

# Department of Finance

## Response to Question on Notice

### SENATE STANDING COMMITTEE ON EDUCATION AND EMPLOYMENT

*Inquiry into the exploitation of cleaners working in retail chains*

Thursday, 18 October 2018

#### QUESTIONS ON NOTICE

##### Question 1 (Proof Hansard, page: 17)

**ACTING CHAIR:** But you knew that these workers work getting a wage cut. It was public. When did you first become aware that the cleaners were going to suffer pay cut?

**Mr Jagers:** Certainly when there was speculation in the media about the issue, that there were—

**ACTING CHAIR:** There was no speculation in the media. The media reported that the workers were suffering a pay cut.

**Mr Jagers:** The media did report a range of numbers, which I think the evidence here has shown weren't consistent with the evidence that's just been provided. I am aware of those stories. If I could just provide one other—

**ACTING CHAIR:** When did you become aware?

**Mr Jagers:** I certainly personally became aware of it once it was in the media

**ACTING CHAIR:** When did the Department of Finance become aware?

**Mr Jagers:** Let me take that on notice. I'll have to check to see when we became aware. If I could just make one clarification, the senator asked me whether we'd received a letter from United Voice that we hadn't replied to for three weeks. It wasn't this department that received a letter from United Voice. We did have a meeting request, and we did meet with United Voice.

The Department of Finance became aware of United Voice's concerns on 22 August 2018.

**Question 2 (Proof Hansard, page: 18)**

**ACTING CHAIR:** Can you provide details of the methodology of the market testing?

**Mr Jagers:** Yes, we can provide details of that.

**ACTING CHAIR:** And where the market testing was done and how the figure came about.

**Mr Jagers:** I'll take all that on notice, Senator.

PricewaterhouseCoopers (PwC) and King & Wood Mallesons (KWM) were engaged by the Department of Finance to undertake a Market Testing Review into the procurement and delivery of property management services and non-Defence capital works within the Commonwealth.

The objective of the Market Testing Review was to establish the optimum way to deliver whole of Government property services that collectively:

- provide the greatest savings to the Commonwealth through coordinated procurement and management services;
- provide greater consistency and improvements in strategy and operational processes and service delivery across whole of Government property management services;
- minimise any implementation or other risks to the Commonwealth; and
- meet the policy objectives of the Commonwealth.

The Market Testing Review conducted an initial market sounding exercise that considered key suppliers of property services and compared arrangements, both Government and non-Government, in domestic and international jurisdictions.

PwC and KWM consulted with nine organisations that deliver property services through the formal market testing process. PwC and KWM also made a formal request for information from industry on how to optimise whole of Government property services via AusTender.

Following consideration of the outcomes of these processes, the Market Testing Review recommended the establishment of coordinated procurement arrangements for the delivery of property services for non-Corporate Commonwealth entities.

**Question 3 (Proof Hansard, page: 18)**

**ACTING CHAIR:** Can you also advise as to when Treasury found out there was a six per cent wage cut for the workers?

**Mr Jagers:** We'll provide all of that information on notice.

The Department of Finance is responsible for the administration of the whole of Government Property Services Coordinated Procurement arrangements.

Finance became aware of United Voice's concerns on 22 August 2018.

**Question 4 (Proof Hansard, page: 18)**

**Senator PATERSON:** Do you know who heads the framework?

**Ms Johnson:** No, I'm not sure, Senator. I'll have to take that on notice.

**Senator PATERSON:** If you could take that on notice. My understanding is it's headed by a former union secretary.

The following information is from the Cleaning Accountability Framework website ([www.cleaningaccountability.org.au](http://www.cleaningaccountability.org.au)):

The Cleaning Accountability Framework is an independent multi-stakeholder association focused on improving labour and cleaning standards. It is governed by a Steering Committee that draws together property owners and managers, cleaning companies, industry representatives, and United Voice (the union representing cleaners). The Australian Government is represented on the committee through the Fair Work Ombudsman.

The Cleaning Accountability Framework has an independent Chair, Mr Tony Beck.

**Question 5 (Proof Hansard, page 18)**

**ACTING CHAIR:** Can you provide details of the contract—the tender documents?

**Mr Jaggers:** I'll take that on notice.

The Department of Finance notes that the provision of details of contracts signed by service providers is inappropriate as it is commercial-in-confidence.

