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# TABLE OF **CONTENTS**

|  |            |
|--|------------|
| About the inquiry  | <b>3</b>   |
| Chair's Foreword   | <b>4</b>   |
| Executive Summary  | <b>5</b>   |
| Principles   | <b>7</b>   |
| Recommendations  | <b>8</b>   |
| Privatisation: the story                                 | <b>10</b>  |
| What is privatisation?                                   | <b>13</b>  |
| Electricity: a national blackout                         | <b>24</b>  |
| Disability: stability of service under threat            | <b>34</b>  |
| Health, Aged Care, Child Care: across the generations    | <b>43</b>  |
| Child Protection   | <b>55</b>  |
| Privatising the policing sector                          | <b>60</b>  |
| Privatised prisons: service failures and increased costs | <b>62</b>  |
| VET privatisation: a public scandal of the highest order | <b>70</b>  |
| Policy, planning and administration                      | <b>86</b>  |
| Conclusion   | <b>91</b>  |
| Terms of Reference                                       | <b>98</b>  |
| ABOUT THE PANEL  | <b>99</b>  |
| About PSI and the convening unions                       | <b>100</b> |
| Appendices   | <b>101</b> |
| Abbreviations  | <b>109</b> |

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# ABOUT THE INQUIRY

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Politicians at all levels of government in Australia are privatising our public services. In recent years, the Global Financial Crisis has created the opportunity for politicians to implement austerity policies, which have only served to deepen economic inequality in our community. Financiers, consultants, and privatisation advocates have seized the GFC as an opportunity to persuade politicians to accelerate privatisation. In all jurisdictions we have seen politicians running down our public services through chronic underfunding and budget cuts, which serve as a further incentive for privatisation.

The aim of the inquiry, chaired by David Hetherington, is to begin a conversation about the issue of privatisation in all its forms – including outsourcing, social impact bonds, user-pays, vouchers, commissioning, etc. - and build consensus around an alternative vision for our public services. We need to put forward our vision for the role of government in service delivery, what kind of public services our community needs, and ultimately, what kind of society we want to live in.

Treasurer Morrison instructed the Productivity Commission to begin an inquiry into extending ‘competition and choice’ in the human services sector – which we know is just code for privatisation. Our inquiry ran parallel to the Productivity Commission inquiry, but instead of looking into ways to further marketise and privatise public services for the benefit of business, our inquiry is the ‘people’s inquiry’. Our inquiry started from the premise that public services are here to serve people and their communities, and will present the views of what communities require from their services, and the role of government in providing these services.

The inquiry began by accepting written submissions from organisations and individuals responding to the terms of reference. The inquiry then travelled to capital cities and regional centres around the country to talk directly with communities about the impacts of privatisation and what they want from their public services.

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# CHAIR'S FOREWORD

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Privatisation is everywhere. For followers of public policy over the last 30 years, it has been a constant backdrop - to the point where it has simply become part of the natural order of things. The idea is tightly woven into our fabric of government.

Privatisation is more than simply the sale of public assets and services. It is the transfer of the management of any activity (including policymaking!) from the state to private actors, both commercial and non-profit. Its rationales are many and its mechanisms diverse. It covers outsourcing, marketisation, asset recycling, private finance initiatives, public private partnerships, strategic commissioning and much more.

These terms are deliberately boring. They induce a belief that privatisation is a technocratic necessity. It is presented as a black-and-white question of public financing that governments are best placed to evaluate. The language of Treasury briefs and Productivity Commission reports, with their 'efficiency dividends' and 'cost-benefit analyses', reinforces this perception.

This is the lens through which privatisation is usually viewed. But as this Inquiry has shown, it is far more than that.

To people in Australia's cities, towns and bush, privatisation has meant bus routes cut, rising electricity bills and TAFE closures. It's meant disappearing jobs and apprenticeships. The pain privatisation has caused is both personal and social. It hurts individuals, who believed they could depend on basic services in times of need; and it weakens communities, which depend on public infrastructure, institutions and jobs for their viability.

As a panel, we believe an unwavering commitment to privatisation has run its course. It is clear that the hidden costs of privatisation are considerably higher than widely realised. Given this, we need to challenge existing and proposed privatisations more forcefully. Most importantly, we need to develop alternative approaches for the provision of high-quality public services and assets. This report begins that work; we hope others will join us in expanding it.

On behalf on the Inquiry panel, I would like to express profound gratitude to all those who attended hearings and offered testimony, often sharing painful personal stories. To the individuals and organisations who provided written submissions, we are equally grateful.

Our thanks extend to the convening unions for their foresight in commissioning this Inquiry and to the partnering civil society organisations for their support.

Particular thanks are due to the Panel secretariat for their herculean efforts in bringing both the national hearings and the resulting report to life. Michael Whaites, Clare Middlemas and Danielle Mahoney were beacons of patience and good humour over many months of demanding work.

On a personal note, I wish to thank my fellow panelists Yvonne Henderson and Archie Law for their commitment, judgment and collaborative spirit. It has been a distinct privilege to chair this Inquiry - the quiet dignity and resilience of people across this great country will remain with me a long time indeed.

**David Hetherington**  
*Chairman*

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# EXECUTIVE SUMMARY

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The features of well-functioning democracy include strong government institutions, a robust private sector and a strong civil society that holds those actors to account. One of government's fundamental roles is to equitably provide essential services to all communities and regulate the delivery of those services.

Access to quality public services are a human right and should be based on needs rather than costs. This is essential for human development, prosperity and a flourishing society.

On the one hand, you don't let people fall off the edge when the world changes – when work disappears, or the health and care needs of the community grow. On the other, providing government services only to the needy risks entrenching a two-tiered society. We must strike a balance.

## ABOUT THIS REPORT

Over the last year, the People's Inquiry into Privatisation travelled around Australia to speak to hundreds of people about the impact of privatisation on their communities. As three independent panellists, we collected evidence in the form of dozens of written submissions and many hours of oral testimony to produce this written report.

With the evidence provided to us, we have identified six essential principles and developed a set of 12 recommendations on privatisation.

In many cases, the privatisation of services has not served the community well. In fact, there is evidence that it has caused significant harm to our most vulnerable citizens, such as people with a profound disability, and those requiring hospitalisation, aged care, child care or child protection.

The most significant consequences of privatisation in each service area are outlined below.

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## Electricity

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- job losses in the electricity sector
- increased costs for consumers
- service disconnections
- profits from assets going overseas instead of going back to the public
- reduction in research, development and maintenance of these assets
- reduced investment in apprenticeships and training
- loss of accountability, transparency and control

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## Aged Care

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- reduction in care hours
- reduction of staffing and skill mix
- profit motive outweighing delivery of quality care
- erosion of pay and conditions for staff

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## Child Care

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- market forces contriving to create an over-supply in regional areas and an under-supply in rural and metropolitan areas
- 0-2 year age groups have a shortage of places and long waiting lists due to higher staff costs
- lower wages for child care workers
- overall decreased quality of care

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## Hospitals

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- limited government control over quality
- poor contracting management
- increased risk for the state following contract difficulties
- cost blow-outs
- decline in quality of services to the public

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## Child protection

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- children being roomed for extended periods in hotels and sometimes overnight in office buildings
- children being repeatedly referred back and forth between government and NGO (non-government organisations) providers
- NGOs failing to recruit sufficient number of carers to meet growing demand
- services, both NGOs and government, being underfunded
- staffing restrictions in government-run services

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## Disability

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- Loss of the right to choose services
- Loss of a public disability safety net for people with complex needs
- Fears of service cutbacks and deterioration of quality care
- Lack of accountability and ability for non-government providers to turn away high-needs clients
- Reduced pay and conditions for workers
- Privatisations are rushed and distressing for clients

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## Prisons

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- Diminishing quality and performance of contracted prison services
- Contracts which fail to secure the effectiveness and efficiency of private prisons
- Cost to public sector when rectifying problems created by private company failures
- Reduction in prison education to assist in rehabilitation
- Reduction in staffing numbers and pay and conditions

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## Vocational Education and Training (VET)

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- the demise of the internationally respected TAFE (Technical and Further Education) system
- the emergence of fraudulent and predatory behaviour (including the targeting of vulnerable people, leaving them with debts they cannot pay)
- poorer quality of education
- less access to more capital-intensive courses
- poor consequences for regional areas.

## POLICY FRAMEWORKS NEEDED

We believe privatisation as a policy tool has broadly failed the Australian community and should only be employed in the future in exceptional circumstances. In these cases, any decision to privatise should only be made after public debate and public endorsement by election.

There is an urgent need for a new policy around privatisation to be developed for the communities of the future.

## LACK OF ACCOUNTABILITY

We have also found that the longer privatisation goes on, the less accountability the government has to the public.

Self-regulation, or light touch regulation, does not work as a governance principle. Governments must pick up the challenge to create new public assets and institutions that deliver quality services for all so no one is left behind or shut out.

The role of NGOs to advocate in the public interest is critical to a well-functioning democracy.

NGOs that exist to serve a “mission” should be conscious of the tension between service provision where gaps exist and providing government services for the purpose of growing the organisation or the ability to comment on government policy.

A key role of NGOs should be to hold governments accountable.

*Panellists: David Hetherington (Chair), Archie Law and Yvonne Henderson*

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# PRINCIPLES

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## **Given the submissions and the available evidence we believe:**

- ① Citizens have a right to well-resourced and capable governments delivering quality public services paid for through a just tax system.
  - All citizens should have access to these services irrespective of ability to pay
  - Particularly around privatisation decisions, democracy requires transparency, openness, participation and accountability between government and its citizens
- ② Quality, rather than cost, is the best measure to judge who has the capacity to deliver services
- ③ Privatisation should not be presented as providing greater choice to citizens when it removes the choice to continue using existing government services, as has occurred in some provisions of disability services
- ④ Privatisation should not be seen as a means of making savings by lowering the quality of services provided or by reducing the wages and employment conditions of workers
- ⑤ Whether government-funded services are provided in the public or private sphere, the community must be able to hold governments accountable for those services
- ⑥ All privatised services should be completely transparent to the public. Citizens have the right to know where and how public funds are being spent and the detail of services provided

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# RECOMMENDATIONS

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- ① We call for a moratorium on privatisation until greater regulatory mechanisms and proper policy frameworks are implemented around the delivery of public services.
- ② Prior to any new privatisation, governments should:
  - provide details of all the proposed benefits, sources of savings and evaluation of costs
  - assess the benefit to the public, including a comparison of service provision and access to prove why delivery of services cannot be maintained by the government
  - define minimum qualifications for new employees prior to privatising
  - prohibit any company that has evaded taxes or broken the law from taking over public services.
- ③ Where there is a privatised service, governments must take back the regulatory space and set the rules. An independent regulatory body should oversee privatised assets and services to ensure accountability.
- ④ Governments must continue to employ sufficient, qualified staff to evaluate the quality and competence of service providers, and to provide a continued role in strategic advice. Departments of government should not be tendering policy decisions out to consulting or accountancy firms.
- ⑤ There must be **NO** commercial-in-confidence provisions when taking public money.
- ⑥ If a service is to be privatised, governments must set a fixed tender price that ensure cost is removed from the decision process and tenderers are competing on the basis of quality only. This prevents it being a race to the bottom.
- ⑦ Where privatisation occurs, the new provider must, as a minimum, maintain the same employment conditions and standards as the government service it replaced in regards to:
  - wages and conditions of employment
  - health and safety
  - equal opportunity employment
  - codes of ethics and other codes of practice.



- 8 Governments should take back control of failed privatisations rather than give contracts to new private providers.
- 9 All privatised services that receive government funding to provide a public service should report annually to ensure services and infrastructure that use public money are open, transparent and delivered to the highest quality. Such reports must contain:
  - a log of all complaints
  - a comprehensive and detailed, up-to-date cost of services, detailing government funds received and where the money has been spent
  - measurable key performance indicators (KPIs)
  - feedback from service users on quality
  - changes to workloads and employment conditions over the short and long term
  - evidence that minimum staffing numbers and standards, including conditions for staff, are met and that accredited qualifications are recognised.
- 10 Australia should rebuild public assets and public sector capability in **new** areas. These could include:
  - clean energy
  - new energy generation, storage and distribution solutions
  - a publicly owned and run transactions bank
  - government-based shared equity funding for low income earners, in areas such as affordable housing and solar power
  - digital government
  - infrastructure and assets (such as the East Coast Very Fast Train line).
- 11 Governments must legislate to ensure funding for services is not linked to the ability of the provider to comment on government policy or dependent on its capacity to grow the organisation.
- 12 There is an urgent need to restore confidence in the provision of specific failed privatisations:
  - TAFE – there is a strong case for re-building the public sector role by resourcing TAFE and removing public funding from private vocational colleges. This should involve stronger regulation of private providers and re-investment in public institutions.
  - Disability services – governments must immediately act to ensure the retention of existing or the creation or recreation of government facilities and staffing for those with complex needs.

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# PRIVATISATION: THE STORY

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## THE BACKGROUND

During the first nine decades of the 20th century, the Australian people used their collective wealth to create a fabric of publicly-owned infrastructure and services that built our nation. The resulting banks, schools, technical training institutions, universities, hospitals, transport networks, power generators and social services of many kinds were expressions of the very democratic idea that the surplus of our economy should be invested to serve everyone and be answerable to everyone. They may have been far from perfect, but they were extremely popular. After all, they worked.

Then, from the mid to late 1980s onwards our leaders from all parties began to pull this fabric apart. Some industries are already largely gone from public control, like the electricity industry. Many are in the throes of privatisation, like aged care, child care, hospitals, child protection, disability services, prisons and vocational training. Others are on the chopping block, like a science, land titles, public trustees, roads, ports, air-services, sports and recreation. And yet others are being lined up by hungry contractors and ideologues, like policing and defence.

This privatisation was done for many reasons. Some of those reasons, like the desire for greater efficiency, are understandable, if not accurate. Others, like ideological fashion, are not. Mainly, though, it was done to improve the look of state and federal government balance sheets – something we can now see has largely failed. Indeed, in many areas of service provision, privatisation has produced far inferior services at far greater cost.

One example among many highlights what has gone wrong: vocational education. Where publicly-provided TAFE colleges provided

millions of Australians with skills and upward mobility at an affordable cost while meeting the expanding needs of employers, today's privatised vocational training system is shrouded in scandal, often leaving students with mountains of debt for poorly taught courses for which few jobs exist. Worse, it has become a hunting ground for dishonest businesspeople preying on the weak to gather up poorly-administered public subsidies. From a great public institution that promoted upward mobility to a privatised producer of misery in just one generation. Similar problems that have undermined the once-great TAFE system infect other privatised services to varying degrees. The Australian people know this, and they want it stopped. This report explains why.

This People's Inquiry into Privatisation ('the Inquiry') is not a work of anti-privatisation ideology or of economic statistics. Some economic analysis offered to the Inquiry as part of detailed submissions has been included to demonstrate how the claimed economic benefits of privatisation have not been delivered. Mostly, though, it is the practical story of privatisation told from the bottom-up, as seen from the standpoint of those who depend on government services which are now often privatised to get ahead in life or – as in the case of aged care and disability service users – sometimes just to stay alive. This includes the users of services, such as the parents of children needing a strong National Disability Insurance Scheme (NDIS). And it includes the employees of privatised services: hospital cleaners, aged care workers, early childhood educators, disability aids, skills trainers, social workers and others who have seen their pay, conditions and professional standing undermined by privatisation. In other words, it gives an accurate and concrete picture

of what privatisation has actually meant for real people, not the abstract, theoretical and usually self-interested account so endlessly and blithely repeated by privatisation's proponents.

The following sections are not an exhaustive account of privatisation in Australia, but feature the most impactful stories that the inquiry panel heard around the country at the 12 public hearings; privatisations that are currently unfolding. Each of the following sections explains the effects of privatisation in people's own words, unedited from the transcripts of the inquiry panel's 12 public hearings. If the report sometimes sounds raw and passionate, and occasionally angry, that's because so many everyday people – largely apolitical people who would never ordinarily see themselves as part of a political movement – feel that way. You will find many moving stories as you read through the report. The end result is an alarming picture of service inadequacies and failures. Economic reform didn't have to turn out the way it did; there were alternatives, and the final section the report offers some early ideas and policy recommendations for a better way forward, based on the ambitious idea that a renewed and reinvigorated public sector can help Australia's people make the most of the big economic and social opportunities that lie ahead.

This report should therefore be read as a source of hope about a better way to serve the Australian people in the years to come. By starting an informed debate about the legitimacy and efficacy of privatisation as a policy tool, we hope to get people thinking about what might replace it, and what role revitalised and wholly

new public services might have in addressing emerging issues like the health needs of our ageing population, our energy needs in the age of climate change, re-skilling our people for the era of artificial intelligence and robotics, housing our expanding population and restoring the health of our banking system. The Inquiry's next steps will be to turn its main themes into practical policy ideas.

## THE THEMES OF THE INQUIRY

A number of prominent themes emerged from the Inquiry's public hearings and submissions.

**1 Privatisation is not an abstract policy issue – it is deeply personal** to the families and communities who have to face the consequences of the policy. The evidence that we received showed that privatisation has overall had a damaging effect on services and that these effects make a real difference to people's lives. When privatisation goes wrong, it is not a mere matter of inconvenience – it hurts people in very specific ways.

**2** The people that rely most on public services include women, Aboriginal and Torres Strait Islander communities, households with long-term health problems or disabilities, the elderly, people who are unemployed and those in the prison system. The evidence presented to the Inquiry shows that these are the same communities who are worst affected by privatisation, and that further withdrawal by governments from service delivery will further restrict access to and participation in public services, and further embed the gap for those who are facing poverty, deprivation or social exclusion. So **privatisation contributes to rising inequality.**

**3** Despite the very direct and personal effect of privatisation on people's lives, **decisions about privatisation have been taken out of the democratic realm**, and the discussion about privatisation has become technocratic, inaccessible and opaque. There is a lack of democracy in the way decisions are made: there is a lack of meaningful consultation with stakeholders; decisions about privatisation are usually made on short-term financial grounds without considering the effect on services; and vital information about privatisation is unavailable to



citizens because of ‘commercial in confidence’ provisions and other mechanisms that prevent scrutiny. More fundamentally, the very language of discussions about privatisations is becoming less democratic – meaning technocratic, financial, corporate, and abstract – allowing little space for people to articulate what they actually need in concrete terms. The debate is often incomprehensible to the lay person – an effect we suspect is not wholly unintended.

**4** This dwindling of democracy means that it is **increasingly difficult for communities to hold someone accountable** for the inadequate delivery of services. There is a very basic need for people to know who to call when things go wrong, to get answers from someone in authority, to know what level of service they can expect and who to blame if services fail. All these things are harder when services are at arms’ length from government, when corporations are not held to the same standards of transparency as government bodies, and when government is vacating the regulatory and oversight space.

**5** When decision-makers do try and explain why they are privatising something, they typically talk only about ‘choice’ and ‘price’, but it is clear from the evidence presented to this Inquiry that when it comes to privatisation **‘choice’ is a myth**. In theory, the withdrawal of government from service provision is meant to create space for the private sector to flourish through competition. In reality, the field of providers often narrows to a small number of large organisations, and in some cases what is being privatised is a natural monopoly where competition is practically impossible and inadvisable. Often the withdrawal of government services actually reduces the choices available to people (disability services are a good example).

**6** **The financial benefits that supposedly automatically flow from privatisation are often mythical.** Demonstrably, once privatisation occurs, the purported savings often fail to materialise, with the private sector often failing to deliver services more cheaply than governments. Many times, it is more expensive as well as being of poorer quality and often governments need to spend even more money to fix the resulting problems.

**7** The withdrawal of government from various areas of life is not what people want. In fact **there is more, not less, demand for government services than in the past** – but, sadly, increasing reluctance from governments to provide them. Communities did not agree to accept less coverage or less quality from government, but that is what they are being given.

**8** There is therefore a clear demand to reverse or somehow address failed privatisations – to improve oversight, to restore services to public hands, to right the wrongs that these policies have inflicted. But more than that, **there is a demand for governments to build capacity in new areas**. We should be building as well as rebuilding.

