



Toll Group
Level 7, 380 St Kilda Road
Melbourne VIC 3004 Australia

T +61 3 9694 2888
F +61 3 9694 2880
www.tollgroup.com

Toll Holdings Limited
ABN 25 006 592 089

25 November 2013

Mr Tony Shepherd AO
Chairman
National Commission of Audit

Dear Mr Shepherd

Re: Savings in the provision of Relocation Services to the Commonwealth

I am writing on behalf of one of Toll Group's businesses, Toll Transitions, with a proposal to reduce the Commonwealth's spending on relocation services.

Toll Group, is Australia's largest transport company. As an Australian publicly listed company, Toll has a commitment to be the Asia Pacific region's most successful provider of logistics providing excellent, safe and innovative service. Toll employs 45,000 people in over 55 countries.

The Toll Transitions business is Australia's leading relocation management specialist delivering seamless employee and workplace relocations for almost 70 years. Each year the business manages over 28,000 relocations and 32,000 removals on behalf of more than 270 government and corporate organisations.

In our dealings with Commonwealth agencies, we have witnessed a number of opportunities to reduce costs in the purchasing of relocation services. Many times Commonwealth agencies take an approach that leads them to over-pay for these services. There are typically three approaches to purchasing relocation services:

- Fixed lane purchasing direct from removalists
- A removalist's managed "broker" model and
- An independently managed broker model.

Each of these models will accomplish the relocation of Commonwealth staff with a transferee and agency service assurance however only **the independent model** gives the government transparency in purchasing. The independent model provides:

- A genuine value for money solution
- An estimated 20 – 30% cost reduction
- A high degree of governance and transparency and
- A method to distribute the government spending to a number of Australian owned removals firms, many of which are SME's.

In working with Commonwealth agencies, we have learned that a number of departments including the Department of Health and Ageing, the Australian Federal Police and the Department of Human Services use the fixed lane method. We understand that the CSIRO is using the removalist's managed broker model.

When tenders are structured in this way, the government is at risk of cost over-runs in metre variations and extra charges. These models have inherent conflicts of interest by the supplier and control of costs becomes problematic when the Government does not have full commercial visibility of the final charges being assessed. In addition, fix lane rate models have no ability to take advantage of day to day market place price variations which routinely arise due to resource/demand fluctuations. There is a corresponding "loss of savings" which is unable to be realised for clients.



With the advent of the Commission of Audit, we would like to offer our assistance in providing you with market benchmarking and information on the industry that would help the Government secure more productive and efficient methods of procuring removals services.

The independent model is currently only available through Toll Transitions in the Australian market. We have found that agencies are refusing to accept bids from Toll because we use this model – they prefer to use an existing system even though it cannot provide the savings or transparency our model provides.

We believe there is an opportunity for Government to improve purchasing practices and find significant cost savings in this category of purchasing. In addition, perhaps the Commission of Audit could use this example as a demonstration of the value for agencies in being more responsive to innovations in the market-place.

Toll Transitions is a trusted supplier to the Australian Department of Defence which has just renewed their contract with us as we continue to provide best in class, innovative, value for money solutions for them. We similarly provide services to a large number of corporate clients.

Toll is keen to discuss this with you (or others you may nominate) to provide market data and relevant benchmarks. I hope to hear back from you so that this cost saving model can be properly considered by your commission.

I am available on [REDACTED] or at [REDACTED] if the Commission would like further information.

Yours sincerely

[REDACTED]
[REDACTED]
Group Director – Corporate Affairs
Toll Group