

Behind the Australia Post management conflict: Competing plans for a pro-business restructure

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Last October, Christine Holgate was forced to stand down as CEO of Australia Post (AP), the national government postal service, in a manufactured scandal over the gifting of four Cartier watches to executives who secured a deal with the country's largest banks in 2018.

At the time of Holgate's ouster, it was evident that far more than Cartier watches was involved. The federal Liberal-National government was heavily involved. Prime Minister Scott Morrison and senior ministers publicly denounced her even though there was no suggestion of malfeasance. The furore, moreover, erupted amid the imposition of an Alternative Delivery Model (ADM) that constitutes the largest restructure of AP in decades.

The underlying issues that drove the management conflict have only come to the surface in a current Senate committee inquiry into Holgate's removal.

In detailed submissions, Holgate claimed she was forced out in a coordinated campaign orchestrated by the government and a section of the AP board, led by its chair, Lucio Di Bartolomeo.

Holgate testified that she was "bullied out of my job." Along with her supporters, she has presented this as an expression of sexism and gender discrimination. These assertions have played to an ongoing crisis of the government over its response to a series of sexual misconduct allegations.

Holgate has been aggressively backed by the Communications, Electrical and Plumbing Union (CEPU), which covers the AP workforce, as well as right-wing populists, such as Pauline Hanson's One Nation Party, and feminist commentators.

Their attempts to present Holgate as a champion of postal workers, franchisees and a government-owned postal service, however, have been undermined by material that has come out amid the inquiry.

Underlying the management conflict were competing plans for a sweeping pro-business restructure of AP. Holgate and her opponents, such as Bartolomeo, differed over the means to be employed, but both advanced proposals aimed at slashing costs, including through mass job-cutting. And the trajectory of both plans was privatisation.

Holgate revealed that she opposed the recommendations of a November 2019 review into AP by the Boston Consulting Group (BCG) that coincided with Bartolomeo's appointment as chair of the board. The government-commissioned report remained secret

until Holgate partially released its findings during her testimony last week.

The thrust of the BCG recommendations was for AP to be broken up, its assets to be "divested" in a fire sale and its most lucrative section, the parcel division, to be privatised.

The report called for rapid cost-cutting via "a set of near-term efficiencies." It advocated the closure of either 106 or 190 "unprofitable metro post offices" to "streamline the post office network." This was to be coupled with a reduction in the frequency of letter-delivery from five to two or three days per week.

The review floated the possibility of divesting a range of AP subsidiaries. This included a proposal to "investigate a full or partial divestiture of the parcels business." The plans would have resulted in mass job cuts, with some estimates placing the figure at between 5,000 and 8,000 positions.

The review reflected the position of rapacious sections of the corporate elite that wish to do away with a national postal service forthwith. It was clearly pitched to the government as a drastic austerity program. A divestiture of the parcel business would leave the rest of AP a loss-making shell. Last financial year, parcel revenue increased by 25.9 percent to \$3.4 billion. This accounted for some 75 percent of total revenue. The letter delivery section lost \$74.2 million, the latest in a series of losses.

The BCG recommendations would have been a boon to the corporate interests that picked up AP's parcel division. They also would have benefited other competitors by opening up market space. AP currently controls between 75 and 80 percent of the parcel market. A fully-privatised AP parcel division would no longer have the benefit of being part of a larger organisation, with direct ties to the government. It would become one of several corporations vying for dominance in the sector.

This would assist companies such as Toll and DHL that are seeking to expand their market share. Significantly, Holgate's replacement as AP CEO, Paul Graham, whose appointment was announced last week, was previously the chief of DHL's global operations, before a stint at Woolworths where he was involved in planning warehouse closures and the elimination of more than 1,000 jobs.

Holgate's own recommendations, first presented in May 2018, and published in the financial press over the past days, did not

differ with the need for a pro-business restructure and drastic cost reduction. Some of her proposals advocated greater cuts than the BCG.

For instance, Holgate called for letter delivery to be reduced to just one day a week. This would result in a \$124 million cut to annual labour costs for deliveries, along with another \$60 million in “processing” through the “consolidation” of letter sorting centres into “three or four regional facilities.” In other words, Holgate was also mapping out plans for mass job destruction and closures.

