

Inquiry into the exploitation of general and specialist cleaners working in retail chains for contracting or subcontracting cleaning companies

Answers to questions taken on notice at the hearing of 18 October 2018

- 1 Any details of correspondence with Transfield or any public statements that were made in relation to the reason behind the withdrawal of the right to use the name (Transcript, page 3).**
 - 1.1 On 27 February 2015, Transfield Holdings made a public statement in relation to the termination of the right of Transfield Services (TSE) to use the name 'Transfield'. This statement can be accessed on the Transfield Holdings website (<https://www.transfield.com.au/news/189-transfield-holdings-ends-trade-mark-agreement-with-transfield-services>) and is extracted below:

In February 2015 Transfield Holdings served Transfield Services (TSE) a notice of termination of the right to use the name 'Transfield' and the 'T' logo. Both trademarks had been licenced for use from Holdings since TSE's listing in 2001. Under the terms of the license, TSE has 12 months to change the name and logo, and have advised that they would seek the approval of shareholders for a new name at their Annual General Meeting in October 2015.

Transfield Holdings listed its operations and maintenance division, Transfield Services on the Australian Stock exchange in 2001. From that time, until they stepped down in 2012, Transfield Holdings' Directors, Luca and Guido Belgiorno-Nettis were also Directors of TSE. In addition, up until 2014, Transfield Holdings was a major shareholder in TSE. These changes in board representation and shareholding have led Transfield Holdings to end the Trade Mark licence agreement with TSE.
- 2 A list of all subcontractors that Broadspectrum is using in relation to Commonwealth contracts (Transcript, page 8).**
 - 2.1 Broadspectrum understands this question to be a request for a list of the subcontractors that provide cleaning services that Broadspectrum is using on the Whole of Government contract (**WoAG Deed**) with the Department of Finance (**Finance**). Broadspectrum's understanding was confirmed in an email from Kate Campbell to Tania Vivoda dated 26 October 2018 sent at approximately 3:16pm.
 - 2.2 Broadspectrum uses a number of subcontractors to provide cleaning services across the nation to Commonwealth Entities under the WoAG Deed. The names of those subcontractors are set out in **Annexure A**.

3 A copy of the contract between Broadspectrum and the Department of Finance (Transcript, page 18).

3.1 The WoAG Deed contains highly sensitive, commercial-in-confidence information of Finance, Entities and Broadspectrum respectively. The WoAG Deed requires Broadspectrum not to, without the prior written consent of Finance or the relevant Entity, disclose any of their confidential information to a third party. Broadspectrum does not have the written consent of Finance or the Entities to disclose any confidential information. On this basis, and to ensure that it is not in breach of its obligations under the WoAG Deed, Broadspectrum must respectfully decline to provide a copy of the WoAG Deed to the Committee.

Written questions on notice for Broadspectrum from Senator Cameron, as set out in email dated 23 October 2018

1 What is the number of non-corporate Commonwealth entities that are part of the Property Services Coordinated Procurement (PSCP) arrangements contracted to Broadspectrum?

1.1 The WoAG Deed contemplates that approximately 38 non-corporate Commonwealth entities are part of the PSCP arrangements contracted to Broadspectrum. Not all entities have yet joined the PSCP arrangements and as such, presently, there are 25 non-corporate Commonwealth entities that are actually receiving property services from Broadspectrum.

2 How many of these entities require cleaning services?

2.1 All 25 non-corporate Commonwealth entities that are currently receiving property services from Broadspectrum require cleaning services.

3 Under the PSCP arrangements with Broadspectrum, what are the three highest hourly rates paid to cleaners? Please include which entity these cleaners service and which subcontractor they are employed under.

3.1 Excluding the Department of Jobs and the Department of Education respectively, the process for transitioning an Entity from its previous cleaning arrangement to Broadspectrum was that Broadspectrum adopted the same macro rates for cleaning services that were being paid to cleaners prior to transition. However, Broadspectrum does not have access to the micro data of subcontractors regarding the hourly rates paid to cleaners and although Broadspectrum is provided with other data (for example, in order to be satisfied that subcontractors are able to meet all statutory/award payment entitlements), there is no contractual obligation on subcontractors to provide this specific data to Broadspectrum. As at the date of this response, Broadspectrum has requested this data from its subcontractors, but none has been received as yet.

3.2 With respect to the Department of Jobs and the Department of Education respectively, Broadspectrum has entered into contracts with new

subcontractors and has knowledge of the hourly rates paid to cleaners under these subcontracts. Those rates are set out in **Annexure A**.

- 4 What was the rate these cleaners were being paid under the old arrangements? (i.e. prior to the PSCP arrangements)**
 - 4.1 Broadspectrum does not hold that information, nor does it have any contractual right to demand it. We otherwise refer to and repeat the response provided to question 3 above.
- 5 Under the PSCP arrangements with Broadspectrum, what are the three lowest hourly rates paid to cleaners? Please include which entity these cleaners service and which subcontractor they are employed under.**
 - 5.1 Broadspectrum does not hold that information, nor does it have any contractual right to demand it. We refer to and repeat the response provided to question 3 above.
- 6 What was the rate these cleaners were being paid under the old arrangements? (i.e. prior to the PSCP arrangements)**
 - 6.1 Broadspectrum does not hold that information, nor does it have any contractual right to demand it. We refer to and repeat the response provided to question 3 above.