Similarly, to release the tender documents, to the extent that some clauses in the draft deed may reflect the same provisions in the signed contracts with service providers, could disadvantage those service providers and are therefore also commercial-in-confidence.

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#### WRITTEN QUESTIONS ON NOTICE

During the 18 October hearing, the Department of Finance stated that the Department of Jobs and Small Business was part of one of five work packages tendered out under Property Services Coordinated Procurement (PSCP) arrangements. Under these new arrangements, the committee understands that the hourly rates for some cleaners has decreased. For example, before the PSCP arrangements came into place, the hourly rate for cleaners servicing the Department of Jobs and Small Business in Canberra was \$24.00. Under the PSCP arrangements, the hourly rate for those cleaners is now \$22.39.

#### Question 1

Under the PSCP arrangements, how much money has the Commonwealth Government allocated to cleaning services? Please include the proportion of total PSCP budget and also the dollar figure.

Property service providers are paid an annual management fee for managing the delivery of all services under the Deed for the Property Services Coordinated Procurement (PSCP) arrangements. This is in addition to the cost of services delivered by sub-contractors, which are paid under a pass-through arrangement.

Entities set an annual budget for all property operating expenses with their property services provider. The property services provider is required to work within the approved budget set by entities when procuring services from sub-contractors. There is not a specific budget allocation for the delivery of cleaning services.

**Question 2**

What is the total number of non-corporate Commonwealth entities that are part of the PSCP arrangements?

All non-corporate Commonwealth entities are required to join the Property Services Coordinated Procurement arrangements as major procurements fall due.

Non-corporate Commonwealth entities have been joining the arrangements since the beginning of 2018. As at 24 October 2018, 46 non-corporate Commonwealth entities were receiving services under the Property Services Coordinated Procurement arrangements. These 46 entities own or lease approximately 90 per cent of the properties that are, or will be, covered by the arrangements.

**Question 3**

What is the number of non-corporate Commonwealth entities that are part of the PSCP arrangements contracted to Broadspectrum?

Broadspectrum is allocated to provide services to 38 non-corporate Commonwealth entities under the Property Services Coordinated Procurement arrangements. As at 24 October 2018, 25 entities have transitioned to the arrangements and are receiving services through Broadspectrum.

**Question 4**

How many of these entities require cleaning services?

All entities that have transitioned to the Whole-of-Government Property Services Coordinated Procurement arrangements contracted to Broadspectrum receive cleaning services, as cleaning is a mandatory service under the arrangements.

**Question 5**

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.

The Department of Finance does not require Property Service Providers to report on the hourly rates paid to employees of each subcontractor.

All subcontractors are required to comply with the *Fair Work Act 2009*. Therefore, the minimum amount any subcontracted staff can be paid is in accordance with the relevant award wage. For cleaners, this is the modern award.

The Whole-of-Government Property Services Coordinated Procurement Deeds do not preclude cleaners (or other subcontractors) being paid above the relevant award rate.

**Question 6**

What was the rate these cleaners were being paid under the old arrangements? (i.e. prior to the PSCP arrangements)

This information is not known by the Department of Finance. Detailed questions about contracts that were in place prior to an entity's transition to the Whole-of-Government Property Services Coordinated Procurement arrangements should be directed to the relevant entity.

**Question 7**

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.

The Department of Finance does not require Property Service Providers to report on the hourly rates paid to employees of each subcontractor.

All subcontractors are required to comply with the *Fair Work Act 2009*. Therefore, the minimum amount any subcontracted staff can be paid is in accordance with the relevant award wage. For cleaners this is the modern award.

The Whole-of-Government Property Services Coordinated Procurement Deeds do not preclude cleaners (or other subcontractors) being paid above the relevant award rate.

**Question 8**

What was the rate these cleaners were being paid under the old arrangements? (i.e. prior to the PSCP arrangements)

This information is not known by the Department of Finance. Detailed questions about contracts that were in place prior to an entity's transition to the Property Services Coordinated Procurement arrangements should be directed to the relevant entity.

### **Question 9**

The committee understands that the Department of Finance also has contracts with Jones Lang LaSalle (ACT) Pty Ltd and Evolve FM Pty Ltd as part of the PSCP arrangements. Do either of these contractors provide cleaning services? If so, please provide answers to questions 3 to 7 in relation to these contractors.