**9** We cannot face the profound challenges that we already know are in our future – such as climate change and digitisation and automation – unless governments have the confidence to intervene decisively and competently in the interests of justice, fairness and equality. This is why **we need to be bolder about our expectations of government as a place where people come together to solve problems**, and to articulate a positive role for government that offers our community the confidence to face the future.

## THE RESPONSE FROM THE COMMUNITY

The Panel was inundated by thoughtful and passionate responses to the Inquiry from the community. We received detailed analysis, based on extensive research and evidence, from individuals and organisations who gave us a clear – and alarming – picture of the devastating effects of privatisation. We also heard, in written contributions and in person, powerful and moving personal stories of the pain that privatisation has caused people in this country. Details of all public hearings and written submissions are listed in the appendix. The Panel extends its deepest gratitude to everyone who participated.

# WHAT IS PRIVATISATION?

## DEFINING PRIVATISATION

So what is privatisation and how does it claim to work? The answer is not as simple as the selling off of public assets into private hands.

This inquiry has taken a broad definition of privatisation to capture the many ways that governments in Australia have shifted the ownership of assets and provision of services from the public sector to the private sector. The definition this inquiry offered in the terms of reference was:

*‘Privatisation’ is the transfer, in whole or part, of public assets or service provision from the government to an entity outside the government. Privatisation includes the outsourcing of service delivery, sale of public assets, ‘user choice’, voucher systems, public-private partnerships, commissioning, social impact investment, and mutualisation.<sup>1</sup>*

The submissions we received supported and built on this definition. Broadly, privatisation can be seen as a ‘shift in focus from public to private... where there are substitutions for government ownership, government funding, and government provision.’<sup>2</sup> Dexter Whitfield noted in his submission that privatisation:

*...has never been limited to the sale of national corporations; outsourcing local public services; imposing fees, charges, tolls or higher rents and fares; private finance of public services; or to imposing competitive regimes that have drastic consequences for service users and public sector staff.<sup>3</sup>*

The Community and Public Sector Union’s (CPSU) submission noted that privatisation occurs not only in the context of public assets and services, but in the important policy and planning work of government through the increasing use of labour hire workers, independent contractors and consultants.<sup>4</sup>

## JUSTIFICATIONS FOR PRIVATISATION

The main justifications for privatisation given by politicians and other advocates can be distilled to the following claims, listed in no particular order:

**1 Fiscal motives** – this includes selling assets to pay off debt, entering into Public-Private Partnerships (PPPs), ‘asset recycling’ to fund new infrastructure, and outsourcing to reduce financial liabilities in the public sector.

**2 Efficiency motives** – these are based on the idea that government and the public sector are by definition inefficient, and that improved productivity and efficiency (both cost-related and quality-related) can be gained through outsourcing, PPPs and asset sales.

**3 Competition motives** – these are often pitched as justifications to the public as consumers. They include the idea of increased choice for service users, increased innovation, better decision-making due to direct financial interests and better-quality services through outsourcing, social impact bonds and asset sales.

<sup>1</sup> Terms of Reference, *People’s Inquiry Into Privatisation*, peoplesinquiry.org.au, August 2016.

<sup>2</sup> C. Aulich and J. O’Flynn, ‘From Public to Private: The Australian Experience of Privatisation’, *The Asia Pacific Journal of Public Administration*, Vol 29, No 2 (December 2007), p. 155, as quoted in CPSU SPSF written submission, p. 1.

<sup>3</sup> Dexter Whitfield, written submission, p. 1.

<sup>4</sup> CPSU PSU, written submission, p. 19.

This report provides much evidence to counter these main claims. Some of the counter-arguments are briefly summarised below:

### Fiscal motives



While fiscal motives focus narrowly on the bottom-line – excluding other factors like quality, accountability and efficiency – the evidence shows that the public and the government are usually worse off after privatisation. Often it simply costs more in the short term, and over the longer term, its benefits are far from clear cut. As a simple analogy, saying a government should sell off public assets to make up a temporary budget shortfall is like saying that a tradesperson should sell off his or her tools to pay off immediate bills – it is short-sighted and disregards future value.

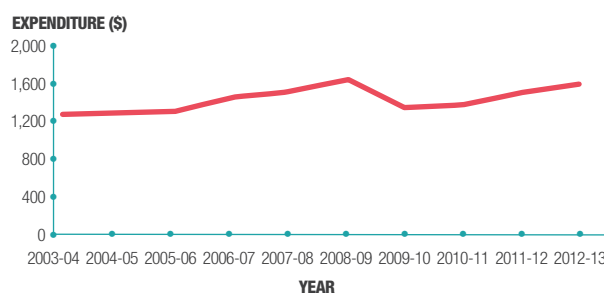
When public assets are sold, they are often done so far below market value, or without taking into account the other costs involved. Studies have shown that the monies earned through selling off public assets are often less than the cost of the loss of the asset and the associated fiscal costs – meaning it actually costs more to privatise than to keep the asset<sup>5</sup>. This worsens when those public assets privatised are natural monopolies (like water or electricity utilities) that in public hands generated considerable revenues and performed efficiently – often more efficiently than after privatisation<sup>6</sup>. Privatisation in such cases amounts to little more than the transfer of wealth from public to private hands.

In recent years, this has worsened with the pairing of the funds raised from privatising assets with infrastructure development through PPPs, which Gabrielle Meagher and Shaun Wilson call: ‘a form of market encroachment by other means.’<sup>7</sup> The effect is to lock the government and the public

into long-term deals that are less favourable than if the government had borrowed the funds needed themselves and paid off the additional public debt over time. Indeed, PPPs such as toll roads have the effect of transferring the cost of infrastructure directly to the service users.<sup>8</sup>

The privatisation of public services, particularly social welfare services, has generally failed on fiscal grounds. Ben Spies-Butcher says in his submission that ‘Australia’s experience suggests support for private provision does not achieve either the fiscal or equity goals of policy makers.’<sup>9</sup> This is supported by others including Donna Baines and Susan Goodwin’s submission which argues that since 2003, privatisation and other efficiency measures have failed to cut the costs per capita of social welfare services, stating that: ‘instead, the same money is being spent, though it is no longer spent on public services... it is spent largely on for-profit and some not-for-profit providers.’<sup>10</sup>

**FIGURE 1. GOVERNMENT WELFARE SERVICE EXPENDITURES (PER CAPITA)<sup>10</sup>**



An obvious reason for this disparity is that governments often fail to factor in the costs of the heavy regulation needed to ensure privatised services meet the terms of the contract or maintain expected service quality.<sup>11</sup>

Additional evidence is provided by the CPSU in their submission, which shows how public provision of services can be cheaper than private provision. They state: ‘as a public sector

5 John Quiggin, ‘Does Privatisation Pay?’, *The Australian Economic Review*, 2nd quarter (1995), pp. 23-42.

6 John Quiggin et al., ‘The Privatisation of ACTEW: The Fiscal, Efficiency and Service Quality Implications of the Proposed Sale of ACT Electricity and Water’, (The Australia Institute, December 1998), p. x, <http://www.tai.org.au/node/883>

7 Gabrielle Meagher and Shaun Wilson, ‘The politics of market encroachment: Policymaker rationales and voter responses’ in *Markets, rights and power in Australian social policy*, eds. G. Meagher & S. Goodwin, Sydney University Press, Sydney (2015), p. 47.

8 Beth Cook, Victor Quirk, and William Mitchell, ‘The Impact on Community Services of Staff and Service Reductions, Privatisation and Outsourcing of Public Services in Australian States’ (Centre for Full Employment and Equity, 2012).

9 Ben Spies-Butcher, written submission, p. 2.

10 Baines and Goodwin, written submission, p. 2.

11 Beth Cook, Victor Quirk, and William Mitchell, ‘The Impact on Community Services of Staff and Service Reductions, Privatisation and Outsourcing of Public Services in Australian States’ (Centre for Full Employment and Equity, 2012).

provider, 94 cents of every dollar in the Medicare system is spent on medical services. By comparison, Australian private health insurers return only 84 cents in the dollar to services after administrative costs and corporate profits.<sup>12</sup>

### Efficiency motives



The most common claims made about the inefficiency of the public service compared to the private sector – ‘bloated bureaucracy’, ‘red tape’, ‘lazy public servants’, profit-driven entities always provide the best service more efficiently – are simply not supported by the available evidence.

The extensive international literature on the effects of privatisation on efficiency is in general agreement that privatisation is neither necessary nor sufficient for improving the efficiency of government entities and services – as efficiency is primarily determined by the management and operating environment of an entity, not by its ownership<sup>13</sup>. Any measure to make a task, workforce or worksite operate more efficiently in the private sector can be applied to the public sector. Additionally, workers in insecure employment perform less effectively and are less likely to be innovative than those who feel secure in their jobs.<sup>14</sup>

International institutions such as the Organisation for Economic Cooperation and Development (OECD) and the World Bank rate the efficiency of Australian public sector very highly. Australia performs well overall in comparison with other OECD countries in government processes and outcomes<sup>15</sup>, and the World Bank rates Australia in the 92<sup>nd</sup> percentile for government effectiveness and the 96<sup>th</sup> percentile for regulatory quality<sup>16</sup>. Indeed, when compared on a like-for-like basis, the public sector outperforms the private sector<sup>17</sup> –

a fact often masked by inadequate measurement of performance and service provision.<sup>18</sup>

The Centre for Policy Development’s submission raised another important issue: that privatisation erodes the public sector’s ability to deliver services and develop policy through the loss of experienced staff. This also affects the capability of those entities that remain in public hands.<sup>19</sup>

### Competition motives



While pro-privatisation groups argue that increased competition via ‘user choice’ leads to greater innovation, efficiency and service quality, evidence suggests the opposite is often the case, even where there are multiple competing private providers.

Many submissions to this Inquiry raised the issue of the reduced transparency and accountability when services are privatised, due to the loss of public scrutiny, loss of authority of oversight bodies, and the secret ‘commercial-in-confidence’ provisions that are often included in contracts with private providers. The Australian Services Union (ASU) noted in their submission that:

*Private firms are not subject to the objectives of ‘open government’. Private corporations have been shown to hide behind ‘confidentiality clauses’ and various mechanisms aimed to safeguard them from competitors, loss of ‘trade secrets’, potential profit loss as well as public criticism. While government documents may be available through record requests, private companies can block access to a wide range of information by claiming it has proprietary status.<sup>20</sup>*

12 CPSU PSU group, written submission, p. 10.

13 John Quiggin et al., ‘The Privatisation of ACTEW: The Fiscal, Efficiency and Service Quality Implications of the Proposed Sale of ACT Electricity and Water’ (The Australia Institute, December 1998), x. <http://www.tai.org.au/node/883>.

14 Kathy MacDermott and Christopher Stone, ‘Death by a Thousand Cuts: How Governments Undermine Their Own Productivity’, Occasional Paper (Centre for Policy Development, August 2013), [http://cpd.org.au/wp-content/uploads/2013/08/CPD\\_OP30\\_Death-by-1000-cuts.pdf](http://cpd.org.au/wp-content/uploads/2013/08/CPD_OP30_Death-by-1000-cuts.pdf).

15 OECD, ‘Government at a glance, country fact sheet: Australia’, <http://www.oecd.org/gov/australia.pdf> (2015).

16 World Bank, ‘Worldwide governance indicators’, <https://data.worldbank.org/data-catalog/worldwide-governance-indicators> (2015).

17 Stephen Koukoulas and Thomas Devlin, ‘Nothing to Gain, Plenty to Lose: Why Government, Households and Businesses Could End up Paying a High Price for Electricity Privatisation’ (The McKell Institute, December 2014).

18 Cook, Quirk, and Mitchell, ‘The Impact on Community Services of Staff and Service Reductions, Privatisation and Outsourcing of Public Services in Australian States’.

19 Centre for Policy Development written submission, p. 6.

20 ASU written submission, p. 11.

Competition can also erode service results. The Australian Council of Trade Unions' (ACTU) submission outlines the effect of competition on the vocational education and training sector, and in particular points to 'sharp practices' - the deliberate gaming or rorting of a system by service providers - as a predictable negative result of privatisation<sup>21</sup>. Providers used unethical means to pressure students to sign up to low-quality courses which in many cases the students had no capacity to complete and no capacity to repay, to secure money from the government. As the ACTU comments, some private providers were rorting the system 'as a method to line their own pockets at the expense of students and workers'<sup>21</sup> - and, we would add, at the expense of taxpayers.

Service outcomes can also suffer because of the inherent difficulties of measuring outcomes in complex services which often results in a focus on short-term profitable outcomes, rather than long-term outcomes for service users and society generally<sup>22</sup>. Additionally, there is a tendency for private providers to 'cherry pick' the clients or services that are the cheapest and easiest to provide for. Jesuit Social Services raise this point in their written submission:

***Alongside a crowding of the market, there is a risk that profit-driven services will select service users that suit their business model. In doing this they reduce their costs and appear to have better outcomes.***<sup>23</sup>

Ultimately this means that service-users miss out, and that the public sector is burdened with servicing the most difficult cases or areas with reduced resources.

Finally, the concept of 'choice' has become popular among privatisation advocates in recent times. Meagher and Goodwin noted that 'choice' has become a powerful, if amorphous concept, which is seen as a good in itself<sup>24</sup>. The theory is that privatisation is a way of enhancing individual choice, and this reasoning leads to

policy proposals such as individual budgets (as in the NDIS), voucher schemes (as in vocational education), and outsourcing to private (for-profit or not-for-profit) providers (as in disability services). Most recently, the Productivity Commission has employed the notion of 'choice' in its Human Services Inquiry, which is examining the application of competition and user choice to services within the human services sector to improve outcomes.<sup>25</sup> Choice is used in this context in a limited way, as a choice between different private providers offering slightly different 'products'. As we will explore in the chapter on disability services, however, the concept of choice means only a choice between private providers: clients who wish to stay with the public sector have had that choice denied.

These three main motives - fiscal, efficiency, and competition - used as justification for privatisation have little basis in evidence.

## **IN THE ABSENCE OF FACT, IS IDEOLOGY THE DRIVING FORCE?**

A detailed study into the effect of staff reductions and privatisation on Australian state public services undertaken by the Centre for Full Employment and Equity concluded:

***After 35 years of public sector retrenchment there is little evidence to support the repeated claim that outsourcing and privatisation would improve the quality and lower the cost of providing what were useful public services. The justification of cuts to useful public services thus has no evidential basis and so we conclude the motivation was largely ideological.***<sup>26</sup>

Many submissions identified this ideology as neoliberalism<sup>27</sup>. Neoliberalism is a contested term, but broadly refers to a set of economic principles and policies that rose to prominence in the 1970s and 1980s which give primacy to the free market. After the oil crisis and recessions

21 ACTU written submission, p. 5.

22 CPSU PSU written submission, p. 7.

23 JSS written submission, p. 12.

24 Gabrielle Meagher and Susan Goodwin, 'Introduction: Capturing marketisation in Australian social policy', in Meagher and Goodwin (2015), p. 18.

25 Productivity Commission, 'Terms of Reference, *Human Services Inquiry*, <https://www.pc.gov.au/inquiries/current/human-services/terms-of-reference> (2016).

26 Cook, Quirk, and Mitchell, 'The Impact on Community Services of Staff and Service Reductions, Privatisation and Outsourcing of Public Services in Australian States,' p. xviii, as quoted in CPSU SPSF written submission, p. 3.

27 For example, ASU written submission, CPSU SPSF written submission, Dexter Whitfield written submission.



of the 1970s, many industrialised countries turned away from Keynesian economic policies which promoted government intervention in the economy, and adopted free-market policies of deregulation, reductions in taxes and tariffs, and privatisation. These policies were implemented by governments domestically as well as internationally, through organisations such as the International Monetary Fund and the World Bank, and secured through Free Trade Agreements<sup>28</sup>. Dexter Whitfield explains further:

***Neoliberal objectives in the last three decades have centred on free trade, competition and markets to allocate resources and deliver services with state control of money supply; deregulation to create new opportunities for accumulation; the deconstruction of democracy to a partnership between state and business; reconfiguration of the state to reduce its role and to consolidate corporate welfare; and a reduction in the cost and power of labour.***<sup>29</sup>

Privatisation is a core part of the neoliberal agenda. According to the theory, ‘private ownership and provision, choice, competition and markets, are essential to maximise productivity and efficiency to create the conditions for economic growth.’<sup>30</sup> Given this, advocates of neoliberalism argue for a reduced role for government, or ‘small government’, and an increased role for the private sector. Privatisation also reduces the power of public sector workers to resist reductions in wages, conditions, and staffing levels.

Whitfield goes on to argue that privatisation is ‘a comprehensive strategy for permanently restructuring the welfare state and public services in the interests of capital.’<sup>30</sup> Specifically, privatisation restructures the welfare state in order to create new markets for private capital. So areas such as education, healthcare, social services, energy, and transport which used to be within the purview of the welfare state are opened up to the free market through privatisation.

Three submissions to this inquiry offered variations on the concept of ‘neoliberalism’: market fundamentalism, new public management, and managerialism. All of these related concepts highlight the central role of free-market ideology, the growth of ‘new markets’ in public services and assets, and a preference for an increased role for the private sector and private-sector practices.

Colin Penter noted in his submission that privatisation is part of a broader ‘market fundamentalism’ – ‘the drive to subject all social life and the public sphere to market mechanisms and approaches.’<sup>31</sup> He argues that privatisation is just one mechanism through which the market agenda is imposed on people, and that ‘one consequence of market fundamentalism is that market-based solutions, such as privatisation and marketisation, have become the mantra for solving big policy issues and social issues.’<sup>31</sup>

‘New public management’ is a term used to describe approaches adopted to marketise the public sector and make it more ‘business-like’. Spies-Butcher argues that the use of market principles in the public sector has served the privatisation agenda:

***States and markets have developed different accounting structures reflecting very different normative assumptions and roles. However, a key feature of policy change designed to facilitate privatisation is to blur these roles and principles... The blurring of these accounting boundaries is not neutral. It systematically leads to the overestimation of the benefits of competition and private provision... importation of concepts and language from the private sector that reflect a pre-determined commitment to competition and private provision, and a failure to take seriously the different instruments and objectives of states compared with markets.***<sup>32</sup>

28 Action Aid written submission, p. 2.

29 Dexter Whitfield written submission, p. 1.

30 Dexter Whitfield written submission, p.1.

31 Colin Penter written submission, p. 1.

32 Ben Spies-Butcher written submission, p. 7.

Gil Anaf gives a different take on neoliberalism in his submission, and explores 'managerialism' which holds that 'managing economic issues is all that is required for the greater good of the community, as social benefits will follow and 'trickle down' to ameliorate such issues as inequity.'<sup>33</sup> Anaf argues that 'managerialist theory has become the currency that drives policy... [which] is no longer based on the interests of the community, but rather is about furthering managerialism itself.'<sup>33</sup>

After thirty years of governments embracing these types of practices, privatisation and neoliberalism in general have become normalised and imagining an alternative approach to public services has become more difficult. Eva Cox observed further at the Sydney public hearing that privatisation can drive further privatisation, as it normalises privatisation and reduces the expectation that government will deliver services.

*...the visibility of government as a deliverer of service has disappeared. Even when things are government run, they're often subcontracted and... they don't even look as though they're government run any more. There's not a sense that this is something we own, this is something that is ours, this is something that is paid for by taxpayers...*<sup>34</sup>

The pervasive nature of neoliberal ideology and the normalisation of privatisation also makes it more difficult for governments to take back control of services and assets the longer they have been privatised – there is a sense that this is 'just the way things are'.

