



AWU factsheet

Spotless group: its track record on delivering public services

2014

INTRODUCTION

The Spotless Group (Spotless) has grown from its beginnings as a sole dry cleaner based in Melbourne, to become an Australasian-wide provider of laundry, catering, non-clinical support, facilities management and cleaning services, with nearly 33,000 employees and over 1,750 contracts.

It has recently been relisted on the Australian stock exchange following two years of ‘turnaround’ by private equity firm, Pacific Equity Partners (PEP). PEP bought Spotless in 2012 for \$723m as its margins were low compared to its peers. Relisted at \$994.6 million on its first day - to repay debt, fund growth and allow its owners to realise part of their investment - a week later its shares had grown by 10%.¹

Spotless CEO, Bruce Dixon, sees government outsourcing as the future of growth for the company. Its prospectus sets out revenue opportunities of more than \$4bn (\$2.6bn new) “driven by moves from state and federal governments to outsource more service delivery”.² Indeed, this is another reason for relisting the company as “any company that deals in outsourcing is better listed because people have perceptions on private equity, either rightly or wrongly. Government would prefer to know who the owners of the asset are.”

CONTRACT BREACHES

- In 2011, Spotless was found to have breached the terms of its \$100m maintenance contract for the Royal Adelaide Hospital on multiple occasions including.³
 - Failure to create and maintain a plant and equipment register.
 - Non-compliance with legionella requirements by not maintaining cooling towers effectively.
 - Overcharging of more than \$500,000 a year due to inaccurate financial processes.

Yet despite what a senior public servant called a “fundamental breach of contract”, Victoria government was in the process of offering Spotless an extension of the contract.

¹ <http://www.smh.com.au/business/demand-for-ipos-continues-unsated-20140530-399ne.html>

² <http://www.theaustralian.com.au/business/spotless-looking-to-future-after-bloodbath/story-e6fmg8zx-1226924591842#mm-premium>

³ <http://www.adelaidenow.com.au/news/south-australia/company-breached-100m-maintenance-contract/story-e6frea83-1226204135169>

- At the International Sevens Tournament in New Zealand on Waitangi day in 2009 and 2010, Spotless was warned by the Commerce Commission it was at risk of breaching the Fair Trade Act with the following sign “Please Note 15% Surcharge (Due to Holidays Act)”. Many of the staff working at the International Sevens Tournament were volunteers or casual staff and therefore did not benefit from the section in the Holidays Act stipulating employees working on a public holiday be paid at least time-and-a-half for that day. An investigation by the Commerce Commission found that Spotless had recovered significantly more from customers than needed to pay for increased staff charges.

SPOTLESS BUSINESS ETHICS

Spotless was taken to the High Court by the Australian Tax Office (ATO) in 1996 over alleged tax avoidance. The High Court found in *Commissioner of Taxation v Spotless Services Pty Ltd* that Spotless had engaged in tax avoidance through investments in the Cook Islands. In its judgement the High Court stated that: “tax laws are one part of the legal order within which commerce is fostered and protected ... in this broad sense taxes are what we pay for civilised society including the conduct of commerce as an important element of that society.”⁴

STRIPPING WORKERS’ TERMS AND CONDITIONS AFTER OUTSOURCING TAKEOVER:

- In March 2014, Spotless staff at the Royal Adelaide Hospital finally won back pay for long running claims that their roles and responsibilities were incorrectly classified at level 1, instead of level 2.⁵
- In 2013, kitchen workers at BlueScope, Illawarra, were to lose their jobs as their current employer Euresst lost the contract to Spotless. Spotless had neither guaranteed employees (some long standing) jobs nor wages, and was likely to offer the modern award wages, effectively resulting in a \$7 to \$9 per hour pay cut.⁶
- In 2013, Spotless paid back a further \$90,000 to employees it was found to have underpaid during audit, in addition to the \$200,000 it was found to have underpaid in 2012 over a six year period and \$85,000 of underpayments to its staff in 2009 and 2010 on Anzac day.⁷

⁴ <http://www.law.unimelb.edu.au/files/dmfile/Myers1.pdf>

⁵ <http://www.unitedvoice.org.au/news/rah-spotless-members-win-reclassification>

⁶ <http://www.illawarramercury.com.au/story/1639694/bluescope-kitchen-workers-protest-job-cuts/>

⁷ <http://www.workplaceinfo.com.au/payroll/payments-and-expenses/spotless-self-audit-identifies-90k-underpayments>

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- In 2012, Spotless was the focus of a notable industrial relations test case.⁸ United Voice claimed Spotless' cleaning staff were being pressured into accepting individual flexible agreements, similar to AWAs, where they would be worse off than terms outlined in the Cleaning Services Award through a contractual reduction in overtime hours and penalty rates.⁹ It is claimed that workers were threatened that their hours or jobs would be cut if they didn't sign the agreements. The Federal Court ruled in favour of the workers, and Spotless was found to have breached the Fair Pay Laws.¹⁰
- In 2011, Spotless' shopping centre cleaners at the Sunshine Coast balloted to strike in response to their continued frustration over chronic understaffing and low wages, which were \$3 lower than office cleaning staff.¹¹
- In 2007, Spotless was found to have illegally locked out 800 hospital cleaners, orderlies and kitchen staff.¹² The workers had been locked out for two weeks in an attempt to force them to agree to bargain outside the framework of a national pay settlement for other public hospital workers, which would see their minimum wage Spotless pay rise by \$3 an hour.
- In 2006, Spotless was accused of cutting cleaning staff pay and conditions at army bases in Victoria.¹³ Although a salary increase of 4% over 3 years was tabled, it was not only the first increase for two years but was presented alongside reductions to other conditions including: extending ordinary working hours, reducing loadings for some part-time and casual workers, and introducing split shifts.

⁸ <http://www.abc.net.au/pm/content/2011/s3178036.htm>

⁹ <http://news.smh.com.au/breaking-news-national/union-to-take-cleaners-case-to-fed-court-20110329-1ceit.html>

¹⁰ <http://www.openaustralia.org/debates/?id=2014-05-15.114.2>

¹¹ <http://www.sunshinecoastdaily.com.au/news/shopping-centre-cleaners-to-strike-fair-work/1183322/>

¹² <https://finsec.wordpress.com/category/unions/new-zealand-unions/page/11/>

¹³ <http://www.workplaceinfo.com.au/payroll/wages-and-salaries/spotless-magic-raising-and-cutting-wages-at-the-same-time>

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