#### ***Jones Lang La Salle (ACT) Pty Ltd***

#### ***Question 3: What is the number of non-corporate Commonwealth entities that are part of the PSCP arrangements contracted to Jones Lang LaSalle (ACT) Pty Ltd?***

Jones Lang LaSalle (JLL) is allocated to provide services to 35 non-corporate Commonwealth entities under the Property Services Coordinated Procurement arrangements. As at 24 October 2018, 13 of these entities had transitioned to the arrangements and were receiving services through JLL.

#### ***Question 4: How many of these entities require cleaning services?***

All entities that have transitioned to the Whole-of-Government Property Services Coordinated Procurement arrangements contracted to JLL receive cleaning services, as cleaning is a mandatory service under the arrangements.

#### ***Question 5: Under the PSCP arrangements with JLL, what are the three highest hourly rates paid to cleaners? Please include which entity these cleaners service and which subcontractor they are employed under.***

The Department of Finance does not require Property Service Providers to report on the hourly rates paid to employees of each subcontractor.

All subcontractors are required to comply with the *Fair Work Act 2009*. Therefore, the minimum amount any subcontracted staff can be paid is in accordance with the relevant award wage. For cleaners this is the modern award.

The Whole-of-Government Property Services Coordinated Procurement Deeds do not preclude cleaners (or other subcontractors) being paid above the relevant award rate.

#### ***Question 6: What was the rate these cleaners were being paid under the old arrangements? (i.e. prior to the PSCP arrangements)***

This information is not known by the Department of Finance. Detailed questions about contracts that were in place prior to an entity's transition to the Whole-of-Government Property Services Coordinated Procurement arrangements should be directed to the relevant entity.

***Question 7: Under the PSCP arrangements with JLL, what are the three lowest hourly rates paid to cleaners? Please include which entity these cleaners service and which subcontractor they are employed under.***

The Department of Finance does not require Property Service Providers to report on the hourly rates paid to employees of each subcontractor.

All subcontractors are required to comply with the *Fair Work Act 2009*. Therefore, the minimum amount any subcontracted staff can be paid is in accordance with the relevant award.

The Whole-of-Government Property Services Coordinated Procurement Deeds do not preclude cleaners (or other subcontractors) being paid above the relevant award rate.

***Evolve FM Pty Ltd***

***Question 3: What is the number of non-corporate Commonwealth entities that are part of the PSCP arrangements contracted to Evolve?***

Evolve FM (Evolve) is allocated to provide services to 23 non-corporate Commonwealth entities under the Property Services Coordinated Procurement arrangements. As at 24 October 2018, eight of these entities had transitioned to the arrangements and were receiving services through Evolve.

***Question 4: How many of these entities require cleaning services?***

All entities that have transitioned to the Whole-of-Government Property Services Coordinated Procurement arrangements contracted to Evolve receive cleaning services, as cleaning is a mandatory service under the arrangements.

***Question 5: Under the PSCP arrangements with Evolve, what are the three highest hourly rates paid to cleaners? Please include which entity these cleaners service and which subcontractor they are employed under.***

The Department of Finance does not require Property Service Providers to report on the hourly rates paid to employees of each subcontractor.

All subcontractors are required to comply with the *Fair Work Act 2009*. Therefore, the minimum amount any subcontracted staff can be paid is in accordance with the relevant award wage. For cleaners this is the modern award.

The Whole-of-Government Property Services Coordinated Procurement Deeds do not preclude cleaners (or other subcontractors) being paid above the relevant award rate.

***Question 6: What was the rate these cleaners were being paid under the old arrangements? (i.e. prior to the PSCP arrangements)***

This information is not known by the Department of Finance. Detailed questions about contracts that were in place prior to an entity's transition to the Whole-of-Government Property Services Coordinated Procurement arrangements should be directed to the relevant entity.

***Question 7: Under the PSCP arrangements with Evolve, what are the three lowest hourly rates paid to cleaners? Please include which entity these cleaners service and which subcontractor they are employed under.***

The Department of Finance does not require Property Service Providers, to report on the hourly rates paid to employees of each subcontractor.

All subcontractors are required to comply with the *Fair Work Act 2009*. Therefore, the minimum amount any subcontracted staff can be paid is in accordance with the relevant award wage. For cleaners this is the modern award.

The Whole-of-Government Property Services Coordinated Procurement Deeds do not preclude cleaners (or other subcontractors) being paid above the relevant award rate.