26 February 2015

Transfield Services delivers strong Half-Year result in challenging conditions

- Statutory NPAT \$8.4 million for H1 FY2015, up from \$4.8 million period on period
- Underlying EBITDA \$112.2 million, up 51 per cent period on period
- Cash conversion 81 per cent, up 11 per cent
- Outperformance in Defence, Social and Property Sector
- Strong performance in Infrastructure sub-sectors Telecommunications and Transport
- Balance sheet improved period on period; Net Debt to EBTIDA ratio at 2.2 times reduced from 2.4 times at 30 June 2014
- Safety improvement trend stalls - 7 per cent increase in TRIFR
- No interim dividend to be paid

Transfield Services today announced a Statutory Net Profit after Tax (NPAT) for the first half of FY2015 of \$8.4 million, up from \$4.8 million on the prior comparable period.

Underlying EBITDA, which the Company believes most accurately measures operating performance, was \$112.2 million for the half, up 51 per cent on the prior comparable period.

"This is a strong first half financial performance, reflecting delivery against our targets," said Managing Director and Chief Executive Officer, Graeme Hunt. "It is also testament to the diversity and resilience of our portfolio of contracts."

"Macro-economic conditions remain challenging in the Resources and Industrial Sector, but this was more than offset by the Company's expanding work with government, particularly in the Social, Defence & Property Sector, and the Telecommunication sub-sector. Key performance metrics, such as cash conversion, working capital, net debt to EBITDA ratio and return on capital employed all continue to head in the right direction. This positions us well for the future."

Although the Company's operations and maintenance service line recorded a 30 per cent year on year drop in Total Recordable Injury Frequency Rate ("TRIFR"), across the Group TRIFR increased by 7 per cent. Tragically last month a subcontractor lost his life at the Company's Botany Industrial Park contract. The incident underscores the need for a relentless focus on safe working practises.

Performance overview

The 51 per cent increase in Underlying EBITDA to \$112.2 million was primarily driven by growth in the Defence, Social & Property Sector and the Infrastructure Sector, including improvement in the Telecommunications and Transport sub-sectors.



The Company reported an Underlying operating cash flow before interest and tax payments of \$91 million which represents a cash conversion of Underlying EBITDA of 81 per cent. This strong cash performance has been achieved through continued working capital discipline and improved billing and collection practices.

Return on Capital Employed increased significantly to 10 per cent from 4 per cent in the prior comparable period.

In the Infrastructure Sector Underlying EBITDA decreased by \$8.1 million or 41 per cent period on period due to the recognition of provisions relating to onerous contracts, which are being remediated. Against this the Infrastructure Sector reported higher volumes and stronger margins in Telecommunications contracts such as the National Broadband Network and Ultra-Fast Broadband contracts, and some sections of the Transport sub-sector. This was offset by softness in Electrical Services and Water contracts within the Utilities sub-sector.

The Defence, Social & Property Sector reported another strong first half. Revenues increased by 53 per cent and Underlying EBITDA increased by \$101.2 million period on period primarily due to the benefit of a full six months of the expanded Immigration contract plus new contract wins during the period, particularly in the Social sub-sector, and mobilisation of the Australian Defence Base Services contract.

In the Resources and Industrial Sector Underlying EBITDA fell by \$16.9 million or 60 per cent compared to the prior comparable period. The reduction in the EBITDA margin period on period from 5.6 per cent to 2.7 per cent is indicative of the challenges and near term uncertainty in the Oil and Gas and Mining sub-sectors, primarily driven by reduced volumes.

Underlying EBITDA for the Americas business fell by \$23.6 million. Included in this number is provisioning of \$8.3 million for onerous roads maintenance contracts in Canada and the US, which are well underway to being remediated. Additionally \$8.7 million of non-recurring, non-cash legacy items relate to the write-off of historic receivables in the Flint Transfield Services joint venture in Canada and the downstream Oil and Gas business on the west coast of the US.

Forthcoming group rebrand

Transfield Services is a party to a Trade Mark Licence Agreement with Transfield Holdings, under which the Group is branded. Since the end of the period, Transfield Services has received a notice to terminate this agreement from Transfield Holdings, the owner of the Transfield trademarks. Transfield Services has 12 months to cease using these trademarks and will be seeking the approval of shareholders to change the name of the Company later this year.



Outlook and Guidance

Due to low commodity prices and curtailed expenditure, project deferrals are expected in the Oil and Gas, and Minerals exploration and development sub-sectors. Offsetting this is the near completion of Liquefied Natural Gas facilities in South Eastern Queensland which are expected to lead to an increase in well servicing requirements. The Company expects to continue to take advantage of large long-life installation programs such as the fibre optic cable roll-outs in Australia and New Zealand, and is seeing an increasing interest in outsourcing of social services such as health, education, welfare and justice.