Holgate further called for the divestiture of parts of AP, including the StarTrack Courier enterprise, which provides lower-end parcel delivery services for businesses. Holgate argued that this had been a loss-making venture for several years.

The key difference between the BCG’s recommendations and those of Holgate is that she advocated an expansion of aspects of AP’s operations. This included the provision of banking services at regional and rural postal outlets, the deal for which the Cartier watches were gifted, and an entrance into the cold chain distribution market. Holgate also called for the retention of the profitable aspects of the parcel sector, including StarTrack’s premium service.

In line with its broader agenda of shutting down AP, the BCG report differed with Holgate’s proposals for expansion.

The fact that Holgate advocated sweeping cost and job cuts, however, demonstrates the fraudulent character of claims that she was an opponent of privatisation. Her perspective was to keep the business whole, restructure it under nominal government ownership and make it as profitable as possible, clearly in preparation for an eventual sell-off.

While Holgate has not spelt this out publicly, some of her supporters in financial and corporate circles have.

The *Australian’s* business columnist Robert Gottliebson condemned the moves against Holgate last October. He hailed the 2018 deal with the banks that Holgate oversaw, saying it had placed AP “in great shape to win the next round of the battle with competitors DHL, FedEx, TNT and Toll.” The attempts to remove Holgate, he wrote, served to open up the parcel market to AP’s “international competitors.”

Gottliebson made clear in a subsequent article that he was not opposing eventual privatisation. He touted the fact that AP had “secured almost three quarters of Australia’s booming online retail parcel delivery business.” It “should be floated like Commonwealth Bank, CSL, Qantas and Telstra.” Each of these sell-offs involved close collaboration between Liberal-National and Labor governments, the boards of the respective companies and the trade unions.

Gottliebson voiced the sentiments of sections of national business, fearful of a frenzied bid to cannibalise AP and divest its parcel division, spearheaded by sectional interests such as DHL and Toll. This could jeopardise the interests of the corporate elite as a whole, under conditions in which deliveries play an ever-greater role in business operations. It would cut across a profitable privatisation of AP’s entire business.

In comments to the *Australian Financial Review* published yesterday, Rico Back, the former CEO of Royal Mail, Britain’s

privatised postal service, backed Holgate based on similar arguments. “Both Christine and I put our investments into the growing sector. You cannot stick to the past, you have to deliver the present but get fit for the future. Christine invested even earlier than me into automation and the digital world,” he said.

Back said it was possible to maintain postal enterprises with both letter and parcel sectors, but this required the “tough structural reform” Holgate advocated “more automation,” as well as drastic increases in stamp prices to accelerate the demise of “snail mail.”

Many recommendations advanced by both BCG and Holgate have been implemented over the past year, in the form of the Alternative Delivery Model. This has reduced letter delivery to every second day, reallocated 2,000 posties to parcel delivery, and created a new class of workers, dubbed “floaters,” who can be shunted anywhere in the business.

The CEPU has enforced the ADM in the face of widespread opposition from postal workers. The union signed a Memorandum of Understanding with Holgate last May, behind the backs of workers, pledging to enforce the restructure and banning any industrial action for 12 months.

The government regulatory relief that allowed the ADM to proceed is set to expire in May. The CEPU has responded by entering into backroom negotiations with management for a new enterprise agreement. The union’s record, and its fulsome support for Holgate, is a warning that these talks are aimed at deepening the pro-business overhaul.

After decades of pro-business restructures and mass job cuts imposed by the unions, AP has been thoroughly corporatised. Conditions are increasingly unbearable, more and more resembling those of contractors in the precarious gig economy.

Workers face a turning point. Both sections of management, Holgate and her opponents, along with the unions, support massive cuts and privatisation.

To defeat this agenda, postal workers have established a rank-and-file committee, completely independent of the unions. It must be built, so that it can bring together the widespread hostility to the ADM and prepare unified industrial and political action against the restructure.

This raises the need for an alternative political perspective. The question of who owns and controls AP is now posed. It will either be major financial corporations, intent on slashing wages, conditions and jobs to boost profits, or the workers themselves. The transformation of AP into a publicly-owned utility, democratically run by the workforce, and operated on the basis of social need, not revenue, requires the fight for a workers’ government and the socialist reorganisation of society.

To discuss this struggle and how to get involved, contact the Postal Workers Rank-And-File Committee at auspostalworkers@gmail.com.



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