

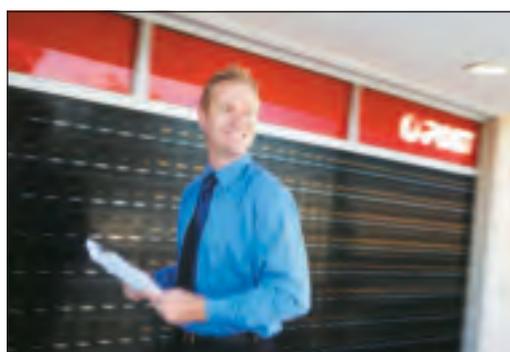


THE MARKET

Against a global trend of flattening letter volumes, Australia Post continues to achieve small but steady volume increases by adding value to its letter service. In 2005/06 Australia Post achieved volume growth of 28 million letters (an increase of 0.5 per cent), marking its third successive year of growth.

The corporation's business strategy is to defend and extend its position in its three core business areas – letters, retail and agency services, and parcels and logistics. This strategy involves capitalising on existing strengths, while extending into complementary or substitute business areas where there is potential for growth and profit.

Australia Post's main challenge has come from 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



identity and verification services on behalf of other organisations) and by leveraging its core competencies in new business areas (such as the establishment of an integrated logistics service, called Post Logistics).

ACHIEVEMENTS

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

As a GBE, the newly formed corporation implemented an intensive program to streamline and upgrade all aspects of operations and to strengthen the Australia Post brand. As a result of this continuing program, revenue has increased by 19 per cent over the past five years and the corporation's productivity improvements have been triple the national average over the same period.

Significantly, Australia Post's commercial transformation has been achieved without sacrificing the corporation's reputation as a trusted and reliable provider of community services. Today, it is regularly rated among the most reputable organisations in the country: in the 2006 Grey Eye on Australia study, published in BRW Magazine,

Australia Post was rated the fourth most trusted organisation in Australia.

Internationally, Australia Post is one of the 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 Australia's oldest surviving commercial organisation. Its origins can be traced back to 1809 when former convict Isaac Nichols was appointed 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 (PMG) was established, with responsibility for the nation's mail and telephone services. In 1975, the PMG was split into two entities: the Australian Telecommunications Commission (now Telstra) and Australian Postal Commission (trading as Australia Post).

It was the Australian Postal Corporation Act 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 must provide a standard letter service to all Australians at a uniform price. Australia Post is also required to achieve a number of performance standards relating to public access to the postal service and the frequency and reliability of delivery. In 2005/06, the cost associated with meeting the CSOs was approximately \$87.9 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 complementary products and services, including financial services, bill payment, office products, travel services, express delivery services and philatelic products.

Australia Post handles an average of 5.42 billion mail articles every year and sets the international benchmark for reliable letter delivery performance. In 2005/06, an independent audit showed that Australia Post delivered 95.6 per cent of letters early or on time.

Australia Post also runs the nation's most extensive retail network, serving an average of around a million customers every business day. Its retail outlets carry out a broad range of agency services on behalf of Australian businesses and government bodies – including identity verification, money transfers, agency banking and passport services. More than 3,000 outlets are equipped with technology to conduct agency services.



around the country are equipped with world-leading machinery, which automates the processing, address reading and sorting of letters and parcels.

A strong emphasis on innovation in the letters area has seen Australia Post develop and promote a number of successful services for its business customers. These include Impact Mail (direct mail items that can be produced in virtually any shape and posted without envelopes), and eLetter Desktop and TELeGRAM, which combine the ease of electronic technology with the effectiveness of paper-based communication.

In recent years, Australia Post has also established itself as the most comprehensive provider of parcels and logistics services within the Asia-Pacific region. With its international freight and parcel services, overnight express, across-town couriers and domestic delivery of large and small parcels, it is uniquely positioned to reach around 10 million households and businesses every day.

PROMOTION

In early 2007, Australia Post launched a new corporate advertising campaign – “Part of every day”.

While Australia Post undertakes product and market-specific promotion on an ongoing basis, particularly in relation to key products such as Express Post, Postpak and Postbillpay, “Part of every day” was the first major campaign promoting the Australia Post brand as a whole for more than eight years.

The “Part of every day” campaign featured on all national television networks, as well as in selected newspapers and magazines.

The television campaign comprised seven different advertisements – one for each day of the week – initially screened on the relevant day of the week to launch the campaign. Each advertisement begins with observations and everyday scenes depicting what that particular day means for Australians. The second part of the commercial demonstrates how Australia Post supports Australian people and businesses.

In conjunction with the “Part of every day” corporate advertising campaign, Australia Post also runs community information campaigns about 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 ubiquitous 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 incorporates a postal horn (once used by European ‘posties’ to announce mail delivery) and a circle, which represents the global reach of the postal service. The colour red has long been associated with postal services in Commonwealth countries.

Australia Post is an iconic brand that represents trust, strength, expertise, customer focus, reliability, efficiency and value. It is also seen as a quintessentially Australian brand. The brand's personality reflects its Australian origins: hard working, down to earth, friendly, open, 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

- Australia Post's annual revenue in 2005/06 of \$4.53 billion generated an operating profit before tax of \$515.6 million.
- More than two-thirds of Australia Post's profit comes from its non-reserved services (products and services outside of the monopoly on letters).
- Australia Post delivered 5.42 billion mail articles in 2005/06 to 10.05 million Australian addresses.
- Australia Post delivered 95.6% of letters on time or early in 2005/06.
- Australia Post's cumulative labour productivity improvement over the last five years has been 16.7 per cent, which is triple the national average.
- Australia Post employs 34,842 full-time and part-time staff.

RECENT DEVELOPMENTS

The face of Australia Post has changed significantly over recent years, with many of its nearly 4,500 postal outlets reconfigured and re-equipped with purpose-built electronic counter technology.

Australia Post's reputation as a trusted third party has been vital in positioning its business to handle 100-point identification checks and a wide range of personal identity and verification services on behalf of organisations around the country.

Banking is another important aspect of Australia Post's retail business. Australia Post is not a bank but – through its Bank@Post service – more than 1,100 Australia Post outlets offer banking services including deposits, withdrawals, credit card payments, account balances inquiries and new account applications.

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. Its mail and parcel centres