Today, the corporation is regularly rated among the most reputable organisations in the country. In the Good Reputation Index, published in Fairfax newspapers, Australia Post has been rated first (in 2001) and second (in 2002) out of Australia's top 100 corporations.

Internationally, Australia Post is among the western world's best performing postal enterprises, providing the highest level of service while maintaining one of the lowest basic letter rates in the world.

HISTORY

The Post Office is the oldest surviving commercial organisation in Australia. Its origins can be traced back to 1809 when former convict Isaac Nichols was appointed as the first Postmaster and opened a post office in his home in George Street, Sydney.

Australia Post's formal commercial origins lie in the first postal act of 1825, which enabled the New South Wales governor to fix postage rates and appoint postmasters outside of Sydney.

With the Federation of Australian colonies in 1901, a nationally integrated Postmaster General's Department (the PMG) was established, with responsibility for the nation's mail and telephone services. Australia Post itself was established in 1975 out of the PMG to provide the nation's postal service.

It was the Australian Postal Corporation Act of 1989 that made Post a GBE, with a board of directors and a charter to operate commercially while meeting a range of Community Service Obligations (CSOs). Under the CSOs, Australia Post is committed to providing a standard letter service to all Australians at a uniform price. To ensure that these obligations are met, the corporation is required to achieve a number of performance standards relating to public access to the postal service and the frequency and reliability of delivery. In 2002-03, the costs associated with meeting the CSOs are estimated to have been \$90.5 million.

THE PRODUCT

Australia Post provides a full range of letter and parcel services to all parts of the nation, including rural and remote areas. It also provides a range of related services, including electronic bulk mail handling, bill payment, financial services, office products, Internet fulfilment services, express delivery services, and philatelic products and services.





Australia Post handles an average of 19 million mail articles every working day and sets the international benchmark for reliable letter delivery performance. In 2002–03, Post delivered 96.5 per cent of letters early or on time.

Post also runs the nation's most extensive retail network, serving an average 1.09 million customers every business day. Through this retail network, the corporation handles more than 170 million bill-payment transactions and 33 million banking transactions each year.

RECENT DEVELOPMENTS

The face of Australia Post has changed significantly over recent years with many of its nearly 4,500 postal outlets relocated, reconfigured and re-equipped with purpose-built electronic counter technology. The introduction of Post's new counter technology, netPOS, is increasing real-time, on-line transaction processing capability and opening up new business opportunities.

The corporation has adapted its bill-payment service, Postbillpay, by adopting new payment methods, such as telephone and Internet-based payment. Thirty-five new billpay principals joined the Postbillpay system in 2002–03, taking the total number of principals to 511. During the year, the corporation processed over 170 million bills worth a staggering \$73 billion.

Banking is another important aspect of Australia Post's complementary services business. Post is not a bank, but through its giroPost banking service Post handles deposits, withdrawals, credit card payments, account balance inquiries and new account applications for 76 participating financial



institutions. In 2002–03 alone, more than 33 million giroPost transactions were handled nationwide.

With mail volumes plateauing over recent years, Australia Post has invested heavily in overhauling its mail processing equipment to reduce costs, improve productivity and ensure that physical mail remains a price-competitive option in the messaging market.

In the mid-1990s, the corporation embarked on its FuturePost program to equip its mail centres with machinery that automated the address reading, sorting and handling of small letters. In 2003, Post completed the installation of world-leading machinery that automates the processing of large letters. The program to completely overhaul Post's mail-processing equipment will be completed in 2004, with the installation of three new parcel-handling machines in Melbourne, Sydney and Brisbane.

PROMOTION

Over the last two years, Post has focused on segment and market-specific promotion, particularly in relation to key products and sub-brands, such as Express Post, Postpak and Postbillpay.

A high level of awareness of Australia Post's offering continues to be reinforced through corporate and product-specific television campaigns, as well as

customer-focused campaigns using all forms of media.

In conjunction with its brand image campaign, Post also runs specific campaigns, usually in the press, to provide the community with information on its delivery record, financial performance and compliance with the Customer Service Charter.

BRAND VALUES

The Australia Post logo remains one of the nation's most pervasive and widely recognised corporate brands. It was designed in 1975 when the Postmaster General's Department was split to create Telecom and Australia Post. The logo shows a postal horn, once used by European 'posties' to announce mail delivery, and a circle illustrating the global reach of the postal service. The colour red has long been associated with postal services in Commonwealth countries.

It is a brand that represents trust, convenience, integrity, responsibility and value. It is also seen as a quintessentially Australian brand. It is perceived as quiet, reliable, honest and community-minded.

Leveraging these very positive brand characteristics and building on its core competencies, Australia Post aims to continue to create new products and services that meet the needs of all Australian consumers, communities and business customers.

THINGS YOU DIDN'T KNOW ABOUT AUSTRALIA POST

- Post's annual turnover in 2002–03 of \$3.97 billion generated an operating profit before tax of \$462 million.
- Post delivered 5.26 billion mail articles in 2002–03 to 9.4 million Australian addresses.
- Post delivered 96.5% of letters on time or early.
- Post's cumulative labour productivity improvement over the last five years has been 23.3 per cent, which is double the national average.
- Over two-thirds of Post's profit comes from its non-reserved services (products and services outside of the monopoly on letters).
- Post employs 35,427 full-time and part-time staff.