## **SETTING THE SCENE FOR PRIVATISATION**

UnionsWA noted in their submission that cuts to funding are a 'harbinger of privatisation.'<sup>35</sup> The CPSU also make this observation in their submission:

*...our members have witnessed decades of public sector cutbacks: funding cuts,*

*job cuts, program cuts, and chronic underresourcing. We note that these attacks on the public service are also part of this privatisation agenda which paves the way for governments to outsource their responsibility because the public service is accused of being 'inefficient' and 'not delivering outcomes'. So, our union sees cuts and erosion of services through underfunding as inextricably linked to the privatisation agenda...*<sup>36</sup>

The CPSU gave an example of this at the Hobart public hearing in regard to the current Liberal government in Tasmania:

*...while the Premier made commitments to retain assets in public hands, he had a different view in regard to public services. What we have seen with the current government is a significant reduction in the number of public servants; the breaking of promises they gave the community before the election. That has meant many agencies' budgets have been slashed and many areas of service provision are at critical breakdown stage... that critical breakdown is then used as an excuse for privatisation.*<sup>37</sup>

Cuts and underfunding may be the first step in the privatisation playbook. In their 2008 book *Privatisation: sell off or sell out* Bob Walker and Betty Con Walker explain the typical process in their comprehensive study of asset sales in Australia:

*...corporatisation of the government organisation, followed by defining the nature of services to be provided through contracts; opening up opportunities for service provision to other providers; the choice of specific criteria for evaluating the performance of contractors; and then a loss of business to public sector agencies, compelling downsizing of the government-run organisation...*<sup>38</sup>

33 Gil Anaf written submission, p. 1.

34 Eva Cox, Public Hearing, Sydney, 8 September, 2016

35 UnionsWA written submission, p. 1.

36 CPSU SPSF written submission, p. 2.

37 Tom Lynch, CPSU SPSF Tasmania, Public Hearing, Hobart, 14 October, 2016.

38 Bob Walker and Betty Con Walker, *Privatisation: sell off or sell out* (University of Sydney 2008), pp. 34-5.

Whitfield has his own description of this process:

*Neoliberal public sector transformation has ensured a sequential combination of financialisation, personalisation or individualisation, marketisation and privatisation. Public assets that could not be sold outright for political and economic reasons have been subjected to ‘transformation’ to commodify, reconfigure and marketise them for private provision.*<sup>39</sup>

Although politicians may avoid privatising some assets for fear of public backlash, much privatisation is able to occur without public knowledge or scrutiny. Walker and Walker noted that in particular ‘outsourcing is less politically sensitive than the outright sale of a government trading enterprise. Many outsourcing arrangements promise cost savings, and can be undertaken without publicity.’<sup>40</sup>

Meagher and Wilson back this up, by arguing that in particular the privatisation of social services occurs in a less visible way: ‘contracting out appears on the expenditure side of the public ledger, often as part of program outlays and recorded in ways that do not make clear who the government is paying to provide services.’<sup>41</sup>

Walker and Walker noted that there is no special approval process governments or government departments need to go through to privatise services:

*Governments are bound to go through the formal process of seeking parliament’s authorisation of Budgets which detail proposed expenditure on ‘programs’ – sometimes for modest amounts of \$1000 or so. Yet governments can enter into privatisation transactions involving hundreds or even thousands of millions of dollars, often without any requirement for prior parliamentary scrutiny or approval.*<sup>42</sup>

## PRIVATISATION IN AUSTRALIA

Privatisation in Australia has largely had bipartisan support<sup>43</sup>. The Hawke-Keating Labor governments began privatising public assets in the 1980s. Meagher and Wilson see the starting point in Labor’s 1985-86 budget commitment to balance the budget without raising taxes, which created pressure for future outsourcing and asset sales. By the mid-1980s, privatisation ‘had become part of normal policy’, setting the scene for state governments to sell off assets in the 1990s<sup>44</sup>. As the inquiry heard from the Victorian public hearings, the Kennett government (1992-1999) led the way with privatising Victorian public services in the 1990s. The CPSU presented to the inquiry the following submission they made to the 1997 Public Accounts and Estimates Committee *Inquiry into Outsourcing in the Victorian Public Sector*, which detailed the services that had been privatised and corporatised under the Kennett government. The CPSU noted at the time that the list was not exhaustive, but reflected the best information available to the union.

As noted by the CPSU, the secretive and creeping nature of privatisation makes it almost impossible to detail all privatisation that has occurred in Australia.

In 1996, the incoming Coalition Government established a Commission of Audit into public finances. As Spies-Butcher explains in his submission, the Commission of Audit called for ‘urgent action’ to ‘moderate community expectations of government assistance’, given ‘radical and lasting change’ to Australia’s demography<sup>46</sup>. In 2014, another Coalition Government’s Commission of Audit made similar proposals for radical privatisation. Spies-Butcher argues that ‘together these policy reports and commitments reflect a politics of ‘austerity’.’<sup>47</sup>

Meagher and Wilson observe that Labor at both the state and federal levels tend to oppose

39 Whitfield written submission, p. 1.

40 Walker and Walker, p. 31.

41 Meagher and Wilson, p. 49.

42 Walker and Walker, pp. 85-6.

43 Ben Spies-Butcher written submission, TJ Ryan Foundation written submission.

44 Meagher and Wilson, pp. 36-7.

45 CPSU written submission, pp. 17-18.

46 Commission of Audit 1996: Chapter 6, as quoted in Ben Spies-Butcher written submission, p. 3.

47 Ben Spies-Butcher written submission, p. 3.

## TABLE OF VICTORIAN PRIVATISATIONS<sup>45</sup>

### DEPARTMENT OF PREMIER AND CABINET

- 1 Interpreting and Translating Services
- 2 Personnel Services
- 3 Corporate Services
- 4 Museum Contract Cleaning
- 5 BASS
- 6 Totaliser Agency Board (TAB)
- 7 Security Services Library
- 8 Recreation Camps
- 9 Museum of Victoria
- 10 National Gallery of Victoria
- 11 State Library of Victoria
- 12 State Film Centre
- 13 Film Victoria

### DEPARTMENT OF STATE DEVELOPMENT

- 14 Legal Services – Employee Relations Representation
- 15 Information Technology
- 16 Occupational Health and Safety Authority
- 17 Legal Services
- 18 Legislative services
- 19 Regulatory impact statements
- 20 Library services
- 21 Weights and Measures

### DEPARTMENT OF NATURAL RESOURCES AND ENVIRONMENT

- 22 Regional Vet Labs
- 23 Food Research Institute
- 24 Grain Elevators Boards
- 25 State Nurseries
- 26 State Forests research, establishment and visitor facilities
- 27 Plantations
- 28 Research Institutes
- 29 Fire break maintenance
- 30 Weed control
- 31 Financial systems
- 32 Workshops
- 33 Seed collection
- 34 Rabbit control
- 35 Wild dog control
- 36 Snobs Creek Fish Hatchery
- 37 Revenue collection (licensing)
- 38 State Water Lab and Melbourne Water Lab (Rural Water Corporation) Water Ecoscience
- 39 Rural Water Drilling Unit (Ground Water Surveillance & Salinity Control)

- 40 Rural Water Information Technology Radius Computing
- 41 Printing Services
- 42 Survey and Mapping
- 43 Geo Technical Services
- 44 Rural Water Corporation Hydrographic Services
- 45 Rural Water Corporation Hydrotechnical Services
- 46 Natural Resource Systems Corporation
- 47 Parks Victoria
- 48 Educational and Interpretive Activities
- 49 Victorian Plantations Corporation
- 50 Human Resources Activities (including Training and Redeployment)
- 51 Distribution of Vic Maps
- 52 Housing Management
- 53 Land Data and Automated Land Titles System (ALTS)

### DEPARTMENT OF EDUCATION

- 54 Education Shop and CAE Bookshop
- 55 Employee Relations Representation
- 56 Workcover claims management and rehabilitation
- 57 Property – Leases, sales and purchases
- 58 Professional development
- 59 Payroll
- 60 Archives
- 61 System Wide Legal Advice
- 62 Information Technology
- 63 Internal Audit
- 64 Fleet management
- 65 Printing, promotional, marketing and document production
- 66 Human resource management
- 67 Board of Studies
- 68 Printing Industries

### DEPARTMENT OF FINANCE

- 69 Vic Fleet
- 70 Security and cleaning
- 71 State Supply Service
- 72 Vic Courier
- 73 Government Printer
- 74 Survey and Mapping
- 75 Vic Computing
- 76 Valuer General's Office Functions
- 77 State Revenue Office Information Technology
- 78 Human Resource Management

### DEPARTMENT OF HUMAN SERVICES

- 79 Drug Counselling Services
- 80 Disability Services
- 81 Family Group Homes
- 82 Information Services Group
- 83 Urban Land Authority
- 84 Home Finance
- 85 Office of Building/Building Services Division
- 86 Accommodation & Support
- 87 Residential Units – Juvenile Justice
- 88 Specialist Children's Services
- 89 Mental Health

### DEPARTMENT OF JUSTICE

- 90 State Trustees
- 91 D24 – Communication and information technology
- 92 Workshops (fleet equipment and maintenance)
- 93 Central Entry Data Bureau
- 94 Police Building Maintenance
- 95 Traffic Camera Office
- 96 Police Medical Centre
- 97 CITD
- 98 Police Mail Room
- 99 Workcover Branch – Claims management
- 100 Radio Electronics Division
- 101 Property and Supply Services
- 102 Firearms Registry and Accidents Records
- 103 Prisons
- 104 Prisoner Transport
- 105 Court Security
- 106 Hospital Security
- 107 Sheriff's Office
- 108 Community-based Corrections

### DEPARTMENT OF TRANSPORT

- 109 VicRoads
- 110 Information Technology
- 111 Registration and licensing
- 112 Bus inspections
- 113 Prosecutions
- 114 Plant and supply
- 115 Internal audit
- 116 Customer services

### DEPARTMENT OF ENERGY AND MINERALS

- 117 Fleet management
- 118 Executive search and service

privatisation when in opposition, but are inclined to promote privatisation when in government, ‘...despite voter and union resistance. Coalition governments are persistent and successful privatisers, most using a ‘commission of audit’ to frame their agenda.’<sup>48</sup>

They conclude that ‘...governments at federal and state levels, on both sides of politics, privatised. They did so often against political opposition, and typically against public opinion.’<sup>48</sup>

## PUBLIC OPINION

The submissions we received indicate that privatisation is deeply unpopular in the community. Research by Meagher and Wilson shows that ‘opposition to privatisation started to grow in the 1990s and has remained consistent and relatively stable since then.’<sup>49</sup> The following research poll from Essential Research<sup>50</sup> in January 2014 illustrates the views of voters on privatisation, broken down by voting preferences. A majority of voters (59%) disagree with privatisation, with a further 20% unsure.

### Q. GENERALLY, DO YOU THINK THAT PRIVATISATION – THAT IS, HAVING PUBLIC SERVICES OWNED OR RUN BY PRIVATE COMPANIES – IS A GOOD OR BAD IDEA?

|             | Total | Vote Labor | Vote Lib/Nat | Vote Greens | Vote other |
|-------------|-------|------------|--------------|-------------|------------|
| A good idea | 21%   | 16%        | 31%          | 7%          | 12%        |
| A bad idea  | 59%   | 69%        | 48%          | 74%         | 65%        |
| Don’t know  | 20%   | 15%        | 21%          | 19%         | 23%        |

Although the strongest support for privatisation came from Liberal/National voters (31%), it is important to note that a large majority of Liberal/National voters think privatisation is a bad idea, or are unsure about privatisation. Despite this, governments continue to privatise.

As Gabrielle Meagher argued at the Inquiry’s

Sydney hearing, ‘privatisation is what we call an elite project. It is not something that the people have asked for.’<sup>51</sup> Governments use a range of tactics to work around this public opposition to privatisation.

One such tactic is that, knowing how unpopular it is, politicians rarely use the term ‘privatisation’.<sup>52</sup> Instead, they use terms such as ‘asset recycling’ (privatising public assets, purportedly to fund new public infrastructure), ‘leasing’ assets, ‘commissioning’ services, ‘partnering’ with the private and community sector to deliver services, or ‘government-funded services’ to mean government providing the private sector with money to run services. UnionsWA noted in their submission that euphemisms are also used to describe funding cuts: instead of cuts, they are known as ‘efficiency dividends.’<sup>52</sup>

Governments have also tried other strategies to make privatisation more palatable, like encouraging ‘Mums and Dads’ to become shareholders in the staged privatisation of Telstra in the 1990s and neutralising criticism from the left by promising that funds from the privatisation would go to environmental projects.<sup>53</sup>

## PRIVATISATION AND THE NOT-FOR-PROFIT SECTOR

Not-for-profit organisations and charities make significant contributions to the well-being of our communities. They play important roles in providing niche services and filling service gaps, and advocating independent of government. Submissions to the Inquiry, however, noted that not-for-profits are increasingly being used as tools to further the privatisation agenda.

Baines and Goodwin, who have conducted research into not-for-profit social services in Australia, New Zealand, and Canada, show the growth in the size of not-for-profit service providers in Australia in their submission:

48 Meagher and Wilson, p. 47.

49 Meagher and Wilson, p. 76.

50 Essential Research, ‘Opinion of Privatisation’, <http://www.essentialvision.com.au/opinion-of-privatisation-2>, Jan 28, 2014.

51 Gabrielle Meagher, Public Hearing, Sydney, 8 September 2016.

52 UnionsWA written submission, p. 1.

53 Meagher and Wilson, p. 41.

## GROWTH IN THE SIZE OF NON-PROFIT AGENCIES<sup>54</sup>

| 1995 – NUMBER OR ORGANISATIONS   | 2010 –NUMBER OF ORGANISATIONS  |
|--|--|
| 11,000 'community sector social welfare organisations' most employed fewer than 5 staff. | 20,000 non-profit organisations in the human services sector.                        |
| Source: Meagher and Goodwin, 2015  | SPRC 2010 survey found average 22.5, median 7; Mission Australia employs 3,500 staff |

Baines and Goodwin argue that privatisation is changing the not-for-profit sector, leading to things like:

*standardisation of the work and removal of important practices and skills; intensification of the work for management and frontline employees, resulting in overwork; increased stress and difficult work cultures for many managers, employees and service users; and low wages and conditions.*<sup>55</sup>

Gabrielle Meagher told the Sydney public hearing that privatisation can move organisations away from the values and practices they originally set out to embrace by forcing them to behave like private companies to win tenders for outsourced services, attract skilled employees and so forth. Once you start down this road, she adds, non-for-profit organisations come to more resemble private sector organisations<sup>56</sup>. This can lead to not-for-profit organisations becoming needlessly corporatised, managerial, undemocratic and unwilling to engage in advocacy that may upset funding decision-makers – a process Baines and Goodwin call 'mission drift'<sup>57</sup>. The Howard government era formalised this cessation of advocacy by placing 'gag clauses' in contracts. This can lead to perverse results:

*...some agencies juggle as many as 125 funding contracts, with different purposes,*

*end dates, reporting requirements and contract details. Rather than providing agencies with greater efficiencies, flexibility and quality service provision, the increased employment of fundraisers and grant writers represents a growth in the number of people managing money rather than providing front-line service.*<sup>58</sup>

Colin Penter characterises this as not-for-profits being co-opted into the 'corporate supply chain' of privatisation. He suggests this occurs when not-for-profits:

- appoint corporate representatives to their Boards or as senior managers
- act as sub-contractors to large corporations
- accept corporate funding and sponsorship
- partner with corporations to create joint subsidiaries (e.g. Mission Providence) or consortiums to deliver services
- allow their brand, cause and name to be used to legitimise and promote corporations
- aid corporations to execute certain activities, promote and market their image and pursue corporate social responsibility aims
- help corporations build relationship and links with the community and government.<sup>59</sup>

It is important to note that privatisation to not-for-profits can be a stepping stone to for-profit privatisation. The CPSU made the following observation at the Hobart public hearing:

*...whilst big ticket privatisation doesn't seem to be on the agenda [in Tasmania], creeping privatisation is very much on the agenda. It is very widespread. It is being done initially through the non-government sector, but from the experience that our union has seen in other states, it is not terribly long before the non-government sector starts to have that work picked up by the for-profit sector. It seems to be the cycle that these things go through.*<sup>60</sup>

<sup>54</sup> Baines and Goodwin, pp. 4-5

<sup>55</sup> Baines and Goodwin, p. 5.

<sup>56</sup> Gabrielle Meagher, Public Hearing, Sydney, 8 September 2016.

<sup>57</sup> Baines and Goodwin written submission, p. 6.

<sup>58</sup> Baines and Goodwin written submission, p. 3.

<sup>59</sup> Colin Penter submission, p. 4.

<sup>60</sup> Tom Lynch, Public Hearing, Hobart, 14 October 2016.

Many submissions argued that smaller not-for-profits are the hardest hit by privatisation: the Australian Council of Social Services (ACOSS) noted in its submission that small organisations that are best placed to offer a service may be pushed out by larger, better funded providers that can take advantage of economies of scale<sup>61</sup>. Similarly, the Jesuit Social Services submission warns that this will lead to reduced diversity and innovation in the sector and that ‘the long-held collective experience, expertise and community connections of these smaller organisations risks being lost.’<sup>62</sup>

Volume-based, individualised, and insecure funding arrangements also affect the services provided by not-for-profits<sup>63</sup>. ACOSS noted that individualised funding arrangements can prevent small organisations from competing with larger providers due to their more limited capacity to fund overheads<sup>64</sup>. The Uniting Care submission noted the pressure its agencies are under to reduce costs under privatisation, forcing them to make greater use of casual employees, who find it difficult to provide the same continuity of care.<sup>65</sup> The result is that work in non-profit social services (already typically lower-paid than in the public sector) is increasingly precarious, often involving contract, part-time, on-call, casual, split-shift and other types of employment.<sup>66</sup>

Baines and Goodwin noted that privatisation drives not-for-profits to standardise their services in order to find efficiencies and meet targets, with the result that services that can’t be measured are often cut – typically open-ended, relationship-based care; ongoing, interactive assessments; community empowerment and mobilisation; and long-term community development<sup>67</sup>. Ironically, these are the very qualities politicians talk up as justification for outsourcing to the not-for-profit sector.

Uniting Care told the Inquiry that the nature of the competitive market for employment services ‘has meant poorer outcomes for clients because we have had to have higher caseloads, are unable to add work outside of the contract and the measures do not capture or reward the additional outcomes for clients.’<sup>68</sup>

It is clear from the evidence received through this Inquiry that the policy of privatisation to not-for-profits must be reviewed. Governments must direct adequate, stable funding to both the public sector and the not-for-profit sector, to enable both sectors to carry out their respective roles.

61 ACOSS written submission, p. 7.

62 Jesuit Social Services written submission, p. 12.

63 Baines and Goodwin written submission, p. 3.

64 ACOSS written submission, p. 7.

65 Uniting Care written submission, p. 12.

66 Baines and Goodwin written submission, p.7.

67 Baines and Goodwin written submission, p. 6.

68 Uniting Care written submission, p. 5.

# ELECTRICITY: A NATIONAL BLACKOUT

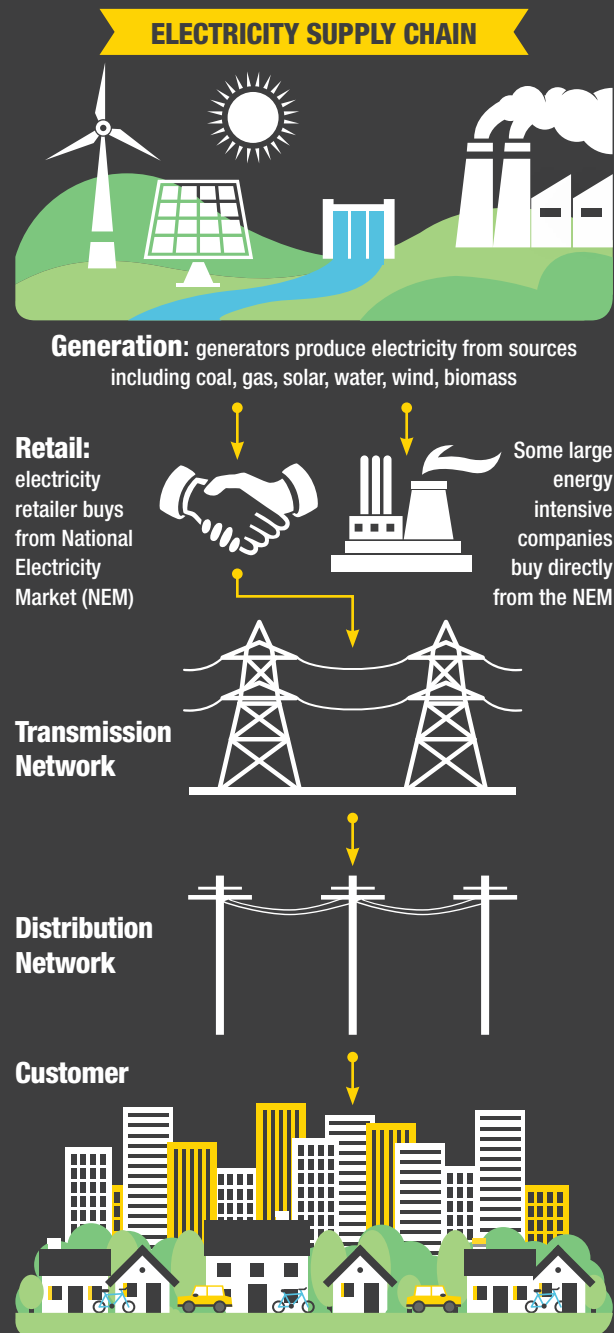
The privatisation of electricity has been a crucial public policy dispute for decades. The proposed privatisations of the Queensland, New South Wales and Western Australia state owned electricity ‘poles and wires’ have been central arguments in recent state elections.

