

**Record of conversation with representatives of Catholic Social Services Australia
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CSSA – Frank Quinlan, Phil Murray
ACCC – Richard Chadwick, David Hatfield

CSSA has around 20 agencies operating in the Job Network. CSSA has contracts on a national level, with a peak body tendering on behalf of its members, similar to Job Futures, but with different governance arrangements because they are affiliated through the Catholic Church.

CSSA enters into agreements with member agencies, bound together as a company limited by guarantee as the contracting entity (CSSA Ltd). In other respects, member agencies are separate legal entities. The National Office manages central coordination functions, such as administering contracts.

National Office takes approx. 5.25% out of the agency funding as a levy to cover its costs. CSSA believes that to be viable and competitive in this 'market', parties need to keep their central contract administrative costs at between 4 and 5%. 40% of current central costs (that is, about \$0.75m a year) are fixed for the agencies. It has done some modelling that demonstrates that participants in Job Network need to be of sufficient size to be able to achieve central costs at 5% - and this is around \$50m. CSSA consider 5% to be the 'sweet spot' – in the sense that to drive costs down to 4% would require revenue of around \$100m to 150m, which is not achievable for most providers as only a few have this level of business.

There is no non-compete clause in CSSA's contracts with its members. Members tendering on their own has not been a significant problem for CSSA in the past, but is becoming more of an issue. CSSA is considering whether it needs to address this issue.

If parties such as Job Futures or CSSA were to lose members, they would need to quickly increase their size again, or be forced to significantly increase their levy to remaining members – which would be likely to make them unviable.

CSSA considers that these overhead issues and the costs that are required to tender for and administer contracts are not properly understood by many of their members. If some of them left to go their own way, they may struggle to remain viable when bearing these costs themselves.

CSSA is a strong advocate for smaller players in Job Network. There is significant variability in the people they are working with in different locations. The service that needs to be provided is not the same. Smaller players provide diversity and flexibility that larger, single service companies find it difficult to provide. CSSA is very concerned that Government does not place sufficient weight on provider's local presence and knowledge.

CSSA considers that the non-profits and for-profits are not really competing in the same 'market' – if you could even call it that. Government sets the price for services. Non-profit organisations are reinvesting any 'profits' to better deliver services. While

the for-profits are focussed on delivering the exact minimum service required to extract as much return for shareholders as possible.

CSSA considers that organisations that join groups such as Job Futures or CSSA need to recognise that they can't have their cake and eat it too. In the first few years, new parties benefit from the investment of significant time and effort by the group with previous experience and rely on its broader expertise and systems. It is unfair for members which have grown to the point that they can operate independently to then seek to leave the group and capture those benefits for themselves, rather than provide a return to the group on the investment it has made in them.

CSSA recognises that parties should not be tied to the group indefinitely, but that having joined a group, it is reasonable that they at least be required not to leave and compete against the group for the current and the following tender period. Non-compete clauses are not uncommon in other industries.