

**Senate Standing Committee on Environment and Communications**

**Answers to Senate Estimates Questions on Notice**

**Supplementary Budget Estimates Hearings October 2015**

**Communications Portfolio**

**Australia Post**

**Question No: 138**

**Australia Post**

**Hansard Ref: Written, 29/10/2015**

**Topic: Contractors**

**Senator Urquhart, Anne asked:**

1. Some have claimed that the price paid for contracts by Australia Post makes it nearly impossible to pay staff properly. When negotiating these contracts, what steps does Australia Post take to ensure that the price paid allows for staff to be paid appropriately?
2. What investigations is Australia Post undertaking into cases of underpayment that have been reported recently?
3. Ms Walsh also stated that the alleged impropriety by contractors was an exception. But Australia Post has now cancelled the contracts with AusLanka, Harmony Xova and KLMK – all based in Victoria. Can you provide the committee with an indication of what these contracts covered – for example, only parcel delivery or both letters and parcels? What was the customer base of these contracts? Were any of these contractors covering regional areas? Is so where? Who has taken over these contracts?
4. Could you provide the committee with the length of time these companies have been Australia Post contractors?
5. Do you know what has happened to the workers who are at the centre of this scandal? Are they still working for the Australia Post contractors?
6. Have you made any changes to the way you award contracts or manage your contractors as a result of the revelations?

**Answer:**

1. As part of its tender process, Australia Post uses a detailed model to determine the pricing of its delivery contracts. The model considers a range of factors, including a specific calculation of labour costs associated with the services.
2. Australia Post has actively promoted its whistle-blower hotline both internally and externally to encourage anyone with concerns regarding its contractor compliance to come forward. A senior management committee was established to co-ordinate our response to contractor compliance issues raised through the whistle-blower hotline and other channels. All referrals received were categorised based on the nature of the allegations and then reviewed as appropriate. As part of this process we've found no evidence of systemic underpayment issues arising. We have found a number of compliance issues and we have dealt with this by terminating three additional Victorian contractors.

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3. As at September 2015, Australia Post had 4,740 contracts with 3,101 independent delivery contractors and so these three contractors represent less than 0.1 per cent of our delivery contractor base. The contracts held by Aus Lanka, Harmony Xova and KLMK were for both parcel and postal services across multiple locations (both metropolitan and regional).

Australia Post is in the process of finalising new arrangements for the affected contracts to ensure continuity of services for customers.

4. Length of time ranges between 5-12 years.
5. In many cases, the workers performing services under the contracts that have been terminated have elected to continue performing delivery services for Australia Post and will do so under alternative arrangements.
6. Australia Post has invested significant time, effort and resources into addressing recent allegations regarding its delivery contractors.

In August 2015, the Australian Federal Police conducted raids at various Australia Post facilities and charged Bobby Singh (and two others) with criminal offences. Following these events Australia Post terminated all contracts with the two companies associated with Bobby Singh (Oz Trade and Recsol) and commenced an internal review into its arrangements with those companies (the Lay Review). Mr Ken Lay, former Victorian Police Commissioner, was appointed independent chair of the Lay Review and leading law firm, Allens Linklaters, was engaged to assist in the review. The Lay Review has undertaken extensive investigations and, on 4 December 2015, reported on its findings with respect to Oz Trade and Recsol as well as general observations regarding Australia Post's contractor management and procurement processes.

In addition to the Lay Review, a range of other internal review activities have been undertaken with respect to our delivery contractors and a working group has been established to manage implementation of recommendations coming out of these internal review streams as well as the Lay Review.