According to privatisers, this shift of ownership and control of electricity networks from public hands into private hands will reduce state debt, provide immediate funding for future infrastructure, reduce electricity prices and improve service and efficiency for consumers. The evidence presented to the Inquiry suggests that these promises have not been met.

## UNDERSTANDING THE ELECTRICITY MARKET

The electricity market is divided into four parts: generation, distribution, transmission and retail. The generators create electricity which is then purchased by an electricity retailer from the National Electricity Market (NEM), and delivered to distribution points via a long-distance transmission network<sup>69</sup>. The electricity then travels through the poles and wires distribution network directly to the customer. Some large energy-intensive companies (i.e. aluminium smelters) purchase directly from the NEM.

*The Australian Electricity Market Operator (AEMO) manages the trading activity in the NEM. The spot price is determined every half an hour by averaging dispatch prices that occurs in five-minute intervals. Other main market participants besides large end users are generators and retailers.<sup>70</sup>*



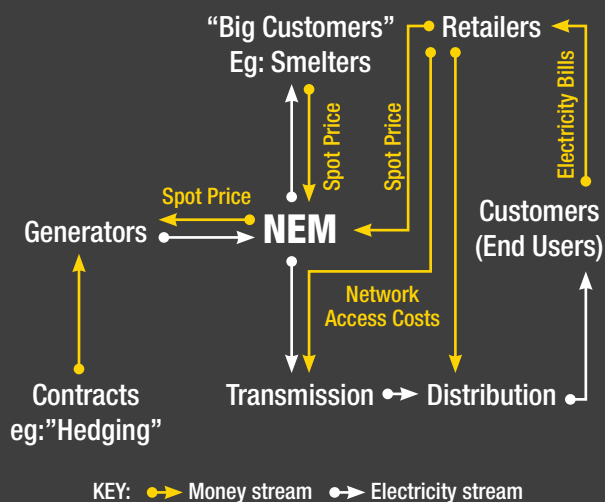
<sup>69</sup> NEM commenced operation as wholesale spot market in December 1998. It interconnects five regional market jurisdictions – Queensland, New South Wales (including Australian Capital Territory), Victoria, South Australia and Tasmania. Western Australia and the Northern Territory are not connected to the NEM. <<https://www.aemo.com.au/Electricity/National-Electricity-Market-NEM>> accessed 17 March 2017.

<sup>70</sup> For more detailed information visit Energy Exchange website <<https://www.eex.gov.au/large-energy-users/energy-management/energy-procurement/energy-pricing/how-the-energy-market-operates>>.



As well as purchasing the electricity from the NEM, the retailer also pays access fees to the networks for use of their infrastructure. Ultimately the end user pays for it all through their regular electricity bill. See Figure 1 for a simplified diagram outlining each player in the electricity market and the flows of electricity and money.

**FIG.1: THE FLOW OF ELECTRICITY AND MONEY IN THE ELECTRICITY MARKET**



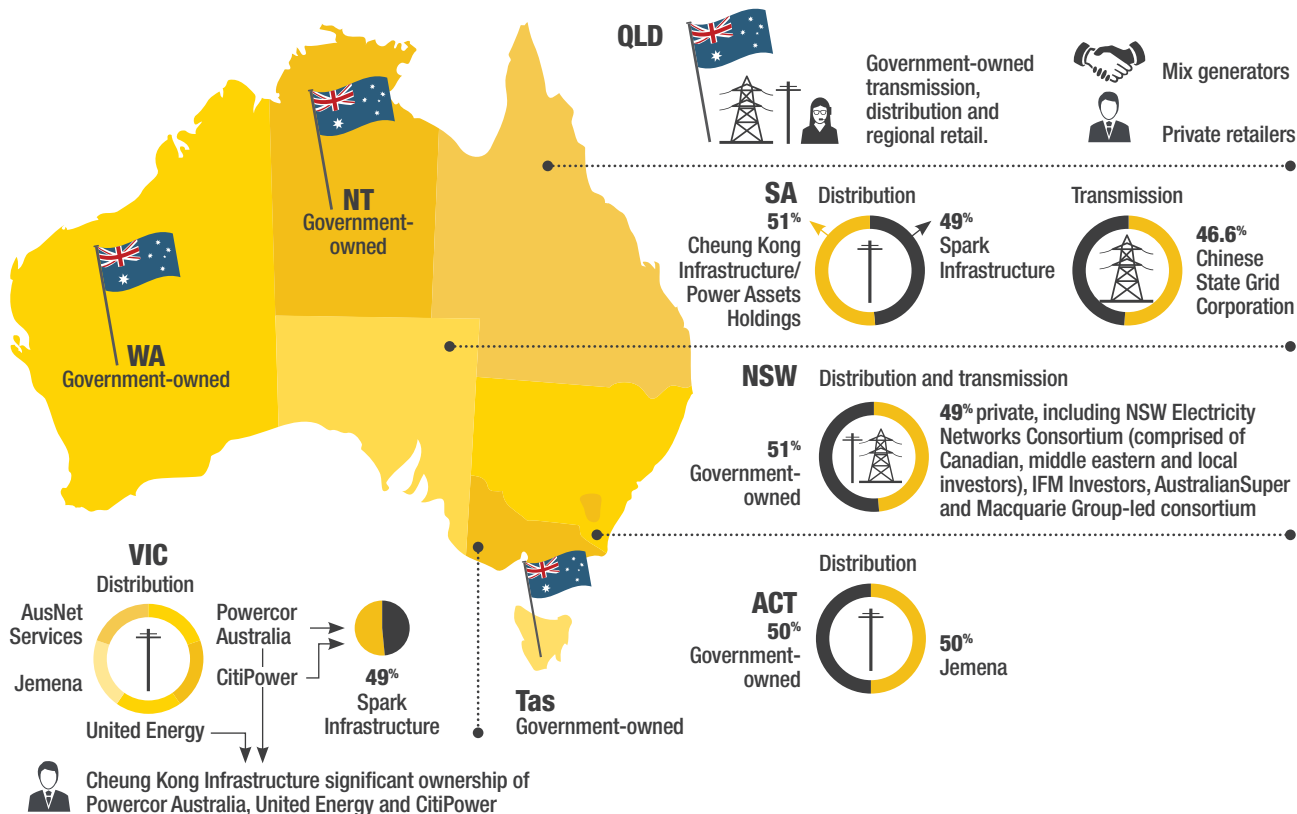
Three state or territory governments retain full ownership of all parts of their electricity networks: Western Australia, Tasmania and the Northern Territory.

**In Western Australia**, Western Power is a government owned distribution and transmission asset. Horizon Power, Synergy and Verve Energy are state-owned enterprises which deal with a mixture of transmission, billing and generation.

**In Tasmania**, the government owned TasNetworks takes care of the transmission and distribution throughout the state. Hydro Tasmania is a government-owned electricity generator.

**In the Northern Territory** the government passed legislation in 2014 to separate Power and Water Corporation into three government owned corporations: Power and Water Corporation manages the transmission and distribution, Jacana Energy manages the retail business and Territory Generation generates electricity.





**In Victoria** there are five electricity distributors: Powercor Australia, AusNet Services, United Energy, CitiPower and Jemena. Spark Infrastructure owns 49% of Powercor Australia and 49% of CitiPower. Cheung Kong Infrastructure significant ownership of Powercor Australia, United Energy and CitiPower<sup>71</sup>.

**In South Australia**, Cheung Kong Infrastructure/Power Assets Holdings owns 51 per cent and Spark Infrastructure owns 49 per cent in SA Power Networks Electricity Distribution Network. The transmitter in that state, ElectraNet, is partly owned by Chinese State Grid Corporation, which holds the largest share at 46.6 per cent<sup>71</sup>.

**In the ACT**, the government owns 50 percent of ActewAGL Distribution and Jemena owns 50%.<sup>71</sup>

**In Queensland**, the Queensland generation sector has a mix of government and private ownership. But transmission and distribution sectors are entirely government owned. Distributors are Energex and Ergon Energy and the transmission network is Powerlink. There

are many privately owned licensed retailers, but Ergon Energy (government owned) also provides retail services to regional Queensland.<sup>72</sup>

**In NSW** there are three main electricity distributors: Essential Energy, Endeavour Energy and Ausgrid. Under the current Coalition government, former Premier Mike Baird privatised 49% of NSW's electricity distribution and transmission networks.

- On 25 November 2015, Premier Baird announced that the NSW Electricity Networks Consortium had won the bid for the 99 year TransGrid (electricity transmitter) lease, after they offered to pay \$10.258 billion. The consortium comprised of Canadian, middle eastern and local investors.
- In October 2016, the Baird government sold half of Ausgrid for \$16 billion to Australian companies – IFM Investors and AustralianSuper. The Premier had been made to back down from selling Ausgrid to leading bidders from ChinaState Grid Corporation and Cheung Kong Infrastructure. This

71 Australian Energy Regulator, *State of the Energy Market May 2017*, Australian Competition and Consumer Commission, 2017, <<https://www.aer.gov.au/system/files/AER%20State%20of%20the%20energy%20market%202017%20-%20A4.pdf>> accessed 29 September 2017.

72 Queensland Government, *Electricity in Queensland*, Business Queensland website <<https://www.business.qld.gov.au/industries/mining-energy-water/energy/electricity/queensland>> accessed 22 September 2017.

backdown was due to security concerns articulated by the Federal Treasurer Scott Morrison, despite the fact that the bidders already owned a raft of energy infrastructure assets in Australia, including electricity transmission and distribution in the states of South Australia and Victoria.<sup>73</sup>

- In December 2016, the then-Treasurer Gladys Berejiklian (now NSW Premier) announced that Endeavour Energy would be put up for sale and that expressions of interests were to close mid-January 2017. In May this year the Premier, Gladys Berejiklian announced that Endeavour Energy was sold to a Macquarie Group-led consortium.<sup>74</sup>

## THE RISING PRICE OF PRIVATISATION

### The research

The recent power outages in South Australia may have produced a public blame-game between the Federal and South Australian governments over power generation and renewables, but they have also strengthened public opposition to the further privatisation of Australia's energy grid. The 2017 Western Australian election result was an example of this heightened opposition to privatisation.

The written and oral submissions provided to the Inquiry found no evidence for persistently-made claims that privatising electricity made services better or cheaper or created more jobs. Indeed the evidence suggests that the privatisation of the electricity sector has been an abysmal failure for the community. Numerous citizens and community organisations provided strong evidence that rising prices charged by privatised electricity companies were making electricity unaffordable for some. Submissions from the Electrical Trades Union (ETU) and ASU detailed how taxpayers invariably gain more economic benefit from retaining electricity assets in public ownership.

A study by Professor John Quiggin – ‘*Electricity Privatisation in Australia: A Record of Failure*’ – was referenced repeatedly in written submissions and at the Inquiry hearings<sup>75</sup>. The study revealed a spectacular set of failures of free market reforms of the Australian electricity sector, revealing:



rising electricity prices, most notably in states where privatisation has taken place



rising consumer dissatisfaction about the quality of the privatised services



declining reliability



failure to deliver adequate investment in maintenance, leading in some places to blackouts



failure to deliver anticipated operational efficiencies, with resources routinely being diverted away from operational to commercial functions.

The study included a fiscal analysis of electricity privatisation in each state, concluding that in those states that privatised electricity both consumers and state treasuries have lost out:

***Privatisation has produced no benefits to consumers, but has resulted in large fiscal losses to the public<sup>76</sup>.***

The biggest factor driving up electricity prices in Australia, he states elsewhere, has been the failure of the NEM:

***The overwhelming factor driving higher electricity prices in Australia has not been privatisation per se but the failure of the National Electricity Market. However, the designers of the market relied heavily on the assumption that the process of ‘reform’ would eventually culminate in privatisation, and that competition between private firms would drive prices down.***

<sup>73</sup> James Massola, Sean Nicholls, ‘Scott Morrison confirms decision to block Ausgrid sale’, *Sydney Morning Herald*, 19 August 2016, <<http://www.smh.com.au/federal-politics/political-news/scott-morrison-confirms-decision-to-block-ausgrid-sale-20160819-gqwwkm.html>> accessed 17 March 2017

<sup>74</sup> Angela Macdonald-Smith, ‘NSW sells Endeavour Energy stake to Macquarie Group-led consortium’, *Australian Financial Review*, <<http://www.afr.com/business/energy/electricity/nsw-sells-endeavour-energy-stake-to-macquarie-group-led-consortium-20170510-gw25t7>> accessed 29 September 2017.

<sup>75</sup> John Quiggin, *Electricity Privatisation in Australia: A Record of Failure*, John Quiggin Opinion and Consulting, February 2014. John Quiggin is an Australian Laureate Fellow in Economics at the University of Queensland. He is prominent both as a research economist and as a commentator on Australian economic policy. He is a Fellow of the Econometric Society, the Academy of the Social Sciences in Australia and many other learned societies and institutions.

<sup>76</sup> John Quiggin, *Electricity Privatisation in Australia: A Record of Failure*, John Quiggin Opinion and Consulting, February 2014, p39

Figure 2 shows that the highest prices are in Victoria and South Australia, where electricity assets are privatised.

**FIGURE 2. EFFECT OF REPRESENTATIVE CONSUMER LEVEL ON AVERAGE ELECTRICITY PRICE AND ANNUAL EXPENDITURE IN 2015/16, EXCLUDING GST BY STATE/TERRITORY<sup>77</sup>**

| State | Average residential price (c/per kWh) |
|-------|---------------------------------------|
| NSW   | 20.20                                 |
| QLD   | 26.48                                 |
| ACT   | 18.44                                 |
| VIC   | 27.31                                 |
| SA    | 29.75                                 |
| Tas   | 21.71                                 |
| NT    | 26.35                                 |
| WA    | 26.38                                 |

Concern about the undervaluation of assets in the lead up to privatisation has also received academic consideration and drawn the critical attention of the media and the public<sup>78</sup>. Undervaluation occurs when governments price assets at a lower cost in order to speed up the selling process. The undervaluation of assets within any privatisation process is a particular disservice to the taxpayers who paid for the assets in the first instance.

Victoria's privatisation in the 1990s caused electricity prices to increase by 170 per cent<sup>79</sup>. Supporters of privatisation fail to mention the drastic cuts made to employment and maintenance expenditures in Victoria and to the sector after privatisation. This had major implications, including playing a part in the Black Saturday Bushfires in 2009. During the 2000s there was a huge increase in capital investment and employment in the electricity sector to compensate the drastic cuts and delayed spending to maintain the assets.

This subsequently increased the cost of electricity to consumers<sup>80</sup>. As Quiggin concludes in his report:

*Prices have risen dramatically. 'Consumer choice' has meant the removal of the secure low-cost supply consumers previously enjoyed, and its replacement with a bewildering array of offers, all at costs inflated by the huge expansion in marketing and managerial costs. Investment policies first ran down capacity inherited from the statutory authority system, then replaced it at massively higher costs<sup>81</sup>.*

People who gave evidence at the Inquiry hearings told of the consequences of privatisation of electricity networks including:

-  job losses in the electricity sector
-  increased costs for consumers
-  service disconnections
-  profits from assets going overseas instead of going back to the public
-  reduction in research, development and maintenance of these assets
-  reduced investment in apprenticeships and training
-  loss of accountability, transparency and control.

Despite this evidence, federal and state Coalition governments continue to push for more privatisation.

77 Figures extracted from Australian Energy Market Commission, *2016 Residential Electricity Price Trend Report*, 14 December 2016.

78 Mike Seccombe, 'Sell! Sell! Sell!', *The Saturday Paper*, 4-10 October 2014 p8.

79 The Australian Institute, *Consumers pay for power privatisation*, Media Release, Posted 29 April 2013, <<http://www.tai.org.au/content/consumers-pay-power-privatisation>>

80 Stephen Koukoulas and Thomas Devlin, *Nothing to gain, plenty to lose: Why the government, households and businesses could end up paying a high price for electricity privatisation*, The McKell Institute, December 2014, <[https://mckellinstitute.org.au/app/uploads/McKell\\_Electricity\\_A4\\_WEB.pdf](https://mckellinstitute.org.au/app/uploads/McKell_Electricity_A4_WEB.pdf)>.

81 John Quiggin, *Electricity Privatisation in Australia: A Record of Failure*, page 39.

## Victoria

The privatisation of the Victorian electricity distribution network in the 1990s has led to unreliable electricity supply and poor maintenance of the network<sup>82</sup>. Damningly, underinvestment in the power network was a contributing factor in the Black Saturday bushfires of 2009, which killed 173 people and destroyed thousands of homes<sup>83</sup>.

The Royal Commission found:

**...five of the 11 major fires that began that day were caused by failed electricity assets; among the fires was that at Kilmore East, because of which 119 people died.**<sup>84</sup>

And the Victorian Coronial investigation found that multiple deficiencies in privatised power assets were the cause of several of the devastating bushfires<sup>85</sup>. It was noted that the network assets were not constructed to industry standards and guidelines at the time, and that the risk of failing electricity assets was foreseeable and could have been prevented by following proper procedures<sup>86</sup>.

The Commission went on to state:

**The evidence before the Commission supports the conclusion that major changes should be made to Victoria's electricity distribution infrastructure, and its operation and management, if there is to be a substantial reduction in the risk to human life posed by bushfires on catastrophic fire days.**

The ETU described the difference between the impact of privatisation in Victoria and South

Australia on the distribution maintenance standards. Distribution maintenance standards in Victoria are basically self-regulated by the private sector:

**No other state has gone as far as Victoria. South Australia has sold theirs but they kept a technical regulator, so unlike Victoria they actually maintained a certain number of standards, whereas in Victoria they said the distributors can define the standards.**<sup>87</sup>

The Inquiry's Latrobe Valley session heard that despite official promises that privatisation would lead to falling electricity prices<sup>88</sup>, there have been massive price increases to the point that people are having their power cut off due to unaffordability. A growing number of households are suffering from energy poverty caused by escalating electricity prices in Victoria<sup>89</sup>.

Wendy Farmer, President of Voices of the Valley in the Latrobe, shared a moving story about her husband who works in the Hazelwood power station following privatisation of the State Electricity Commission<sup>90</sup> (SEC):

“

...the guys actually got put into what they call a shed, and they sat and they waited, and they waited, and they waited, to see if they had work. What it did to the guys there, it disempowered them. They would go in day after day, playing cards, just sitting in a shed waiting. My brother-in-law who also worked at the SEC would not take it anymore and he had to leave.

It just drove him crazy.

