

1 August 2006

Mr James Catchpole  
Committee Secretary  
Standing Committee on Family and Human Services  
PO Box 6021  
Parliament House  
CANBERRA ACT 2600



Australian Government



Dear Mr Catchpole

Thank you for your letter of 10 July 2006 regarding Centrelink's Request for Tender for the provision of childcare services. Please see below for Centrelink's response to each of the questions raised by the Committee Chairman, the Hon Bronwyn Bishop MP.

**1. The tender document states that, 'Centrelink's workforce is relatively stable, albeit geographically dispersed. It is most important that this program delivers child-care places over a national footprint.'**

- **What is the meaning of 'national footprint'?**

Centrelink's response

Centrelink is an organisation that delivers services to members of the community, with service centres located across Australia. If possible, we would like to provide child-care services for all employees, which would require that the delivery of services be considered for all Centrelink locations. The term 'national footprint' has been used to describe that our service delivery covers all states and territories.

- **What sort of geographical coverage is Centrelink hoping to achieve?**

Centrelink's response

Centrelink is intending to implement a child-care program for as many as possible of its employees, across Australia, however we are unable to say at this stage exactly where centres will be made available. As part of this process, Centrelink will undertake internal surveying of employees and conduct demographic studies to determine suitable locations for child-care places, based on the existing child-care services and the requirements of employees.

- **Does Centrelink plan to continue with the tender if operators cannot provide child-care to a proportion of Centrelink's regional, remote and outer metropolitan staff?**

Centrelink's response

Yes, Centrelink will continue with the tender even if operators cannot provide child-care to a proportion of Centrelink's regional, remote and outer metropolitan employees. Centrelink will maintain the right to examine other options if demand for the provision of child-care places cannot be met under the contract to be negotiated with the preferred tenderer.

**2. The tender document states that the scope of services being requested includes the 'operation and management of any child-care centres that Centrelink may build or lease in the future.' To qualify for the Fringe Benefits Tax exemption under s 47(2) of the *Fringe Benefits Tax Assessment Act 1986*, Centrelink must provide child-care on business premises which it owns or leases.**

- **To achieve a 'national footprint' of child-care services that qualify for the exemption, is Centrelink planning a national capital works or acquisition program to secure premises?**

Centrelink's response

Centrelink is not planning a national capital works or acquisition program to secure premises. The process of acquiring centres will need to be discussed with the preferred tenderer. Centrelink will work with the preferred tenderer to develop an implementation plan to determine where other centres may be located. At this stage, Centrelink has planned for one child-care facility to be available within walking distance of the new Centrelink office currently under construction in Greenway, Canberra, due to be completed in 2007.

- **How many child-care facilities does Centrelink currently own or lease, which qualify as 'business premises' under the Tax Commissioner's ruling?**

Centrelink's response

Centrelink does not currently have any child-care centres. This is the first time that Centrelink has tendered for the provision of child-care services.

**3. Given the many regional and remote parts of Australia where Centrelink operates, there will presumably be some in which it is not viable for Centrelink to own or lease a child-care facility.**

- **Does this mean that where staff members wish to salary sacrifice their child-care and have no option but to use an alternative child-care facility not owned or leased by Centrelink, that the exemption will not apply?**

Centrelink's response

The current legislation in the *Fringe Benefits Tax Assessment Act 1986* (FBTAA) allows employer provided child-care services to be salary packaged without incurring fringe benefit tax (FBT), where the services are provided by the business. Where Centrelink is unable to establish child-care places under an arrangement that meets the relevant tax ruling, Centrelink employees will not be able to salary package the costs of child-care, as they would be required to pay full FBT which would more than likely lead to financial disadvantage.

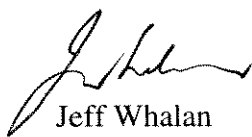
- **Does this mean that these staff members, should they wish to salary sacrifice their child-care costs, will be personally liable for the Fringe Benefits Tax incurred by Centrelink?**

Centrelink's response

Centrelink would not allow employees to salary package child-care costs where they were unable to access employer-provided child-care, as they would be required to pay full Fringe Benefits tax, which would more than likely be a financial disadvantage.

If you have any further questions, please contact Mr Peter Cotterill, National Manager, Workplace Relations & Employment Policy Branch on 02 6212 0205.

Yours sincerely,



Jeff Whalan  
Chief Executive Officer