

# Australia Post reports loss as Post26 strategy and modernisation delivers green shoots

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Today, Australia Post announced its 2024 financial year results, reporting a pre-tax loss of \$88.5 million, compared to last year's \$200.3 million deficit.

This improved performance is due to the implementation of its Post26 strategy and first phase reforms, which are focused on delivering a simplified and sustainable business while reducing costs and improving services.

The Letters business faces ongoing challenges as fewer customers send letters, and foot traffic to Post Offices has continued to decline. The two-speed nature of the business is becoming even more pronounced with revenue from Parcels continuing to grow, increasing by 3.3% in FY24.

Australia Post is delivering on its Post26 strategy, with disciplined cost management and ongoing simplification of the business. Productivity improvements under Post26 drove business efficiencies of \$268.9 million in FY24, up from \$236.7 million in the previous year. Despite significant inflationary and other economic pressures, this cost reduction was achieved while still investing \$306.1 million in new facilities, technology and fleet.

The first phase of modernisation reforms took effect in April 2024 and Australia Post expects to see improved financial sustainability across the medium term. This year, the estimated cost to deliver Australia Post's regulated Community Service Obligations increased to \$447.0 million, up from \$442.2 million in FY23 and is entirely self-funded.

## Parcels

Domestic parcel volumes increased by 1.8% in FY24, contributing to Parcels revenue of \$6.46 billion, an increase of 3.3% on the year prior. This is a solid result in a highly competitive environment that sees Australia Post competing against large, well-funded foreign multi-nationals and private equity operators.

Australia Post has responded to customer demand for more reliability and convenience, launching Australia Post Metro, a new next-day delivery service available to contracted customers in Sydney, Melbourne, Brisbane, Adelaide and Perth. New services

are planned in the coming 12 months.

### Letters

The Letters business remains in decline, with volumes dropping a further 12.9% to 1.76 billion. Letters losses were \$361.8 million, a slight improvement on the year prior. This improvement was largely due to the \$0.30 increase in the Basic Postage Rate on 3 April 2024 from \$1.20 to \$1.50. This was done to help address the rising cost of delivering letters and the declining volume of letters.

Australia Post's Unaddressed Mail Service operates within a highly competitive market and continues to weigh heavily on the performance of the Letters business, losing \$110.8 million dollars in FY24.

The average household now receives fewer than two addressed letters a week, which is expected to halve in the next five years. The New Delivery Model (NDM), introduced as part of the modernisation reforms and developed in consultation with our union partners, is being progressively rolled out across the country. NDM sees Posties deliver priority mail, express letters and parcels to addresses every business day, and standard letters and unaddressed mail every second business day. This maintains high customer service and enables Posties to deliver more parcels during their rounds.

### Retail and Post Office Network

Australia Post has the country's largest retail

network, operating more locations nationally than the major supermarket brands combined. Over-the-counter transactions have fallen by 4.9% across the Corporate Post Office network in FY24 and by 28.7% since 2019 as more customers transact online.

There is a clear oversupply of Post Offices in metropolitan areas; in some cases there are more than 70 Post Offices within a 7.5-kilometre radius. This oversupply impacts the profitability of the surrounding Post Offices, which in many cases are run by small business operators. In FY24, Australia Post paid Licensees \$581.8 million compared to \$565.5 million in the year prior. Licensee payments have become increasingly relied upon as foot traffic declines.

Australia Post continues to invest in its Retail network and in FY24 launched a new retail format, Community Hub@Post in Orange (NSW) and Burnie (TAS), with more planned to open in FY25. POST+, a new point-of-sale retail system was rolled out in FY24 to replace the aging 30-year-old legacy platform. The \$250 million project represents Australia Post's largest-ever technology investment. Parcel lockers continue to grow in popularity, with more than 1.4 million customers now registered for the service, providing customers with 24/7 convenience and choice in delivery. Last financial year almost 8 million parcels were delivered to the network of more than 59,000 lockers

across 693 locations.

### Outlook

Group Chief Executive Officer and Managing Director Paul Graham said that while it's pleasing to see improved business performance, Australia Post is still staring into structural challenges that are not going away.

"Our Post26 strategy and the historic phase one modernisation reforms have put the business on the right track, and we're now starting to see green shoots as we turn around the business.

"There are irreversible challenges confronting us, including the decline of letters and the shift from over-the-counter transactions to digital services. I'm pleased the things we do have control over, such as simplifying our business, removing complexity and cost, driving efficiencies and careful expense management, have driven the improved financial performance for the year.

"We are focused on our customers and providing them with more flexible and reliable parcel deliveries, new and innovative services across our enterprise, greater online accessibility through our market-leading app and a better customer experience online and in our retail outlets.

"I'd like to thank our extended workforce of

more than 64,000 team members, who deliver for our customers and communities across every corner of Australia, every single day.

"The first phase of modernisation, including the change to our Letters business, is progressing well. We continue to work closely with our union partners to implement this across our network. We are also focused on transforming our Post Office retail network alongside our valued licensees, as we work to ensure appropriate compensation for the services they provide, particularly Bank@Post.

"The shifting banking landscape, along with the increased cost of doing business, means Bank@Post is heading towards losses over the medium term unless our bank partners provide additional funding. As Australia Post serves more banking customers, we must reconsider our increased compliance, safety and security measures for customers and our team members.

"The changes we've made to the business are a significant step in the right direction for our customers, our team members, and the broader community.

However, there is more work to do and further reform is required to ensure Australia Post is sustainable and delivers for communities for another 200 years," Mr Graham said.

Source: [Australia Post](#)