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<sup>82</sup> Robert French, 'Hazelwood workers concerned for Latrobe Valley's future', ABC Gippsland, posted 2 November 2016, 6pm <<http://www.abc.net.au/news/2016-11-02/hazelwood-workers-latrobe-valley-power-station-future/7946936>>

<sup>83</sup> The 2009 Victorian Bushfires Royal Commission, Final Report Summary, July 2010, <<http://www.royalcommission.vic.gov.au/Commission-Reports/Final-Report/Summary/Interactive-Version.html>>

<sup>84</sup> The 2009 Victorian Bushfires Royal Commission *Final Report: Volume 2*, Chapter 4 –Electricity Caused Fire <<http://www.royalcommission.vic.gov.au/Commission-Reports/Final-Report/Volume-2/Chapters/Electricity-Caused-Fire.html>>

<sup>85</sup> Coroners Court of Victoria – *Finding Without Inquest into Murrindindi fire*, available from the Coroners Court of Victoria website <<http://www.coronerscourt.vic.gov.au/home/coroners+written+findings/findings+-+finding+without+inquest+into+murrindindi+fire.>>

<sup>86</sup> The 2009 Victorian Bushfires Royal Commission Final Report: Volume 2, Chapter 4 –Electricity Caused Fire <<http://www.royalcommission.vic.gov.au/Commission-Reports/Final-Report/Volume-2/Chapters/Electricity-Caused-Fire.html>>

<sup>87</sup> Ruth Kershaw, Electrical Trades Union Victorian Branch, Public Hearing, Melbourne, 18 October 2016

<sup>88</sup> Mark Coultan, 'Privatised power cheaper says report', *The Australian*, 10 June 2014 <<http://www.theaustralian.com.au/national-affairs/privatised-power-cheaper-says-report/news-story/c1f4921f51a066be7801dfeeba6d5cee>>

<sup>89</sup> Essential Services Commission, 'Victorian Energy Market Report 2015-16, Part 1 - The Customer Experience', 1 December 2016. page 39, available from the ESC website<<http://www.esc.vic.gov.au/document/energy/36581-part-1-customer-experience/>>; Article on electricity poverty in Australia <<http://www.smh.com.au/business/energy-poverty-not-limited-to-lower-income-households-20160629-gpu8ve.html>>.

<sup>90</sup> The State Electricity Commission of Victoria (SECV, ECV or SEC) was a government monopolistic electricity generation, transmission and supply utility operating in Victoria, Australia. Control of the SEC was by a Board of Commissioners appointed by the Victorian Government.

Farmer further described empty promises of future work:

“

There was promise of jobs. So when the SEC privatised, the guys were told that if they took the package: ‘it’s ok, you’ll get another job, you’ll come back as a contractor, we’ll help you out, we’ll look after you. You take the package, you go, but we’ll look after you.’ That never happened. They brought contractors from outside of Latrobe Valley, they did it cheaper, they did it whichever other way, or they were mates of whoever was putting the contracts. So these guys never got jobs.

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### South Australia

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At the Adelaide Inquiry hearing, the South Australian Public Service Association (PSA) narrated the history of privatisation on electricity assets, stating that governments had a long history of privatising public assets dating back to the early 1990s.

***The privatisation trend in South Australia is continuing despite the Weatherill Government committing to a non-privatisation policy ahead of the 2014 election... Almost all the asset sale privatisations occurred under the Liberal governments between 1993 and 2002. The largest privatisations were the power industry, that’s corporatised in 1995 and broken into subsidiary organisations in 1998/1999. The State Government announced a major asset sales program that included the sale of electricity assets. After initially failing to secure passage of the electricity sale, legislative approval was granted in June 1999 and the electricity privatisation proceeded. The proposed sale of ETSA<sup>91</sup> was justified as a way to eliminate risks when South Australia entered the national electricity market and to make South Australia debt free to enable funding of education and health. After encountering***

***difficulty getting the legislation of the sale of ETSA through parliament the government opted to lease the assets for 99 years<sup>92</sup>.***

The PSA described the damage privatisation has inflicted on the workforce’s employability:

***The PSA, for example, they inherited a number of members who were cast-offs from the then privatisation of the electricity environment and to this day we actually still have some of those members. People’s positions were compromised, they had to leave and they had to find alternative employment. I think ironically though, what’s now happened of course is that we have this position where we are trying to build and establish a sustainable, environmental electricity grid. That has now actually come back to bite us as well, because you’ve got the recent closing, for example of the Port Augusta power station and other areas, which is primarily the result of so many people putting their own electrical devices on their roofs<sup>92</sup>.***

The Communications Electrical and Plumbing Union (CEPU) elaborated on this point at the hearing, explaining that there had been major difficulties following privatisation around job security, training opportunities, and retention of skills on top of concerns about security and integrity of the power supply in South Australia. There are major concerns around SA maintenance standards as the CEPU explain:

***One of the criticisms that I will make of our distribution operator, SA Power Networks, is they receive money by putting a proposition to a regulatory reset they call it. They are able to recoup costs for maintenance. Now, if that maintenance is being done and it’s improving the system and securing it, great, that makes sense. But we know of incidences where SA Power Networks is being paid to do specific maintenance to ensure public safety, to ensure the security of supply, they are taking the money and the work is not being done. There isn’t a great enough oversight of how the money is or is not being spent.<sup>93</sup>***

91 The Electricity Trust of South Australia (ETSA) was the South Australian Government-owned monopoly vertically integrated electricity provider.

92 Neville Kitchin, Public Hearing, Adelaide, 26 October 2016

93 John Adley, Secretary, Communications Electrical and Plumbing Union South Australian Branch, Public Hearing, Adelaide, 14 October 2016

Maintenance of the electricity poles and wires seems to be a recurring issue in the aftermath of electricity assets being privatised.

Elizabeth resident Caroline Alexander, voiced concerns of people not being able to pay power bills in her community<sup>94</sup>. She said:

“

The biggest problem that everybody has is paying power bills. We get approximately \$200 a year off our power bills. That's not terribly much when your power bill is over \$1000 a year. Some people's bills are \$1000 or more, and they've got kids. You can always tell when they can't pay their power bills because there are no lights on in the house. Sometimes there will be three or four on a block, and they just have to wait until they can get power reconnected.

They swap from company to company sometimes and change names, that's the only way people can keep the power on. We do get government subsidies, but that has not kept pace with the cost of the power<sup>95</sup>.

”

### Tasmania

A different form of privatisation has crept into the publicly owned Hydro Tasmania – the predominant electricity generator in Tasmania, which operates 30 hydro-electric stations, one gas power station and is a joint owner in three wind farms<sup>96</sup>. It involves the outsourcing of the workforce, leading to job shedding, which is a major issue in a state that already has a relatively high unemployment rate<sup>97</sup>. Unions Tasmania told the Inquiry:

***Alstom were the maintainers for the hydroelectric turbines. Originally, the maintenance on the turbine generators was done by Hydro. Then that got outsourced.***

***I think that was the term they used. They outsourced it. In effect, they privatised it to Alstom. Which, subsequently, because of profit and the need to return a dividend to their shareholders, they ended up basically divesting themselves of that role. So we've now got the situation where the skilled workforce in Hydro went with Alstom to maintain the generators.***<sup>98</sup>

### New South Wales

The Inquiry heard similar concerns about loss of jobs and skills in the electricity sector in its Newcastle, Wollongong and Sydney hearings. Apprenticeship and staff numbers have fallen as privatisation has been introduced across the state<sup>99</sup>. Justin Page from Newcastle shared the effect of poles and wires privatisation for apprentices and employment in the Hunter:

“

What that means across New South Wales, is about 2,500 workers will be made redundant as a result of that, in the Hunter, Ausgrid last year cut 550 jobs.

Directly here in the Hunter, that's an impact in the order of 200 employees.

In terms of apprentices as well, what we've seen is that Ausgrid were employing basically around 130 apprentices a year.

For the last three years since privatisation's been on the agenda, that's now gone to zero. They haven't employed one apprentice in three years.

So in terms of here in Newcastle, Ausgrid had its own training centre and a Wallsend depot, where they basically engaged 50 apprentices a year. They no longer engage any, so there are no apprentices here in the Hunter for that.<sup>100</sup>

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<sup>94</sup> Energy poverty appears to be an issue in South Australia <<http://www.adelaidenow.com.au/news/south-australia/sa-households-not-using-heating-because-of-electricity-costs-says-survey/news-story/d794e285e5e41999e9221c2015338f28>>

<sup>95</sup> Caroline Alexander, Public Hearing, Adelaide, 26 October 2016

<sup>96</sup> <https://www.hydro.com.au/energy/our-power-stations>

<sup>97</sup> [https://www.treasury.tas.gov.au/domino/dtf/dtf.nsf/LookupFiles/Labour-Force.pdf/\\$file/Labour-Force.pdf](https://www.treasury.tas.gov.au/domino/dtf/dtf.nsf/LookupFiles/Labour-Force.pdf/$file/Labour-Force.pdf)

<sup>98</sup> Steve Walsh, Secretary of Unions Tasmania, Public Hearing Adelaide, 26 October 2016

<sup>99</sup> <http://www.smh.com.au/nsw/electricity-privatisation-ausgrid-leak-reveals-plan-to-slash-jobs-apprentices-20150925-gjun30.html>

<sup>100</sup> Justin Page, Public Hearing, Newcastle, 5 September 2016

Similar concerns were raised at the Sydney Inquiry hearing about falling apprenticeship rates at Essential Energy – raising concerns about the loss of maintenance skills that could potentially lead to a repeat of the Black Saturday bushfires.

The Inquiry received submissions from NSW citizens about the rising cost of electricity. Susan Pasmik from NSW shared her family's difficulties in paying electricity bills:

“

My elderly mother and brain damaged sister are both on pensions. Both are able enough to live in their own home together.

Increased electricity prices leaves less money for home repairs needed to keep their house in a reasonable state.<sup>101</sup>

”

Other research has identified groups of Australians now at risk of 'energy poverty' due to rising prices:

- single parent households
- people living alone, particularly aged and disability pensioners
- low-income renters, particularly those who rent privately
- dual-fuel households, who are reliant on mains or bottled gas.<sup>102</sup>

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### Western Australia

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At the Perth hearing, union officials discussed the proposed privatisation of Western Power, and the possible effect on the broader community in light of events in South Australia and Victoria<sup>103</sup>. This included the reduction in workforce, loss of apprenticeships, and concerns about the provision of skills for the future, resulting from privatisation.

The ASU spoke about the anti-privatisation campaign 'Use Your Power'<sup>104</sup> and about

the issues affecting the community: safety, reliability and affordability of electricity. The ASU argued that Western Australians are concerned about the effect electricity privatisation would have on jobs and apprentice numbers in Western Power<sup>105</sup>:

***Look at Victoria. They had 255 apprentices in 1993. In 2014 they had four and last year, they had none. I mean, there's a service here to the community, to ensure that when we have outages like they did in Loy Yang, that we've got young people being trained up to do those outages.***<sup>106</sup>

A recurring point of discussion in various hearings and submissions was the push for superannuation funds to invest in regulated natural monopolies like power generation. (As mentioned earlier, AustralianSuper recently acquired a share of NSW Ausgrid and the Western Australian Coalition government has pushed the same agenda to sell Western Power to a superannuation fund.) It was pointed out that selling public service assets to 'mum and dad' owners via superannuation funds does not change the profit maximisation behaviour of private entities. Selling or leasing for long periods of time to superannuation funds or foreign companies is still privatisation. As the PSA in South Australia stated:

***The problem for the superfunds becomes, particularly those where you have got that union alignment, understandably somebody is going to say to us, 'Well, do you want China to buy the power station, or do you want us to buy it? If you want to keep it in Australia, then let us buy it, because otherwise you're going to lose it anyway. We're caught in between a rock and a hard place.'***<sup>107</sup>

In Western Australia, the ASU was succinct about superannuation funds potentially owning Western Power:

<sup>101</sup> Susan Pasmik, Written Submission, 2016, p1.

<sup>102</sup> Andrew Nance 'Relative Energy Poverty in Australia', St Kitts Associates (2013) page 3, <<http://ewp.industry.gov.au/sites/prod.ewp/files/Relative%20Energy%20Poverty%20in%20Australia%20Final%2026oct2013.pdf>>

<sup>103</sup> Les McLaughlin, ETU State Secretary and Meredith Hammat, Secretary of Unions WA, WA hearing 25 October 2016

<sup>104</sup> <http://useyourpower.com.au/>

<sup>105</sup> <http://www.dtwd.wa.gov.au/sites/default/files/uploads/quick-stats-sep2016.pdf> ; <http://www.dtwd.wa.gov.au/sites/default/files/uploads/commence-by-qual-sep2016.pdf>

<sup>106</sup> Wayne Wood, ASU Branch Secretary Western Australian Branch, Public Hearing, Perth, 25 October 2016.

<sup>107</sup> Neville Kitchin, General Secretary, PSA of SA, Public Hearing, Adelaide, 26 October 2016



*In terms of superannuation, well, privatisation is privatisation regardless. Here's a view that you could all end up owning a piece of Western Power as he [Colin Barnett] wants to put it, is just spin. The reality is once it has gone private, it's private, and it's gone, and it's gone for good. We'll never get it back into government hands that I can see. And this is a really big state. We aren't connected to the grid over east. We do have that issue with remote Aboriginal communities, we do have the issues with remote farming communities. There's no need for the privatisation discussion, except that private companies, like AGL, have been here looking at our utilities going, 'We'd like to buy that stuff.' And all of a sudden, thought bubble from the Premier, 'I know, superannuation'. And that's the answer to it. Well, we don't buy it. Once it's privatised, it's privatised.*

The claim that the income from the sale of electricity networks can be invested back into other important infrastructure like roads misses the point that income generated from assets like electricity finds its way back into state treasuries, while income from roads typically does not. This means that over the longer term, privatisation in the name of 'asset recycling' will erode state balance sheets, necessitating future tax increases to maintain or improve public services. In the long-run it just doesn't add up.

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# DISABILITY: STABILITY OF SERVICE UNDER THREAT

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The model chosen for the NDIS is a market of providers from which people with disability can choose the particular services they need. The goal of this model is to empower people with disability to help them lead a normal life. But as the Inquiry was told, in some places the scheme is being simultaneously used as a shield for state governments' privatisation agendas. Instead of integrating their disability services within the NDIS, some state governments are using the NDIS as cover to off-load them. In doing so, they will deny some the most vulnerable Australians the right to choose the publicly-owned and run services they would prefer. Sadly, this privatisation by stealth is taking place without any real consultation or debate.

## STATE BY STATE

The NDIS began a number of trials in mid-2013, with full roll-out beginning in stages from mid-2016. State governments are privatising their disability services to varying degrees. During the Inquiry we collected evidence from people in NSW, WA and Victoria who are concerned about the effect privatisation of disability services will have on clients, their families, and workers – especially on clients with intellectual disabilities who may lack the capacity to advocate on their own behalf.<sup>108</sup>

In **NSW** the government is taking the most radical approach to the privatisation of disability services. As part of its NDIS agreement with the Commonwealth, the state confirmed that it

would no longer provide any disability services and would completely privatise its Ageing, Disability, and Home Care (ADHC) unit. This will make NSW the only state in Australia without a public disability safety net.

In **WA** the government is privatising 60 per cent of its group homes, while keeping 40 per cent in public hands (purportedly to service the most complex cases that the private sector will not take on and so the government can 'keep some skin in the game').<sup>109</sup>

In **Victoria** the government currently provides care and support for people with complex needs, severe intellectual disabilities, medical, behavioural, physical, and sensory disabilities. This disability care will be privatised as the NDIS is rolled out, affecting the care of approximately 3000 clients and 5000 workers.<sup>108</sup>

## WHAT IT MEANS FOR PEOPLE WITH DISABILITY

The parents who spoke on behalf of children in disability care provided some of the most passionate and powerful testimonies given to the Inquiry. Families that had entrusted their children to public disability for years spoke of their fear, anxiety, and heartbreak over the coming privatisation of their children's services.

Sonia Facey from Wollongong attended the Inquiry hearing out of 'extreme concern' for the future of her son and said she had to speak on behalf of her son because 'he can't speak

<sup>108</sup> HACSU, Public Hearing, Melbourne, 18 October 2016.

<sup>109</sup> CPSU CSA, Public Hearing, Perth, 25 October 2016.

for himself'<sup>110</sup>. Sonia's teenaged son Nathan is autistic and has an acquired brain injury after being hit by a car in 2010. Since the accident, he has stopped speaking and has become prone to violent outbursts. Nathan lives at home, but stays at Dapto Respite Centre on a regular basis.

Sonia said she was 'horrified' when she learned the centre was set to close because it was the only centre nearby that could cope with him. Sonia's concerns are informed by her previous experiences with private providers, including one where Nathan escaped from the facility four times in three days, at great risk to himself and others:

“

The safety of my son is the biggest priority and with all the issues that have arisen already, my confidence in private disability providers is extremely lacking. Looking forward, I don't see a very positive future for my son without government services... When I can no longer look after [Nathan], I fear as to where he is going to end up.<sup>110</sup>

”

Adding to this anxiety is the uncertainty of what supports the NDIS will cover. At the hearing Sonia said she feared the service she received would be cut back, as was the case with people she knew:

“

They were guaranteed that they'd have five days placement and their days have been cut back. There's one that's been cut back to three, one that's been cut back to four already. So they're missing out. They haven't got what they've been promised.<sup>110</sup>

”



<sup>110</sup> Sonia Facey, Public Hearing, Wollongong, 6 September 2016.

Sonia went on to say that private providers did not have the understanding or ability to work with her son compared to experienced government workers. She also said that private providers did not have the obligation to work with her son:

“

They can just say, ‘right, your child’s too much to handle. We’re not going to deal with you any longer.’ Whereas the government one has to find a way to do what needs to be done. They have done that. We’ve had a lot of issues with [Nathan] going to respite at Dapto, but they’ve always found a solution to it.<sup>110</sup>

”

This fear that private providers may turn away difficult clients is echoed by Ingrid Pickering in Sydney<sup>111</sup>. Ingrid’s son Michael is 32-years-old and has a moderate intellectual disability and severe autism. He has difficulty communicating, which can lead to frustration and sometimes aggression. Ingrid said like most people with autism, Michael has difficulty coping with change:

“

To date, he has been expelled by five organisations, the most recent in December 2015, all of them citing an inability to manage him as the reason. This is indicative of the lack of experience and training of their staff, a consequence of the casualisation of their workforce, and suggests a serious lack of commitment to embrace all people with disability, including those with complex needs.<sup>111</sup>

”

Ingrid explained that Michael’s current placement at ADHC, where he has been for the past four years, has seen him improve a great deal and his outbursts are now ‘infrequent due to the expertise and commitment of the staff and support from a multidisciplinary clinical team.’<sup>111</sup> But Ingrid fears that the Michael’s improvement will deteriorate with the introduction of unfamiliar and inexperienced staff. She is adamant that the government must continue to provide disability care in NSW:

“

Unless something is done to prevent it, the disability sector in New South Wales will lose the only service provider that does not discriminate by cherry picking the easy clients or exit clients at their discretion when the going gets tough.<sup>111</sup>

”

Until now, Ingrid and her husband felt reassured that Michael had a placement in supported accommodation that was permanent. But they are now overwhelmed and anxious at the thought of privatisation:

“

We have been thrown into turmoil by the prospect of an NGO taking over his group home and the likelihood that his tenancy and quality of life will be under threat. The thought that haunts us both is that, without government services acting as a safety net, should he lose his placement, who will take responsibility of his care when we’re gone?<sup>111</sup>

”

Barbara Spode, 78, also from Sydney, said she was ‘outraged’ at the ‘one size fits all’ model of the NDIS<sup>112</sup>. She said it was presented as something that would give families choice and control, but choice has been ruled out for many. Barbara’s daughter India, 51, is severely autistic and does not speak, but communicates through hundreds of different signs. India can have outbursts due to her frustration when people do not understand her. Barbara is very concerned about the change of staff that will inevitably happen when ADHC is privatised:

“

Change of any sort upsets India. Staff changes are very hard for her and everyone else. At her group home, the staff includes people who’ve worked with her for many years, so she has had consistency and for that I am very grateful. New staff might be well trained and have experience

<sup>111</sup> Ingrid Pickering, Public Hearing, Sydney, 8 September 2016

with other people with challenging behaviour but, until they understand India's communication, both they and India herself skate on thin ice and it takes a long time to understand India.<sup>112</sup>

”

Barbara makes the point that the privatisation of ADHC dismantles a career trajectory for disability support workers that has long existed, where workers would go on to work in more senior roles in the department. This is beneficial and provides stability for the workers, the department, and for the clients themselves.

