

## **ERRATUM**

**The following pages replace page 352 and 353 of the report. In the report, revenue of around \$15 million from Australia Post's associates was overlooked. The inclusion of this revenue increases the reported operating profit of Australia Post by \$15 million, to \$407 million.**

## AUSTRALIA POST

## Commonwealth

Australia Post was established in 1975 and corporatised in 1989 under the *Australian Postal Corporation Act 1989*. Its principal activities are letter delivery, parcel delivery, third party agency services (receiving bill payments for other companies) and the sale of postal products and merchandise. Australia Post holds a legislative monopoly for the processing and distribution of letters under 250 grams.

Pre-tax operating profit in 2001-02, was slightly (\$5 million) higher than that reported in 2000-01, due mainly to higher revenues from sales of goods and services and interest revenues.

Debt levels have been stable since 1998-99 after an increase in the level of debt was recorded in 1997-98. As a result, debt to equity and debt to total assets ratios have declined since 1998-99. Increases in operating profit over recent years have also resulted in a rise in interest cover.

Australia Post is subject to all taxes and pays dividends to the Commonwealth Government. In 2001-02, almost \$292 million was provided for or paid to the government by way of dividends. This comprised of the payment of an interim dividend of \$83 million and a \$90 million 'special' dividend in April 2002, with further dividends of \$119 million (\$27 million as a 'special' dividend) being provided for.

Australia Post is required to internally fund two non-commercial activities. It must provide a letter service which reasonably meets community at a uniform price. In addition, Australia Post must ensure that performance standards for the letter service reasonably meet the social, industrial and commercial needs of the Australian community.<sup>1</sup> The uniform standard letter service remained unchanged at 45 cents during the reporting period.<sup>2</sup>

Since 1989, the Commonwealth Government has directed Australia Post to provide, free of charge, pensioner mail redirection for the first month after a pensioner changes address. Australia Post estimated that this Ministerial direction cost around \$4 million in 2001-02.

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<sup>1</sup> Australia Post receives no financial assistance from the Government to meet these CSOs. The cost of CSOs was estimated by Australia Post to be \$88 million for 2000-01 using the avoidable cost methodology.

<sup>2</sup> The price for this service increased to 50 cents in January 2003.

## AUSTRALIA POST (continued)

### Performance indicators 1997-98 to 2001-02

	<i>Units</i>	1997-98 <sup>a</sup>	1998-99	1999-00 <sup>b</sup>	2000-01	2001-02
<i>Size</i>						
Total assets	\$m	2 736	2 854	3 037	3 199	3 229
Total revenue	\$m	3 300	3 468	3 743	3 733	3 758
<i>Profitability</i>						
Operating profit before tax (includes abnormals)	\$'000	335 200	373 000	391 900	402 100	407 200
Operating sales margin	%	10.3	11.0	10.9	11.2	11.1
Cost recovery	%	113.0	112.5	113.5	112.7	112.4
Return on assets	%	13.4	14.2	14.4	14.0	13.6
Return on equity	%	26.3	27.1	25.0	24.7	26.3
<i>Financial management</i>						
Debt to equity	%	52.2	54.7	47.8	47.5	46.5
Debt to total assets	%	16.8	19.0	18.0	17.0	16.5
Total liabilities to equity	%	218.9	194.3	173.8	186.6	183.3
Interest cover	times	17.0	15.8	13.3	13.1	15.3
Current ratio	%	90.6	87.9	93.8	100.2	108.8
Leverage ratio	%	318.9	294.3	273.8	286.6	283.3
<i>Payments to and from government</i>						
Dividends	\$'000	215 100	148 700	155 700	274 500	291 800
Dividend to equity ratio	%	25.1	16.3	15.0	24.7	25.9
Dividend payout ratio	%	95.6	60.0	60.0	100.0	98.2
Income tax expense	\$'000	110 200	125 200	132 400	127 600	110 200
CSO funding <sup>c</sup>	\$'000	0	0	0	0	0

<sup>a</sup> Net abnormal expenses of \$41.2 million came from charges resulting from year 2000 software modification costs, and charges resulting from a bond rate movement effect on employee entitlement provisions. <sup>b</sup> Net abnormal expenses of \$34 million incurred for year 2000 compliance and GST implementation costs. <sup>c</sup> Australia Post internally funds a standard letter service. This was estimated by Australia Post to cost \$92 million in 2000-01. A Commonwealth Government direction in 1989 to provide free mail redirection for eligible pensioners, is also internally funded and was estimated by Australia Post to cost \$4.3 million in 2000-01.