

Senate Finance and Public Administration Legislation Committee — Budget Estimates Hearing—May 2017

Answers to Questions on Notice

Parliamentary departments, Department of Parliamentary Services

Topic: **Aussies Licence - turnover**

Question: **20**

Hansard Reference: **p 48, 22 May 2017**

Date set by the committee for the return of answer: 7 July 2017

Senator XENOPHON: Please take that on notice. One issue that has been raised goes to providing turnover details. Has the department ever written to Mr Calabria asking for turnover figures? I think you have said publicly you asked for turnover figures.

Mr Stefanic: My understanding is that we have.

Senator XENOPHON: Could you please take that on notice because I think Mr Calabria said he has never actually received a formal request for turnover figures. Further to that, do you see this as a little different from, say, a Westfield shopping centre, where turnover is regularly asked for in the context of the trading of various stores? This is a case where DPS is a direct competitor with their businesses now that you are running the catering, the cafe and the cafeteria. Do you see that as a slightly different set of circumstances to the circumstances in which Westfield would ask for turnover figures? There is a potential conflict here, is there not? Is there a clear conflict between the two?

Mr Stefanic: If I could start with the conflict issue first, we are not running a private business enterprise. There are no shareholders. There is no-one aiming to generate a profit. What we are simply seeking to do is achieve an appropriate return on Commonwealth assets. That is the main objective.

Senator XENOPHON: It does not address the conflict issue though.

Mr Stefanic: There is a conflict, but DPS is seeking to run if possible a cost neutral operation. That is our objective. Our objective is not to generate a profit from the entire food, beverage and retail space.

Senator XENOPHON: You are running the food and beverage businesses now in those parts other than Aussies. Is that correct?

Mr Stefanic: That is correct.

Senator XENOPHON: Therefore you are asking for turnover figures and you can glean from those, presumably, a whole range of information about that business. Does that not give you some sort of competitive edge?

Answer

In respect of the Senator's question regarding the request for turnover details by DPS, DPS advises that the first draft of the new licence that was delivered to Mr Calabria on 22 December 2016 contained a written requirement in the draft for turnover figures to be provided.

DPS' letter to Mr Calabria of 20 February 2017 attached a revised draft licence agreement for consideration, which again outlined the requirement for turnover fee information and proposed the next steps to negotiate the licence after Mr Calabria had considered the draft.

In respect of the Senator's question regarding the conflicts issue, DPS advises that the new licence agreement followed from a direction by the Presiding Officers on 25 March 2015 for DPS to undertake a review of all retail and catering operations at Australian Parliament House. In addition, a recommendation by the Australian National Audit Office stated that DPS was to strengthen the management of retail licences, clarify priorities for revenue generating opportunities and establish a clear basis for monitoring retailer performance. As a result DPS conducted a review of all retail and catering spaces at Australian Parliament House aimed at improving services to parliamentarians, building occupants and visitors. The retail plan (which included Aussies) was approved by Presiding Officers in October 2016.

As part of the strategy, a rent assessment of all licenced areas at Parliament House was conducted by an independent valuer in November 2016. This was used as the basis to guide the negotiation around fees for the new draft licence for Aussies. DPS provided Mr Calabria with a copy of the independent valuer's rent assessment report along with the draft licence agreement.

This report recommended that the appropriate market rent for the Aussies licence areas should be a combination of a square metre rate for the space and a turnover fee only payable if the annual turnover exceeds a certain threshold. This approach is typical for shopping centre retail leases but the unique circumstances at APH were taken into account. The independent valuer determined that Aussies is comparable to regional shopping centres in sitting weeks only (approximately 18 weeks a year) and comparable to public attractions such as museums, libraries and art galleries in the other weeks of the year. The result is a blended square metre rate for the licenced area plus a turnover fee which is only payable over a certain threshold.

The turnover information will determine whether or not a turnover fee will be charged in arrears and if so, how much. DPS continues to negotiate the licence with Mr Calabria and his representatives in good faith.

The process to commence an in-house catering operation was entirely separate from the process to develop an appropriate licence and fee regime. DPS' role is to provide services and products to support the functioning of the Australian Parliament and the work of parliamentarians. The services include both 'food and beverage services' and 'retail services' such as Aussies.

DPS is managing any perceived conflict through the following mechanisms:

- confidentiality obligations in the licence agreement – which prohibit each party from disclosing the confidential information of the other party, without that party's consent, other than for the purposes of the licence
- obligations under legislation that apply to DPS personnel such as the Parliamentary Service Values and Code of Conduct

- separation of functions and personnel so that staff managing the retail licences such as Aussies are in a separate team from the staff delivering food and beverage services
- decisions in relation to pricing for the catering operations are made taking into account the competitive neutrality principles which require that government business activities do not have net competitive advantages over their private sector competitors simply as a result of their public ownership
- decisions in relation to the proposed licence agreement are based on advice provided by an independent valuer, and
- the proposed new licence, including its terms, are subject to approval by the Presiding Officers.

The Aussie's business model and service delivery has not changed for at least the last two licence periods. It is unlikely that turnover information will provide insights that would provide a competitive advantage.