Less accountability is also inevitable in the privatisation of public services, and is a theme that has been repeated throughout this Inquiry. Barbara dreads a deterioration of the quality of India's care without the ADHC complaints system. She says:

“

The Ombudsman can take complaints about neglect and abuse, but not complaints about a deterioration in the quality of her service. I'm India's legal guardian for accommodation and I have to ask, what if I disagree with the New South Wales Government's choice of a provider? Or what if I have complaints about the standard of care and I can't get those complaints resolved within an NGO? And the answer from the most senior of the government staff who are pushing through the privatisation is that the allocation of money from the NDIS is India's money and I can find another service provider for her...Now that just provoked very bitter laughter from families who know very well the shortage of trained staff, the shortage of housing stock, let alone the appallingly long waiting list of people like India who are living at home with parents even older than I am in desperate need of accommodation...'<sup>112</sup>

”

Privatisation's answer to poor quality service is that the customer can take their business elsewhere. But does that really work when we are talking about human services and people's lives? Or when a provider 'market' for these services barely exists? Barbara fears that a privatised NDIS system will treat highly vulnerable people as commodities.

Barbara concludes on this devastating note:

“

We're being asked to join the marketplace, to go freelance, and that's a grotesque denial of my daughter's vulnerability and frankly, I'm afraid to die before she does.<sup>112</sup>

”

Wendy Cuneo, parent and advocate with the Stockton Hospital Welfare Association, spoke at the Newcastle inquiry hearing in NSW: 'I have three adopted children, so I've been with ADHC for 41 years, and I can tell you that outside of it, is a desert.'<sup>113</sup> Wendy's daughter was in a group home and her son is currently in Stockton, a large residential facility. She said the State Government has used the transfer of the disability funding and the NDIS as an excuse to close large residential facilities:

“

They were going to build everybody in our three centres, Stockton, Tomaree, and Kanangra, a new house. Now it's down to 'we'll build 10 and we'll outsource the other buildings'. It's taken over two years for them to place 55 [people] who we were told the other week, 'they'll be sitting down to lunch in their own houses on Christmas day'. If it's going to take 'til Christmas to house 55, how long do they expect it to take to house the other 250 that are in Stockton, that's without Tomaree and Kanangra? It doesn't make sense, and yet they're demolishing the place.<sup>113</sup>

”

<sup>112</sup> Barbara Spode, Public Hearing, Sydney, 8 September 2016.

<sup>113</sup> Wendy Cuneo, Stockton Hospital Welfare Association - SHWA (Parent), Public Hearing, Newcastle, 5 September, 2016.

Wendy is concerned that privatisation will mean the loss of staff who have years of experience working with clients with specific needs:

“

Some of our severe epileptics, they'd be dead before the ambulance got there. A choking risk, if they're choking, they'll be dead before the ambulance gets there. Not only is it a matter of time, but if you're choking, the way that you're treated depends on what you're choking on. If you're choking on bread, bread swells, it's no good bashing them on their back, it's not going to come out. You've got to dig it out. There's a whole range of things that people with life experience know and understand, and pass on to trainees. I became a registered nurse in 1966, so disabilities and aged care has been my area of expertise all those years. I am absolutely horrified and terrified at the lack of training that these people are getting.<sup>113</sup>

”

Graham Burgess is the Chairperson of the Hunter Disability Support group in NSW, which is an organisation of parents who are concerned about the privatisation of ADHC. Graham has a 50-year-old son, who has been under the care of ADHC for more than 40 years, and considers ADHC's care world class:

“

No other country in the world can hold a candle to the superior quality of ageing and disability care services that are in New South Wales...[but] once you dismantle an organisation that took over 35 years of concentrated effort, of taxpayers money, to build it, to the near perfect model that exists throughout Australia today, or certainly throughout New South Wales. That cannot ever be rebuilt.<sup>114</sup>

”

Graham considers his son fortunate for having access to ADHC care, and fears for the quality of care that will exist in the future:

“

...there are unborn children that are going to be born with greater disabilities than my son, who are going to need this type of care that will not be there. Because the 13,000 trained staff who will not and shall not move across, will not be replaced.<sup>114</sup>

”

Privatisation of disability services is also occurring in Western Australia. Maz Kowald attended the Perth hearing and spoke about the stress privatisation is putting on the families of WA's Disability Services Commission (DSC) clients. Maz leads a group of family members of DSC clients called Caring About Residents with Disabilities (CARD). She describes feelings of grief amongst the families at the loss of close carers, of powerlessness, of family friction over how to respond, of suicide watches. Some vomit at the sight of a DSC envelope in the mail for fear of the news it contains, others need a moral supporter there just to open the letter.<sup>115</sup>

Privatisation of DSC group homes means the staff who have cared for residents for years will leave, and be replaced by staff from the non-government sector. This is a big concern for Maz and the families she represents:

“

When you have people with severe disabilities, many who can't speak, they rely very much on staff as do the families. They're not just staff. They are extended family that really love their work, love the people that they're looking after. Privatisation then means that we're going to lose years of personal experience, knowledge, relationship, which is the basis of intuitive care, which is absolutely essential for these people.<sup>115</sup>

”

<sup>114</sup> Graham Burgess, Hunter Disability Support Group (HDSG) (Parent), Public Hearing, Newcastle, 5 September, 2016.

<sup>115</sup> Maz Kowald, Caring about Residents with Disabilities (CARD) (Parent) Public Hearing, Perth, 25 October, 2016.

Part of the anxiety and stress around privatisation stems from the way the privatisation is occurring:

“

The policy itself and the implementation to-date is nothing short of disgraceful.

There is lack of family consultation.

We've had a very dismissive attitude from a previous disability minister. It took us weeks to get an appointment with the new one. In fact, it is difficult to get an appointment with anyone high up in disability or government affecting these privatisation issues. We're deeply concerned about a systemic dismantling of DSC services. We've been denied the request for a forum to meet the decision-makers and have questions answered.<sup>115</sup>

”

Mike Smith's son Clint, 41, is intellectually disabled and lives in a DSC group home, where he has lived since he was 34. Mike said it took three years to find out if Clint's group home would be outsourced following an announcement that 60 per cent of DSC homes would be outsourced:

“

I've never really understood their [management's] reticence and reluctance to take parents into their confidence and say to us, 'this is what we're prepared to do. We'd like you to come on board and give us your 10 cents worth'.<sup>116</sup>

”

The privatisation of 60 per cent of DSC group homes has been touted as giving clients' 'choice'. Yet the one choice that Mike and many other parents want is not available:

“

...what DSC have said all along is parents have got a choice. The only thing was, it's a poison chalice, because one of the choices was not to stay with DSC, which, if you speak to most parents, that's what their preference would be. It takes a long time to build up a trust with the people who

are looking after your kids, so they want the status quo, that's what they're after...

DSC aren't perfect, I don't think any big organisation is, but for us, they're about as perfect a fit as we can get. We're happy with what we've got.<sup>116</sup>

”

Like other parents who gave evidence at the Inquiry, Mike is concerned about the effect staff changes will have on Clint when his home is privatised:

“

Our strategy has always been, as far as possible, is to keep Clinton in the same house that he's in now, the same people that live in the house with him - there's six client's that live in this house - and hopefully the same staff that he's got. Because as a parent, Clinton left home at the age of seven, and to put your kid into care at that age, it takes a lot of trust and faith in the people who are going to look after him. And we've been lucky to have really, really good staff so far. The thing for us, this [privatisation] is a great unknown...

Clinton likes continuity; he likes things to stay the way they are. So he can cope with people going on annual leave, people resigning, I mean, that happens in every job, that's just a fact of life, but generally the changes are staggered. You know, maybe some of the staff he's got with him have been there for years, some new person comes in, maybe an old person goes, but we're looking down the barrel, maybe, potentially, of eight, nine, 10 new staff coming in. We don't know how long they're going to be there.<sup>116</sup>

”

What is clear from so many harrowing stories from families across Australia is that many of them believed when the NDIS was announced that it would give clients choice. But the one choice these clients and their families are not being offered is keeping what they have. The parents who

<sup>116</sup> Mike Smith, (CARD), Public Hearing, Perth, 25 October, 2016.

addressed the Inquiry understood government provision of services comes with important legal guarantees about accountability and responsibility that even with the best of intentions cannot be matched by privatised services.

## **DISABILITY WORKERS**

Many of the concerns raised by the families are echoed by the disability workers who gave evidence to the Inquiry. These include uncertainty around quality care, the lack of consultation and information, and the tearing apart of the client-staff relationship.

The NSW Government is privatising the whole of ADHC, which equates to 14,000 job losses<sup>117</sup>. Just as the clients and families are denied the choice of staying with the public sector, so too are the workers. The *NDIS Enabling Act*, passed by the NSW Government in 2013, allows for workers to be forcibly transferred to the private sector, stating that ‘a transfer of employment does not require the consent of the person transferred’<sup>118</sup>. The Public Service Association (PSA) has surveyed its membership and reported to the Inquiry that 60 per cent of people currently employed by ADHC will choose not to work for private providers and will instead leave the sector.<sup>119</sup> There are approximately 1,500 disability nurses in NSW and the privatisation of ADHC will mean these nurses will have to accept positions offered to them by the government without the right to choose who they want to work for: ‘We can now be directed where our next position will be without any choice.’<sup>120</sup>

Again, we see that privatisation leads to fewer choices. One nurse noted:

“

...where I am there’s only going to be two group homes in the local area, clients are going interstate all over the countryside, so there isn’t enough positions in those two houses to absorb all the staff anyway...and for nurses who chose to work in disabilities and

become experts in that field, it’s very difficult to then transfer into general health because we have to do a \$10,000 refresher course because that isn’t our training of expertise.<sup>121</sup>

”

The Civil Service Association (CSA) noted at the Perth Inquiry hearing that privatisation has led to:

*...a push towards the de-professionalisation and devaluing of the role of qualified social trainers because Disability Services Commission is the only disability provider who employs a fully qualified social training service for people with intellectual disabilities. There’s also been an ongoing devaluing of the significant role long-term that trusting relationships play in the provision of services to people with an intellectual disability.*<sup>122</sup>

We also heard about this devaluing of disability care work in Victoria, where the Health and Community Sector Union (HACSU) noted:

*Our public sector workers are trained pretty much at a minimum of Certificate IV and also at advanced diploma qualification. So the qualification levels in the public sector are quite significant. The skills and emotional labour that they bring in terms of supporting vulnerable people are quite significant, however, they have remained undervalued, I think, within our society. Disability support work, care work, is generally undervalued across our society and I think that for those reasons, society reacts in a very different way when governments are looking to contract out and privatise these services, which is of real concern.*<sup>123</sup>

The disability sector is highly female dominated at 83 per cent<sup>124</sup>, and is highly casualised. Workers from ADHC in NSW noted that the two-year transfer package offered to workers is not legally enforceable, and not in line with the transfer packages given to workers in

<sup>117</sup> Public Service Association (PSA) of NSW, Public Hearing, Newcastle, 5 September, 2016.

<sup>118</sup> *National Disability Insurance Scheme (NSW Enabling) Act 2013*, no. 104, 14 (3) <http://www.legislation.nsw.gov.au/#/view/act/2013/104/full>

<sup>119</sup> PSA of NSW, Public Hearing, Newcastle, 5 September, 2016.

<sup>120</sup> Terry Ray, NSW Nurses and Midwives Association, Public Hearing, Newcastle, 5 September, 2016.

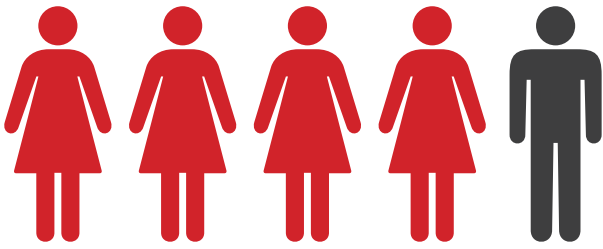
<sup>121</sup> NSW Nurses and Midwives Association, Public Hearing, Newcastle, 5 September, 2016.

<sup>122</sup> CPSU CSA, Public Hearing, Perth, 25 October 2016.

<sup>123</sup> HACSU, Public Hearing, Melbourne, 18 October, 2016.

<sup>124</sup> Rachel Smoothy, PSA of NSW, Public Hearing, Newcastle, 5 September, 2016.





The disability sector is **highly female dominated** at 83 per cent<sup>124</sup>, and is highly casualised.

male-dominated professions who have been privatised. NSW electricity workers transferring from government to private employers were given a guarantee of employment for five years and 30 weeks transfer pay, compared to disability workers who will receive two years and eight weeks transfer pay.<sup>125</sup>

Many submissions from families, workers, and their unions noted the difference in pay and conditions between the public and private disability sector, and that the lower wages in the private sector were an incentive for governments to privatise and cut costs. A disability worker from Wollongong argued:

“

[The privatisation is] about winding back shift penalties in a workforce that, by its very nature, needs to be 24/7. Penalties make up 30%-40% of a disability worker's wage. We work three out of four weekends. I've spent more Christmas' opening other people's children's presents or helping them open them than I have my own... Why should I have to do that without [the] compensation of shift penalties?<sup>126</sup>

”

HACSU fears there will be a mass exit of support staff following privatisation due to a 30 per cent cut in their wages. They are also concerned that many positions will become casualised, with casualisation of the private sector at about 40 per cent, compared to 15-20 per cent in the public sector. They pointed out that the structure of NDIS itself may drive the casualisation and

fragmentation of work:

*It is also driving the 'uberisation' of workforce, and we're seeing that right across the sector where service providers are springing up to provide support workers over the internet, you know, choose your support worker and negotiate the price that you wish to pay with that individual. So it's the issues of the NDIS and the issues around choice and control that are driving that.<sup>127</sup>*

Another recurring theme in the submissions from workers and families was the effect privatisation will have on vulnerable residents. In Western Australia, the transfer of the first group homes to the private sector happened over a 2-3 week period. The workers argued that this handover period was too short, and that it was particularly upsetting for the residents to cope with so much change in such a short period. The CSA campaigned for a longer transition period, and the Department subsequently held handovers over a 5-6 week period. One social trainer said the handover process had been 'upsetting for all involved' and that it was difficult to make clients feel 'safe and secure in this process'.<sup>128</sup>

The workers are also concerned about the quality of service the clients will receive in the private sector:

“

I don't believe our members will get a better service in the private sector. Sure, there's some well-established agencies out there that do a wonderful job, but we're talking about a mass move from one government agency, and it's not fair on anyone. Privatisation ends up costing more for a lesser service and the private sector ends up cost-cutting to the detriment of the residents. Things like cutting the number of staff on shift, having a domestic come only once a fortnight instead of every second day. No yearly holidays, concerts, outings, food budget cuts.<sup>128</sup>

”

<sup>125</sup> PSA of NSW, Public Hearing, Newcastle, 5 September, 2016.

<sup>126</sup> Shane Elliott, PSA NSW, Public Hearing, Wollongong, 6 September 2016.

<sup>127</sup> Gary Dunne, NSW Nurses' and Midwives' Association (member), Public Hearing, Sydney, 8 September 2016.

<sup>128</sup> Kirsten Hansen, Public Hearing, Perth, 25 October, 2016.

A nurse from Summerhill Accommodation and Respite Centre in NSW, which is currently out to tender, also spoke about how the financial constraints of privatisation and NDIS will hurt the service Summerhill currently provides:

“

...from our point of view, the sell-off of our service is going to create a totally different financial structure for what we do. We've been guaranteed that everything will stay exactly the same for two years but, once those two years are up, major change is actually inevitable, because under the NDIS, each client will get paid a certain amount of money. The service will charge an annual fee for accommodation and nursing services and so, for my unit with 10 beds, there'll be 10 fees and that is the one bucket of money that has to cover everything that these people require, and not just cover those basic things but also the cleaners, the linen service, the outdoor staff, clerical staff, the nursing education staff, maintenance and so on...

”

This concern about the capacity of the system to provide the quality of service needed came up again and again in the workers' submissions. People who choose to work in the disability sector are passionate about what they do, form strong bonds with the clients they support and care deeply about their welfare. As one worker noted, 'The house that I've worked in for over 10 years is now, as of today, in the process of being transferred out to the private sector. The only word I can use to describe it is 'grief''.<sup>128</sup>

Yet these dedicated workers have been left in the dark about their future in a privatised system – in the same way that families have had little information or consultation on the change - which has led to low morale. One worker from WA said, 'It's awful that none of us have been told what's going on. You know, to do a job for 30 years that I love, love, love, and I don't know what's going to happen to me.'<sup>128</sup>

HACSU concluded its submission by urging governments to respect workforces, noting the fundamental importance of the workforce in providing quality care.

***We take the view that quality starts with workforce, ensuring that people are recognised and valued for the work that they do, they have decent career structures, decency of work, security of work. It is only through those mechanisms that we will be able to double the workforce that is required under the NDIS. We fear that if it continues in its current vein, what we will see is failures right across the service system, and that will be an absolute tragedy.***<sup>129</sup>

129 Lloyd Williams, HACSU, Public Hearing, Melbourne, 18 October 2016.

# HEALTH, AGED CARE, CHILD CARE: ACROSS THE GENERATIONS

Given the importance of health and care to every Australian, the number of people employed in these sectors, and the high proportion of public spending they require, it came as little surprise to the Inquiry that they were major topics for submissions and discussion. As people pointed out many times, the privatisation of these services has been a story of policy failure that successive governments seem keen to repeat, despite the evidence.

## HOSPITALS

### The failure of hospital privatisation

The Inquiry was provided with details of numerous public hospitals that have been privatised, or have some functions privatised, only to be subsequently returned to public control after catastrophic contracting failures endangered service provision to the public.

**Port Macquarie Base Hospital (NSW):** Public hospital services were contracted to a private operator in 1994. By 1998 elective surgery wait time was double the state average and costs were 20 per cent higher than comparable public hospitals. By 2003 there were 333 people waiting more than a year for elective surgery, compared to seven at the nearby publically owned and run Coffs Harbour Hospital, and five at Taree's public hospital<sup>130</sup>. In 2004 the State Government bought back

the hospital at a cost of \$35 million<sup>131</sup>. Port Macquarie was described by the NSW Auditor General as hospital where the public had "paid for it twice and then gave it away".<sup>132</sup>

**La Trobe Valley hospitals (Vic):** In 1996 the Latrobe Valley's Moe and Traralgon hospitals were merged into one privatised service. Within just six months of operation the private operator had to approach the government for more money and within just four years the hospital reverted to public control, with the company reporting losses of \$6.2 million in 1999. A major issue highlighted by this failure was lack of transparency. The Kennett Government had refused to make the contract publically available, against the orders of the Victorian Civil and Administrative Appeals Tribunal, citing commercial-in-confidence provisions. Local resident Beth Jefferson told the Inquiry's Latrobe Valley hearing that privatisation had restricted the necessary expansion of health services in the region and this had been reversed since the resumption of public control.<sup>133</sup>

**Modbury Hospital (SA):** In 1995 the running of South Australia's Modbury Hospital was contracted to a private provider for 10 years, renewable to 20 years. Within two years the private provider was experiencing financial losses and lobbying for an increase in the contract price, which the government agreed to. In 2007 the private provider handed back the service.<sup>134</sup>

<sup>130</sup> NSWNMA Written Submission page 7

<sup>131</sup> Queensland Nurses Union written submission page 13

<sup>132</sup> NSWNMA Submission page 7

<sup>133</sup> Beth Jefferson, Public Hearing, La Trobe Valley, 19 October 2016.