Transfield Services reaffirms guidance, expecting Underlying EBITDA for the full 2015 financial year to be within a range from \$260 million to \$280 million.

ENDS

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We employ more than 19,000 people across 20 industries and 10 countries. We are a global provider of operations, maintenance and construction services to the resources, energy, industrial, infrastructure, property and defence sectors. We deliver asset management services across all phases of the asset lifecycle, from concept and creation, to services that sustain, optimise and enhance our client's assets. With diverse global experience and expertise, we share our knowledge and challenge thinking to develop and implement innovative solutions that deliver real value for our clients. Our unique approach enables us to deliver continuous improvements in asset performance and sustain long term relationships with our clients and partners. www.transfieldservices.com

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ANNEXURE A

PARAGRAPH 2.2

No.	Vendor name	ABN
1.	ACADEMY INDIGENOUS SERVICES PTY LTD	68612910871
2.	ACCESS BY ROPE PTY LTD	91124440884
3.	AFFINITY CONSTRUCTIONS AUSTRALIA PTY LTD	13161165966
4.	ARA BUILDING SERVICES PTY LIMITED	55104799939
5.	ARA INDIGENOUS SERVICES PTY LTD	83605947822
6.	ASSETLINK SERVICES PTY LIMITED	89061914556
7.	B.I.C. SERVICES PTY LIMITED	40003700301
8.	BACS Pty Ltd	18002409574
9.	BANATEX CLEANING SERVICES	75724851493
10.	BAYTON CLEANING CO PTY LTD	13000586247
11.	BROADLEX SERVICES PTY LTD	56060581526
12.	BRONZE EMPIRE PROPERTY SERVICES	26410385734
13.	CLEANAWAY OPERATIONS PTY LTD	40010745383
14.	CONSOLIDATED PROPERTY SERVICES (AUSTRALIA) PTY LTD	54006727484
15.	CORPORATE CLEANING SERVICES	41129307982
16.	CORROBOREE EMPIRE INDIGENOUS CORPORATION	70695800530
17.	CYCLONE CITY CLEANERS PTY LTD	26109898786
18.	DIMEO CLEANING SERVICES	42470275516
19.	DORVAL CLEANING SERVICES	68151327101
20.	FIRST PEOPLE PROPERTY GROUP PTY LTD	56624415247
21.	GDP PROPERTY SERVICES	40090688878
22.	GENERAL AND WINDOW CLEANING PTY LTD	36009537240
23.	HATCHER, DEANNE	94673351854

No.	Vendor name	ABN
24.	HOWE FAMILY TRUST (Rope Access Engineering)	34129160704
25.	ISS FACILITY SERVICES AUSTRALIA LIMITED	87001827041
26.	JARRAH INTEGRATED SERVICES PTY LTD	56622902167
27.	JASON CLEANING SERVICES	18009354536
28.	LOTUS FACILITY SERVICES PTY LTD	20615339494
29.	MENZIES INTERNATIONAL AUST PTY LTD	44004967757
30.	MILLENNIUM HI-TECH GROUP PTY LTD	94103423374
31.	MODUS PROJECTS PTY LTD	63143167159
32.	MR METICULOUS PTY LIMITED	42102322734
33.	MUTUAL CLEANING AND MAINTENANCE PTY	53006516810
34.	PACIFIC SERVICES GROUP HOLDINGS PTY LTD	80150022110
35.	QUAD SERVICES	58000308592
36.	ROLFE PROPERTY SERVICES	83074501929
37.	SPIFFY CLEAN PTY LTD	87607823352
38.	TERESA'S CLEANING SERVICE	60386842703
39.	THE CHESTNUT STREET UNIT TRUST (Diamond Property Services Pty Ltd)	94858472273
40.	THE CLOVERDALE GROUP	61122606035
41.	THE EZKO UNIT TRUST	34228027716
42.	ULTRA CARE CLEANING SERVICES	54098614727
43.	WINDOW WIPERS	92109753175
44.	YALUL WAIRRA (ALWAYS CLEAN) PROPERTY SERVICES PTY LTD	59145964978
45.	ZIPPY CLEANING AND MAINTENANCE SERVICES PTY LTD	63852581290

COMMERCIAL-IN-CONFIDENCE

PARAGRAPH 3.2

- (a) Broadspectrum has engaged Jarrah Integrated Services Pty Ltd to provide cleaning services to the Department of Jobs and the Department of Education in the ACT, NSW and Tasmania. The hourly rates for cleaners are \$22.39 ex GST (excluding loadings) for day shift and \$29.10 ex GST (excluding loadings) for night shift;
- (b) Broadspectrum has engaged First People Property Group Pty Ltd to provide cleaning services to the Department of Jobs and the Department of Education in Victoria. The hourly rate for cleaners is \$25.39 ex GST (excluding loadings) for night shift (there are no day shifts under this subcontract); and
- (c) Broadspectrum has engaged Pacific Services Group Holdings Pty Ltd to provide cleaning services to the Department of Jobs and the Department of Education in Queensland. The hourly rate for cleaners is \$27.18 (ex GST) (excluding loadings) for night shift (there are no day shifts under this subcontract).