

WOOLWORTHS GROUP



Mr Stephen Palethorpe, Committee Secretary
Senate Education and Employment Committees
PO Box 6100
Parliament House
Canberra ACT 2600
eec.sen@aph.gov.au

Dear Mr Palethorpe,

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

I am writing to provide answers to Questions On Notice during the Devonport hearing attended by representatives of Woolworths Group Limited (**Woolworths**) on 25 July.

- 1. Provide me with details of who makes the decision, when the decision was made to outsource, a copy of the report that says that you can deliver lower cost, higher quality cleaning with what's supposed to be a highest quality service?**

Woolworths has traditionally outsourced its cleaning services. This practice extends back beyond 20 years. It is, therefore, a long-established business model at Woolworths.

The question of insourcing or outsourcing of cleaners has not been the subject of formal review in recent times. The topic was canvassed as part of a general business model review in 2015. The option to insource was not pursued or subjected to a formal decision-making process.

Decisions regarding cleaning services are made by the Facilities Management team, which is currently led by Mr Trent Mason, who attended the Devonport hearing.

- 2. Has there been any disciplinary action, any demotions or any terminations?**

We are not aware of any disciplinary actions. Staff responsible for managing cleaning contracts at the time of the FWO investigation are no longer with the company.

3. *What is that sustainable rate?*

The sustainable rate is a guide rate that is designed to identify if the proposed contract price being submitted by the cleaning contractor is high enough to ensure cleaners engaged by the contractor can be paid their correct entitlements.

Each sustainable rate is site specific and is determined based on the required specification for the cleaning of each site (as set by Woolworths) and the expected required labour hours to meet the specifications and required standards (as determined by the contractor).

The sustainable rate also includes an amount overheads, equipment maintenance, other ongoing costs and a margin for the head contractor and any subcontractor. Ultimately, it is up to contractors to propose and set their own rates, and these are often greater than (not just equal to) the sustainable rate.

4. *Can you provide details of exactly what the rate is that you've contracted to the cleaners. It's a standard contract, isn't it, across all the contract cleaners?*

There is not a standard rate. Every rate is site specific and is set by the head contractors as part of a tender process.

5. *How many contractors or subcontractors who failed to pay proper wages were there identified by Fair Work? How many have you dismissed in addition to those identified by the Fair Work Ombudsman?*

Four contractors were identified by the FWO for alleged underpayment in the Tasmanian inquiry. Of these, three were head contractors and one was a subcontractor. The subcontractor was the only company prosecuted by the FWO. The subcontractor is no longer part of our supply chain.

6. *You indicate in your submission that there are now only two levels of contracting permitted. Would you be able to provide on notice an outline of the number of subcontractors that existed back to 2009?*

Woolworths has historically only permitted two levels of contracting.

We do not have specific subcontractor details for 2009. In 2010, there were 286 different subcontractors on Woolworths sites.

7. *What was raised with you in 2009-10 that made you have a look at this?*

The FWO increased scrutiny on the cleaning sector at this time.

8. Correspondence within Woolworths with regard to this matter and board consideration of the decisions that have been made to continue to provide a contracting service for the cleaning of Woolworths.

The Woolworths Group Limited Board is aware of this senate inquiry.

Decisions regarding the provision of cleaning services are made at a managerial level.

In November 2015, the Woolworths Group Limited (Woolworths) Board was asked to approve the continuation of eight contracts for cleaning services with a value exceeding \$10 million or with a term exceeding 5 years.

Attached is a copy of the paper submitted to the Board for approval. The board considered the attachment provided, and made the following note in the minutes of the November 2015 board meeting.

Contracts for Approval

The directors noted the Group Procurement contracts report and **RESOLVED** to approve the contracts contained in it.

If necessary, a redacted copy of the board minutes can be provided.

Yours sincerely

Cameron Sinclair
Public Policy Manager
Government Relations & Industry Affairs
Woolworths Group Limited

Contracts Due for Execution – Board Approval Required

>\$10 M or > 5 year term

See Following Summaries for Further Details

Key

RFT - Request for Tender

EOI - Expression of Interest

RFQ - Request for Quote

RFI - Request for Information

DN - Direct Negotiation

Category	Recommend Respondent	Total Spend P.A.	Contract Term	Status	Bid Strategy	Business Unit Impacted
Cleaning	JAE MY HOLDINGS PTY LTD		3 years plus 1 year mutually agreed option	New contract with incumbent supplier	RFT	Supermarkets, Dan Murphy's, Big W
Cleaning	7 MASTER PTY LTD		3 years plus 1 year mutually agreed option	New contract with incumbent supplier	RFT	Supermarkets, Dan Murphy's, Big W, Masters
Cleaning	ASCC PTY LTD		3 years plus 1 year mutually agreed option	New contract with incumbent supplier	RFT	Supermarkets, Dan Murphy's, Big W
Cleaning	CHOICE CLEANING PTY. LTD.		3 years plus 1 year mutually agreed option	New contract with incumbent supplier	RFT	Supermarkets

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Cleaning	FRANK ENTERPRISES TRUST & GUMMOW HOLDINGS TRUST & SOUND NOMINEES TRUST		3 years plus 1 year mutually agreed option	New contract with incumbent supplier	RFT	Supermarkets, Dan Murphy's, Big W, HTH, Thomas Dux
Cleaning	JUST "1" CALL PTY. LTD		3 years plus 1 year mutually agreed option	New contract	RFT	Supermarkets, Dan Murphy's
Cleaning	TOTAL FOCUS CONCEPTS PTY LTD		3 years plus 1 year mutually agreed option	New contract with incumbent supplier	RFT	Supermarkets, Dan Murphy's, Big W, Masters, HTH
Cleaning	XL RETAIL SERVICES PTY LTD		3 years plus 1 year mutually agreed option	New contract with incumbent supplier	RFT	Supermarkets, Dan Murphy's