<sup>134</sup> Queensland Nurses Union submission page 14

**Robina Hospital (QLD):** Queensland's Robina Hospital, which opened in 2000 as a privately owned and operated public hospital, had to be brought under public control at taxpayers expense following mismanagement by the private providers.<sup>135</sup>

**Fiona Stanley Hospital (WA):** Western Australia's state-of-the-art, government owned public Fiona Stanley Hospital opened in October 2014. UK company Serco was awarded a \$4.3 billion contract to run some 'nonessential' services at the teaching hospital, with Treasury only given two weeks to review the contract before it went to Cabinet for approval<sup>136</sup>. But in April 2015, the WA Government ended the contract with Serco to deliver sterilisation services in the hospital after a number of failures to correctly sterilise equipment in operating theatres, including an incident where body tissue was discovered on sterilised medical equipment.<sup>137</sup>

**Perth Children's Hospital (WA):** Perth's new 298-bed children's hospital is delayed by more than a year, suffering cost blow-outs and continued public health scares (including flooding and the illegal use of asbestos building products), all of which can be linked back to the state government's PPP funded health infrastructure policy and lack of oversight of the construction process.

**Midland Public Hospital (WA):** Midland Public Hospital (MPH) is a government owned public hospital, operated by Catholic organisation St John of God Health Care. The provider caused controversy by refusing to offer reproductive health services, including pregnancy terminations or contraception services, due to their religious philosophy. The Barnett Government subsequently agreed to pay Marie Stopes International, which runs a private clinic in Midland, \$500,000 a year to provide these services. To date this issue has not been resolved, and patients must go off-campus to seek reproductive services that would normally be available in a public hospital. MPH also ran into

trouble over the lack of transparency for its key contractual performance measures, including limits of deaths, substandard procedures, and cancelled operations, which were kept secret for commercial-in-confidence reasons.

**Mersey Hospital (Tas):** The Mersey Hospital, privatised by the Tasmanian Government in 1995, was described to the Inquiry as 'a basket case' from the start<sup>138</sup>. Its failures led to federal takeover by the Howard Government and its return to the Tasmanian public hospital system in 2004.

**North West Regional Hospitals (Tas):** Set up under a PPP arrangement in the 1990s, the North West Regional Hospital encountered significant cost over-runs that resulted in the Tasmanian Government buying out its contract and returning it to public control. The contractual arrangements had been shielded from public oversight, again due to commercial-in-confidence clauses.

As submissions and testimony to the Inquiry argued, hospital privatisation failures tend to follow a consistent pattern:

- a lack of tangible benefits to the state
- limited government control over quality
- cost overruns
- poor contracting management
- increased risk for the state following contract difficulties
- cost blow outs
- drops in quality of services to the public.

More generally, the failures point to the questionable starting point that companies should be allowed to seek profits from public health care provision. It is not only morally dubious, but, experience would suggest, impractical and unsustainable. The intrusion of the profit motive inevitably produces a race to the bottom in service quality that is totally inappropriate to the provision of public health care.

135 Queensland Nurses Union written submission – page 15

136 <http://www.abc.net.au/news/2014-02-17/hospital-contract/5264816>

137 <http://www.abc.net.au/news/2015-04-20/serco-hospital-sterilisation-contract-cancelled/6406106>

138 Robbie Moore, Health and Community Services Union (Tas) Public Hearing, Hobart, 14 October 2016.

## Hospital cleaning services and hygiene

An important dimension of privatisation is its effect on hospital cleaning services – a crucial element in hospital disease control and patient safety.

United Voice in Western Australia referred to the consequences of failures in the quality of cleaning services in hospitals, citing as an examples Sir Charles Gairdner Hospital, where the privatisation of cleaning services led to 172 people contracting hospital acquired infections, costing up to \$2.7 million to rectify.

Three members of United Voice's ACT Branch, who work as cleaners in a public hospital, and their Branch Secretary, submitted the following practical evidence to the Inquiry:

“

The ward assistants will clean the computers and the phone on the desk, but the cleaner has to come and clean the desk around it. Wasted time.

...all of a sudden the equipment is not there; all of a sudden the labour that was supposed to be cleaning a particular ward is no longer there and not replaced.

Every time (management) want to save money or they've spent over their budget (just say if I rang in sick), they wouldn't fill my position, they would just get someone off another ward and say: 'Can you go quickly and run around and do that area in an hour?' In one hour. So that area hasn't been cleaned properly because you just go in and do the bins and wipe whatever you can, fill the toilet paper, and that's how it's done. They're not putting people on, or they're giving you more and more work to do, and you just can't keep up and you have to take shortcuts because you can't get it all done.

”

Despite being asked to work at a faster rate, to the detriment of public safety, new contracting arrangements generally give cleaners reduced job security, making it difficult for them to speak out about employment and hospital hygiene issues.



## CASE STUDY: CLEANING SERVICES AT ROYAL NORTH SHORE HOSPITAL

At Sydney's Royal North Shore Hospital (RNSH) cleaning services were contracted out through a PPP but had be brought back under public control due to ongoing problems. A confidential submission provided to the Inquiry outlined some of the issues around this and other privatisation of services at the site:

In 2008, the NSW Government announced that in order to redevelop RNSH, a PPP would be entered into with a consortium called Infrashore who would build the new facility and provide 'soft services' and maintenance services until 2036. After this time, the hospital building would be handed over to NSW Health.

There were issues with every aspect of this PPP from the start.

Unusually this agreement involved the takeover of soft services by the PPP in the old 'Brown' building prior to the new facility being built. Soft services include cleaning, portering, security, catering, linen and waste management. However this caused significant issues as the contract did not have any financial penalties for non-compliance or not meeting KPIs until transition into the new building. There were ongoing disputes with the soft services provider with quality of service provided and staffing levels. This came to a head in 2012 with a dispute lodged in IRC by HSU after the private soft services provider reduced the cleaning and portering staff by 20 per cent. This had a debilitating impact on an already struggling service and the RNSH Branch of the NSWNMA resorted to writing to Jillian Skinner MP, NSW Health Minister begging her to intervene. Patient care was being delayed by a lack of porters and the nurses were picking up extra work. Delays with cleaning beds after a patient was discharged at one point reached six hours – causing a huge backlog of patients in the emergency department.

The contract was drawn up with little involvement of RNSH staff even though it specified exactly what services must be provided by the PPP. This has been an ongoing issue and is still being addressed with the contract being renegotiated this year. It was also shrouded in 'commercial-in-confidence' secrecy.

Addressing any issues became very challenging as both the hospital and unions had to raise issues with Infrashore who would then filter this down to the relevant provider. This was inefficient and frustrating. There was a period where Infrashore did not send a representative to the Staff Consultative Committee with union reps for many months. There was also a revolving door of managers in both Infrashore and the private soft services provider.

When [the hospital] moved into the new 'Acute Services Building' things eventually improved but the hospital is still striving to get the level of service the hospital requires. Earlier this year it was announced that ISS lost the contract for soft services and Healthshare (part of NSW Health) was to take over for 18 months. This was to bring the service up to the level required at which point it will then go out to private industry to tender for the ongoing contract.

As part of this PPP, the hospital-run carpark was handed over to the PPP and run by a private parking provider. The contract also put a cap on the number of staff allowed to park each day resulting in a huge waiting list of over 500 staff for staff parking access.

The retail arm of the PPP has clashed with the hospital volunteers who run a shop with all profits donated to the hospital. Not only was the volunteer shop relegated to a low traffic area, a rival convenience store was opened close to the entrance, taking a lot of the volunteer shop's business.

A submission by the Uniting Church's Justice and International Mission cited evidence from the UK where the contracting of cleaning services has largely been abandoned due to failures relating to staff retention, training and engagement that has produced serious infection control issues.

### Privatisation and nursing

Submissions to the Inquiry raised concerns about the potential damage to the nursing profession of continuing hospital privatisation.

Robyn Brown, a registered nurse and Branch President of the NSW Nurses and Midwives' Association at Mona Vale Hospital, told the Inquiry of plans to close and replace the Manly and Mona Vale hospitals with the privately owned

and operated Northern Beaches hospital, from which NSW Health will lease 250 beds. Robyn voiced concerns that the private provider won't maintain current pay and conditions. One of those working conditions is the minimum nurse-to-patient ratio, a ratio that extensive academic research has proven to be important to patient health. The research indicates that a ratio of greater than one registered nurse to four patients increases the morbidity and mortality rates of patients. This ratio only exists because of the Public Sector Award that contains the minimum pay and conditions for nurses in the public sector.

“

We've all been told we're guaranteed a job and our public service award will be in place for two years. There's a federal ruling about it being five years but no one can differentiate as to how long they're going to pay us on our award for. The other issues, our public award includes staff-to-patient ratio. So, as public nurses, we enjoy a better staff capacity than a private hospital would and we have a bigger registered nurse ratio to the AIN [Assistants in Nursing] ratio than the private hospitals. For the patients, we are concerned that patients are not going to be treated the same.

”

After the 2-5 year period the private provider will not be required to provide these minimum staffing levels. The NSWNMA confirmed that only one private provider in NSW (and as far as they were aware, in the whole of Australia) has these minimum staffing levels in an enforceable agreement.

### Health provision in Darwin

One of the main criticisms of privatisation is a lack of responsibility for improving community health and lack of accountability when things go wrong. As the submission by the Centre for Policy Development put it: 'blurred responsibility for service outcomes has led to the emergence of *grand alibis* where no one organisation is held accountable for service problems or entrenched failures'.<sup>139</sup>

A number of governance issues were raised during the Darwin hearing. This included the running of the ambulance service in the Northern Territory, a service that has never been publicly owned and run. According to Kenton Winsley, United Voice Member, Darwin:

“

There's been a number of reviews into the ambulance service...None of those papers have been released publicly. I guess when I look at the challenges, I compare it from working in my role as the director in the public sector to working for a private organisation. As the director... under the government, we had a set of by-laws. We have the PSEMA, which is our employment management act, and employment determination. There's a set of policies and procedures on how things should run and who is responsible for that. The challenges with working for a private ambulance service are there doesn't appear to be any accountability to how the service is being delivered. There's no community - there's no way for the community to have any input into how their service should be provided to them.

”

The Darwin hearing also received evidence of health services improving after being brought back under public control:

“

There was no alcohol and drug services in juvenile detention. There was no mental health services. They had a forensic mental health psychiatrist go there, I think, once a week. So these children were getting nothing under a private service. As soon as we stepped in, we were able to allocate two Aboriginal health practitioners full-time to engage with the detainees and provide ATSI [Aboriginal and Torres Strait Islander] primary healthcare. So yeah, I've been in a situation where we've taken over a service and we can make things better.

”

This was supported by the comments made the Australian Nursing and Midwifery Federation (ANMF) Northern Territory Branch:

*The nurse-to-patient ratio that was under the private management - it was recognised that there was at least half the number of nurses employed than what was urgently needed. The fact that the prison guards had to give out the medication is a whole gamut of problems. There were times where nurses were expected to deliver care with scripts written on pieces of paper. No right protocols, no policies. They were putting their registration at risk numerous times.<sup>140</sup>*

The difficulty of workers speaking up in the presence of poor services was again highlighted by the ANMF NT:

*Under government control, at least there are protocols, policies, procedures. We (the union) can talk to somebody when we have issues about what's going on or not going on. Staff aren't scared to talk to the union. Because when you're with a private employer, the risk of losing your job is a major thing, so they put up with what's been happening because they're too frightened that they're going to lose their positions.*

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### The myth of patient choice

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One claim made for privatisation is that it leads to increased patient choice which helps drive down costs. Submissions to the Inquiry argued that this is a myth.

#### **ANALYSIS: INEFFICIENCIES PRIVATE HEALTH POLICIES – DR BEN SPIES-BUTCHER**

The 2010 Intergenerational Report identified the PHIR (Private Health Insurance Rebate) as the fastest growing component of public health spending (Australian Government 2010: 53). This has led to the introduction and tightening of a means test on the rebate. Support for private health insurance has relied more heavily on a tax penalty – the Medicare surcharge – which is gradually being expanded to cover a wider group of households via a freeze on the income level at which it applies. Thus, the government fines many households without private insurance, and often at a rate higher than the cost of low-priced insurance products (see McAuley 2005).

All of these examples point to a fundamental paradox of privatisation. Measures introduced to address fiscal pressure by supporting private savings and investment have instead worsened those same pressures. This reflects two structural flaws in subsidies for private provision. First, these measures rely to varying degrees on a household's ability to contribute to private alternatives. As high income households are more likely to save for retirement, purchase housing or afford private health insurance, public subsidies of private welfare are poorly targeted. This is particularly the case with tax expenditures, which effectively reverse the progressive income tax scale and so are strictly regressive – a feature very rare amongst spending programs.

Secondly, private subsidies tend to undermine the savings that accrue from a single provider. Competition brings with it costs, particularly of advertising and marketing competing products. Competing providers also have incentives to create excess demand to ensure they can accommodate new customers. Similarly, administration costs are often higher when users are required to choose between providers and make user payments. Competition fragments demand, undermining the monopsony<sup>141</sup> power of governments as a single purchaser of services. Thus, the unit costs of private health insurance are higher than of Medicare (McAuley 2005), and the returns to retail superannuation funds are regularly lower even than industry funds (see Bryan, Ham & Rafferty 2008) (let alone a single government provider). In markets where the level and structure of consumption reflects the varied tastes of consumers, competition may bring benefits of choice and diversity. This is rarely the case in social provision, where professionally assessed need is central to defining the desired policy outcome. If we accept the ill should receive treatment as determined by their doctor, forcing them to choose between providers and to pay part of the cost simply inflates unit prices and lowers productivity.

<sup>140</sup> Yvonne Falckh, Secretary of the Australian Nursing and Midwifery Federation NT Branch, (ANMF –NT) Public Hearing, Darwin, 15 September 2016.

<sup>141</sup> One buyer – in this case Medicare as the one buyer of health insurance



The NSWNMA pointed out that the leading types of ill health in Australia are cancer (16 per cent), musculoskeletal disorders (15 per cent), cardiovascular diseases (14 per cent) and mental and behavioural disorders (13 per cent). They question the idea that a typical patient receiving care for any of these is in a position to bargain effectively with multiple providers, appraise quality and modify demand (i.e. choose not to get treatment) in response to price rises.<sup>142</sup>

In regional and remote areas, where there is only one provider, choice is an obvious non sequitur. Even when there are multiple providers the information needed for informed choice is not always publicly available, due to commercial-in-confidence arrangements and inadequate regulatory reporting requirements. ACOSS stated its belief that providers can exploit these circumstances through inflated prices and poor service delivery.<sup>143</sup>

There is evidence to suggest that privatisation in the sector actually leads to a decrease in choice. Jesuit Social Services spoke of cuts to funding for community mental health in Victoria where services that had built up their own specialisation over many years were replaced with larger, more generic services. This led to a 20 per cent reduction in people accessing services, increased delays and barriers to access.<sup>144</sup>

The final example of choice and cost that was raised to the Inquiry was Medicare. Simply put, the more that Medicare is replaced by private health insurance, the faster health costs will increase and more people will forgo treatment. Without money many people will have no choice at all.

## AGED CARE

Aged care services in New South Wales have historically been provided by both the government and non-government sectors, but are the subject of increasing privatisation and a greater role for for-profit providers. Baines and Goodwin provide evidence in their submission that shows the shift in aged care from public to not-for-profit to for-profit providers over time:

<sup>142</sup> NSWNMA Written submission – page 3

<sup>143</sup> ACOSS Written submission – page 13

<sup>144</sup> Jesuit Social Services written submission – page 9



## RESIDENTIAL AGED CARE SERVICES<sup>145</sup>

| Residential aged care (operational places, 30 June, %) | 1994 | 2000 | 2005 | 2010 | 2013 |
|--|------|------|------|------|------|
| Public   | 12   | 10   | 8    | 6    | 6    |
| Non-profit   | 61   | 63   | 61   | 59   | 58   |
| For-profit   | 28   | 27   | 31   | 35   | 36   |

Richard Baldwin, a registered nurse who teaches at the University of Technology Sydney and has been a director in the Sydney office of PricewaterhouseCoopers, provided a submission to the Inquiry outlining the origin and nature of this privatisation process, which he describes as being based on neoliberal principles, with an emphasis on efficiency, value for money, competition and choice. The policy reviews which have informed this approach abandoned early preferences for not-for-profit providers of aged care, despite evidence that they provided better quality care than for-profit providers<sup>146</sup>.

Baldwin argued that when it comes to aged care, 'caution is called for when applying the assumptions about the relationship between competition, pricing and quality that are applicable to other markets and services' – due to 'the asymmetry of information between supplier and consumer of aged care services, and the need for regulation on providers and care professionals to ensure safety'<sup>147</sup>.

Baldwin warned that: 'There is little evidence to suggest that the introduction of increased competition in the Australian market for aged care will have the effect claimed of increasing quality and may even have the opposite effect as competition can reduce price and lower income can reduce quality.'<sup>148</sup>

In Queensland the Inquiry heard details of the effect privatisation has had on aged care services, with staffing levels cited as a major concern. The Queensland Nurses and Midwives Union (QNMU) told of falling standards of care as staffing levels have dropped and pay and conditions have been eroded:

*There are no such things as mandatory staffing levels, or... staffing levels to the acuity of the residents... in the aged care sector. So we have, in some places, one registered nurse looking after 80 to 90 residents.*<sup>149</sup>

QNMU blamed this massive decrease in the nurse-to-resident ratio on the transition from the public to the non-government sector, where total staff numbers fell and registered nurse positions were replaced by other classifications of workers. In some cases, staff were put through arduous processes in an attempt to retain their jobs.

*Staff were made to apply for a job through an agency because the not-for-profit didn't want to... pay the public sector rates that they'd have to pay when they took over. So what they said was, 'Okay, we have 100 staff (as an example), this is the nurses agency you have to go through to be employed and we only want 50'. So... there was a lot less staff and they were paid at a lot lower pay rate than what they were getting in the public sector.*<sup>149</sup>

This led to a transfer of costs from the state to the individual.

*Where in a health district, a hospital ran, say, a hospital-in-the-home service and the public sector nurses used to go out to those homes and it was free. Once it was taken over by the private companies, they were charged for any dressings they needed. So our concern for the community is that the handing over to private, and even NGOs, from the public sector - that the care is less and the clients are suffering. And the people that are suffering are the ones that can't afford to suffer.*<sup>149</sup>

QNMU gave a concrete example of how care is affected when staffing is reduced:

*Not having enough staff has a great impact on both the residents and the staff. If you've got enough staff on and say – looking at a dementia unit and you can see that Mr Brown is escalating and he's getting really*

<sup>145</sup> Baines and Goodwin written submission, pp. 3-4

<sup>146</sup> Richard Baldwin written submission p.3

<sup>147</sup> Ref Richard Baldwin written submission p.7

<sup>148</sup> Richard Baldwin written submission p.10

<sup>149</sup> Anne Stevens, nurse and aged care Organiser for QNU

*distressed. If you have enough staff on, you could take Mr Brown away and settle him down. What happens now is you've got two staff looking after 20 residents and you've got to feed people or you've got to wash people - you don't get the time to do anything to distract the resident and something drastic goes wrong. The government doesn't legislate as to how many staff you should have to look after what type of resident you've got. I've been looking after nurses that have worked in aged care for 13 years. Ever since I started, the care hours have decreased.*<sup>149</sup>

In the Latrobe Valley, Victoria, CPSU delegate Beth Jefferson said:

“

I don't ever want to end up in one of those places. Particularly if I don't have my faculties about me, because if you've got your wits about you and you can ask for what you want and are aware of your own needs, you'll be ok. But if you don't, look out.<sup>150</sup>

”

The Northern Territory ANMF told the Inquiry's Darwin hearings that:

*One provider, at the moment, is wanting to cut penalty rates on a group that are already the worst paid in Australia, working long hours in extremely hard nursing – caring for aged people with dementia and – it's very hard work ... There's no workload model available or being used in aged care ... We have none in the Northern Territory for aged care. Because the employer refuses to negotiate on that point.*<sup>151</sup>

Both unions were highlighting the same point – falling numbers of qualified staff – which Richard Baldwin argued in his submission was likely to get worse as competition increases and for-profit provision gains a natural advantage over public and non-profit provision.

ACOSS identified a further risk: the tendency for larger providers to swallow up smaller providers, only to fail due to the financial pressures on

the industry. ACOSS used the Netherlands as an example where several private aged care providers have gone into administration. When the largest of these firms folded, 20,000 workers lost their jobs and entitlements and 100,000 clients had to be transferred to alternate services. ACOSS argues that non-government provision of human services can work, given the right circumstances, but the risks are clear.<sup>152</sup>

ACOSS also commented that fixed pricing (the amount that government will pay a non-government provider), if too low, can lead to a two-tiered system of service provision – as some residents are unable to afford the high co-payments required to provide a good level of care.

## CHILD CARE

Child care is another care service area to experience extensive privatisation in recent years. Baines and Goodwin show the shift that has occurred from public to the not-for-profit and for-profit sector:

**CHILD CARE SERVICES**<sup>153</sup>

| Long day care for children (approved/ licensed providers, %) | 1994 | 2000 | 2004 | 2008 | 2012 |
|--|------|------|------|------|------|
|  |      |      | -05  | -09  | -13  |
| <b>Public</b>  | 16   | 10   | 3    | 3    | 6    |
| <b>Non-profit</b>  | 26   | 24   | 26   | 22   | 31   |
| <b>For-profit</b>  | 58   | 67   | 71   | 75   | 63   |

The Inquiry heard from Jenny Davidson, CEO of the Council of Single Mothers and their Children, which is a non-government organisation that provides a support line to single mothers. The privatisation of childcare disproportionately impacts women, particularly single mothers. The panel asked Jenny to describe the options facing single mothers trying to find appropriate work and child care:

“

Essentially there's council, there's cooperative and then there's private [child care], so you have those three different options. Council services are notoriously

<sup>150</sup> Beth Jefferson – La Trobe Valley hearing 19/10/16

<sup>151</sup> Yvonne Falckh, Secretary, ANMF –NT, Public Hearing, Darwin, 15 September 2016.

<sup>152</sup> ACOSS Written submission – page 13

<sup>153</sup> Baines and Goodwin written submission, p. 4.

hard to get into. Private child care is easier to get into but tends to be more expensive and they may not be willing to negotiate on price. But that's often what you're pushed to if you're trying to get into child care and you don't have a year to wait, you tend to have to turn to the private child care system because there's more places available.<sup>154</sup>

”

The Centre for Policy Development described the lack of affordable child care as a structural and individual barrier to long-term employment, arguing the focus of government policy should be on removing the structural barriers to employment by making child care accessible to all<sup>155</sup>. To date, the answer seems to have focused on encouraging the for-profit private sector and the embrace of market-based practices. The question for the Inquiry was how this has affected access to child care.

The Inquiry received submissions from NGOs and unions representing workers in the child care industry – most notably United Voice and ACTU, which are strong advocates for better regulation of the child care sector.

Their evidence suggests that the privatisation of child care services – specifically the opening-up of the market to the for-profit sector – in fact puts structural barriers in the way of women accessing the workforce, through rising costs, limited choices, and inadequate access. The solution, they argue, lies in extra government and council run services, which would increase the number of available spaces in areas of shortage and drive down the costs to families.

A comprehensive submission report received from United Voice, supported by the ACTU, detailed how the process of privatisation, and the emergence of for-profits, has comprehensively failed to deliver promised outcomes:

***In 1991, landmark reforms under the Hawke Government offered government subsidies to private for-profit operators. No caps were placed on the number of centres that private operators could set up, nor on the subsidies***

***they could claim. Community providers continued to receive additional operational subsidies insofar as they catered to specific sections of the population unlikely to be serviced by the for-profit sector, such as non-English speaking families and children with disabilities... The Howard Government [then] implemented a series of changes that would further accelerate the expansion of the private sector. Operational subsidies for non-profit operators were abolished in the 1996-97 Budget, and in 2000, a Child Care Benefit (CCB) payable directly to centres was introduced.***<sup>156</sup>

While these policies increased the overall number of services, the resulting unleashing of market forces combined with cost-cutting has led to a number of negative consequences:

- government-subsided marketisation contrived to create an over-supply in regional areas and an under-supply in rural and metropolitan areas
- age groups that require high staff costs (0-2 years) have a shortage of places and long waiting lists
- low wages for child care workers
- overall decreased quality of care.

ACOSS argues for fixed pricing (where there is an agreed cost of service, with an agreed service level, and higher fees for additional, non-essential, services) as an alternative capable of simultaneously containing costs for government, ensuring affordability for service users and forcing providers to compete on quality rather than price.

The ACTU provided an example of what happens in the absence of fixed pricing:

***... in 2008, when the Australian Government announced that it would lift the Child Care Rebate from 30 per cent to 50 per cent, ABC responded by lifting fees by \$12 per day – 10 times the typical increase. Government expenditure on Early Childhood Education and Care (ECEC) increased from \$1 billion in 1999 to \$2 billion in 2007 during the peak of ABC Learning.***<sup>157</sup>

<sup>154</sup> Jenny Davidson Public Hearing, Melbourne, 18 October 2016.

<sup>155</sup> Centre for Policy Development written submission – p.16

<sup>156</sup> United Voice written submission – p.3

<sup>157</sup> ACTU written submission – p.6

Contrary to the claims of privatisation proponents, the evidence suggests that competition and the for-profit sector drive costs up. Rudi Oppitz, an Australian Services Union member and council worker who spoke at the Wollongong hearing, backed this up with a practical observation:

“

It's well known within councils and within the child care industry that the fees charged by councils in child care centres are far cheaper and far more cost effective than they are for when you go into the private market.<sup>158</sup>

”

According to ACTU, competition affects more than costs and access to child care. It exploits child care workers and holds the industry back, affecting the start in life Australian children are getting:

“

These factors have combined to create an environment in which workers doing critical work remain amongst the lowest paid in Australia and turnover within the industry continues to be unacceptably high.<sup>159</sup>

”

Private provision has failed, spectacularly in the case of ABC Learning, but as ACTU argues, the financial cost to government remains:

***In 2016-17, we will spend more than \$8 billion on ECEC, an amount that will likely exceed \$11 billion in 2018, if not earlier. This increase in spending has shown that transitioning to a competitive market with for-profit providers has not delivered cost savings in this sector.***<sup>160</sup>

This suggests then that the opening of the market to for-profit providers of child care has created unevenness and reduced equity in accessibility as people have been priced out of the market, or faced with job-losing lengthy waits. The final word here must go to Jenny Davidson, who explained the reality of increasing childcare costs on single mothers, in the context of privatisation and cuts to welfare and other public services women rely on:

<sup>158</sup> Rudi Oppitz, United Services Union, Public Hearing, Wollongong, 6 September 2016.

<sup>159</sup> ACTU written submission – p.5

<sup>160</sup> ACTU Written Submission – p.6



### CASE STUDY: ABC LEARNING, UNITED VOICE

The for-profit corporation ABC Learning was listed on the ASX in 2001, shortly after the introduction of the CCB windfall for operators. ABC Learning's business model was predicated on the speculative and highly-leveraged acquisition of existing centres. Its rise was frenetic: from 43 centres in 2001, it grew to 660 centres in 2005 and 1,084 centres in 2007 (Australian centres only); at the same time it expanded to New Zealand, the US and the UK. By 2006, at its peak, ABC operated 25 per cent of all child care services in Australia.

In 2007 the company nosedived, unable to service its \$1.8 billion debt. Just before its collapse the company released a statement for the year ending 30 June 2008 which revealed losses in excess of any profits ever made by the company. ABC went into receivership in November 2008 and was delisted. At that time, it was responsible for the education and care of 120,000 Australian children and for the employment of 16,000 educators. The Federal Government intervened to prevent immediate closures of most ABC centres at a cost of \$22 million, followed by a further \$34 million to keep unviable centres open in 2009. The government also had to cover up to \$70 million in worker entitlements. ABC Learning centres were later sold to a non-profit consortium, Goodstart, in late 2009, with the help of a \$15 million loan from the Australian Government.

The upheaval caused by the collapse of ABC Learning has reverberated in the sector for almost a decade. ABC Learning's collapse was a failure of both regulatory and accounting processes. Handing over such a significant proportion of ECEC provision to the private sector created substantial vulnerabilities that have hindered improvements to service delivery by successive governments since. Policy settings designed to foster rapid expansion and marketisation led to higher overall risks, drove down standards and investment, caused fees to balloon, imperilled children's education and care, and cost the taxpayer vast amounts. Today, the government still plays a significant and arguably larger, role, paying the lion's share of the costs which have grown under this model, with no capacity to curb price increases and to control the mix of service types areas of provision.<sup>161</sup>

“

One of the first things women do when they come up against expenses that they can't afford, including being moved onto New Start when their youngest child is eight, is try to find cheaper accommodation which may mean that you move to an area that doesn't have the services available, it may not have the jobs, the infrastructure and it may not have real safety. A lot of the women we deal with are actually in the private rental market, so they're not in public housing. So the houses may be inadequate, they may also face discrimination with their agents trying to get houses. We know one of the first things to go is being able to afford to put the heater on in the house, run utilities. Being able to afford the costs of public education are prohibitive increasingly, so things like having to buy a computer or a laptop for every child. If you're in a domestic

violence situation and you have to change schools you often have to buy different devices because the school specifies, and of course uniforms, excursions and all of those things, and just trying to make your child able to participate equally makes it expensive.

So those are some of the expenses that can't be counted, and then food bills, single mothers skip meals. So they cut a lot of corners, and things like afterschool universities, kids doing sports on the weekend, none of that is possible. Going on holiday doesn't happen. And of course you're reliant on the public health system which fortunately is still in place, but something like even a \$5 copayment really could've hit single mothers. So if we see the demise of bulk billing as a result of the Medicare rebate freeze, that's very much going to impact on these families.<sup>162</sup>

”

<sup>161</sup> United Voice written Submission pp. 4-5

<sup>162</sup> Jenny Davidson, Public Hearing, Melbourne, 18 October 2016.

# CHILD PROTECTION

*The following chapter contains reports of child abuse.*

Two royal commissions – into Institutional Responses to Child Sexual Abuse and into the treatment of children at the Don Dale Detention Centre – have highlighted the issue of child protection, angering many and producing calls for greater public accountability for Australia’s child protection services. Submissions and testimony to the Inquiry argued that the privatisation of out-of-home child protection services was making the system less transparent, putting vulnerable children at additional unnecessary risk.

One NSW witness argued that politicians continue to privatise child protection services precisely because it makes the system less transparent and blurs accountability for seemingly inevitable failure:

“

Family and Community Services – the government department with this responsibility – has always been an easy target for political point scoring, public criticism and never-ending calls for another inquiry. It’s understandable why any government would want to try and be free of this responsibility.<sup>163</sup>

”

Several witnesses argued that relevant government departments, chronically under-funded and under-staffed, are set up to fail. The CPSU Tasmania pointed out that while demand for the state’s family violence and counsellor support services has increased in recent years, funds and staffing levels have flat-lined or been eroded.

*There were occasions in the south of the state where six of the eight workers who were allocated to out of home care, their positions were vacant. Caseloads exceeded 100. This is the period in which the survey was done. So nobody should be surprised that kinship carers and foster carers who were supposed to be getting support from the public sector were saying the support we’re getting is poor when the capacity of the people to deliver those services was almost non-existent and that was then used as an excuse to say the only solution to this is to outsource these services.<sup>164</sup>*

The answer to such failures is always seen as more outsourcing. The PSA NSW told the Sydney Inquiry hearing that the 2008 NSW Wood Special Commission of Inquiry found that the now Department of Family and Community Services was so under-funded it was incapable of meeting service demand, resulting in only 13 per cent of children receiving a home visit and 21 per cent of children who required further assessment going unassessed. The Commission subsequently recommended that children who were not at significant risk should be referred, by a non-government agency, to other non-government providers. The Commission also called for the non-government sector to take on greater responsibility for out-of-home care. The PSA noted that this happened at a time of intense lobbying for more services by the non-government sector.<sup>163</sup>

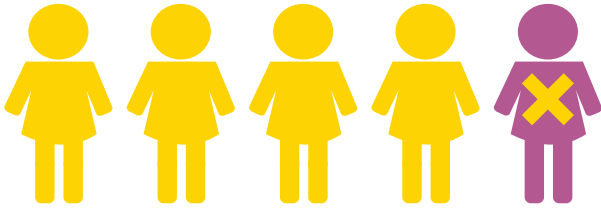
But many believe the shift to non-government services in NSW has made the situation worse.

<sup>163</sup> Sheldon Sowter, PSA NSW, Public Hearing, Sydney, 8 September 2016.

<sup>164</sup> Tom Lynch, CPSU Tasmania, Public Hearing, Hobart, 14 October 2016.



Department of Family and Community Services was so under-funded ... only 13 per cent of children were receiving a home visit



and 21 per cent of children who required further assessment were going unassessed.

The CPSU submission stated that:

*Since 2012, the NSW Government has been transferring funding for out-of-home care services to NGOs. Transferring sorely needed government funds for child protection to the non-government sector has placed real pressure on the child protection system at a time when more children than ever in NSW are in out-of-home care.*<sup>165</sup>

The ability of the NSW Government to properly assess the use of those funds has been repeatedly questioned. A CPSU submission quoted the Auditor General to the effect that:

*NGOs received Government funding of \$2.5 billion in 2014-15 to deliver services. Independent assurance is not obtained on how well the NGOs use this funding.*<sup>166</sup>

According to the NSW PSA:

*65 per cent of out-of-home care services now in New South Wales are privatised. The Auditor-General's report this year [2016] revealed that there is no benchmarking*

*against the government provider of the services. So, we've got a non-government sector that is heavily reliant on public monies to provide a service, but [has] no accountability to government.*<sup>167</sup>

The NSW PSA argued that this shift in funding was being used to build a replication of services already provided by the government sector.

The Victorian experience of a privatised out-of-home care system has, according to the CPSU, been devastating:

*We were reminded of this just last week with the horrific revelation in a report into Victoria's residential care system, which is on the list that was privatised in 1997, finding that there were 1,019 sexual incidents involving children in [outsourced] state care in 2015-2016, including 138 rapes, 200 indecent sexual assaults and 412 sexual exploitation incidents.*<sup>168</sup>

In NSW one tragedy was directly linked to a break down in adequate policy and procedure:

*Life without Barriers have placed a toddler in a home that was littered with hazards, including a sludgy green swimming pool with a gate that didn't close properly, leading to the drowning of this boy. Prior to this incident, the same organisation had been reported in the Sydney Morning Herald for placing a child in a home shared by a registered sex offender and with carers who had their own children previously removed by community services. Basic criminal record checks and checks of community services records would have prevented these situations*<sup>169</sup>.

A similar absence of policy or procedure and inter-agency coordination was reported during the Darwin hearing:

*The challenges that I've found when I worked as a child protection worker is you could place children – you'd go through the agency to place a child, but they had their*

<sup>165</sup> CPSU SPSF written submission, p. 46.

<sup>166</sup> NSW Auditor General's Report, Financial Report 2014-15, Volume 8, Family and Community Services, page 27.

<sup>167</sup> PSA NSW, Public Hearing, Wollongong, 6 September 2016.

<sup>168</sup> Karen Batt, CPSU – SPSF, Victoria, Public Hearing, Melbourne, 18 October 2016.

<sup>169</sup> Sheldon Sowter, PSA NSW, Public Hearing, Sydney, 8 September 2016.



*own set of policies and procedures. So even though you still had responsibility for the child, how the child was being cared for day to day was being managed by a private company... when we've had children die in care, we then have governments turn around and say we contract that service out.*<sup>170</sup>

Public sector unions are often accused of opposing privatisation merely to defend their member's pay and conditions, which are usually worsened by privatisation. In the area of child protection especially, this is not the case. As the Uniting Church's Justice and International Mission Unit, Synod of Victoria and Tasmania stated to the Inquiry, the outsourcing of child protection services – even when contracted to the most reputable non-profit service providers – can inadvertently produce a fall in service standards:

*UnitingCare Australia has reported that child and family services that are part of the UnitingCare network have found they are being forced to use more people employed on a casual basis to deliver services. Casual employment offers less stability for the people employed and has the potential to impact on the qualification of the employee and access to support. Additionally, UnitingCare agencies report that greater use of people employed as casual employees can sometimes mean a lack of continuity in care for people receiving the service which is often a key preference for the people needing the service.*<sup>171</sup>

This statement was supported by the NSW PSA:

*[The not-for-profit sector] also don't require their case workers to have the qualifications that the public service case workers are required to have to be employed in New South Wales.*<sup>172</sup>

The premise of privatisation is greater choice for the person accessing services. However in child protection the Inquiry was told:

<sup>170</sup> Kenton Winsley, United Voice, Public Hearing, Darwin, 15 September 2016.

<sup>171</sup> Justice and International Mission Unit, Synod of Victoria and Tasmania, Uniting Church in Australia written submission. p.8

<sup>172</sup> Maria Cirillo, PSA NSW, Public Hearing, Wollongong, 6 September 2016.



*Human services are often mediated by professionals who have significant influence over what people seek to choose. We also need to remember that using human services is not always an option that is chosen by some but is chosen for them<sup>173</sup>.*

When the panel asked about choice in Tasmania it was told:

*I don't know who they could go to if they had a complaint about the advice they were getting. I know there were quite a number of clients who had had previous interactions with the family violence counselling and support service who were subsequently flicked over to Catholic Care who sought to come back and were told that no, they couldn't. That caseload had gone over and they couldn't come back and deal with a counsellor that they had previously dealt with. So I think it was really poorly managed and I think there was a lack of transparency about how somebody could ask for a change in the service or complain about the advice that they were getting<sup>174</sup>.*

It is clear from the evidence presented to the Inquiry that the child protection system as a whole lacks structural, staffing and regulatory capacity. Evidence for this included:

- children being roomed for extended periods in hotels and sometimes overnight in office buildings
- children being referred back and forth between government and NGO providers
- NGOs failing to recruit sufficient number of carers to meet growing demand
- services, both NGOs and government, being underfunded
- in NSW when an NGO reports that a carer has refused access to the case worker it gets reported back to the government help-line who outsources the response to an NGO
- staffing restrictions in government-run services.

In NSW, prior to further privatisation, 13 per cent of children were not receiving face-to-face assessments. Now, as the NSW PSA has



... only three out of every 10 children requiring a face-to face-visit by a case worker to assess the risk of their harm in their situation in their home receive that visit.



From 1 in 10 not receiving an appropriate assessment



to 6 in 10 **not** receiving that assessment<sup>175</sup>

pointed out, the government's own 'dash board' states that only three out of every 10 children requiring a face-to face-visit by a case worker to assess the risk of their harm in their situation in their home receive that visit. From 1 in 10 not receiving an appropriate assessment, to 6 in 10 not receiving that assessment<sup>175</sup>. Measured in its own terms, the privatisation of child protection in NSW has failed to improve the service.

Can privatisation in child protection services work? A submission by the Jesuit Social Services gave an example.

*The Victorian Youth Justice system exists in an enabling context due to a shared commitment across Victoria Police, the Courts, the Victorian Government and the community sector. It demonstrates many of the features of a successful approach to public policy and service delivery in a highly challenging area. We believe this has been the result of strong leadership and commitment by government and the community sector to partnership, clear roles and responsibilities*

<sup>173</sup> Jesuit Social Services written submission. p.10

<sup>174</sup> Tom Lynch, CPSU Tasmania, Public Hearing, Hobart, 14 October 2016.

<sup>175</sup> Maria Cirillo, PSA NSW, Public Hearing, Wollongong, 6 September 2016.

*across the system, openness and flexibility in service design and delivery, and strong systems for transparency.*<sup>176</sup>

Their submission further argued that:

*Government plays a key role in enabling these partnership processes through leadership and the investment of goodwill and resources. Oversight and accountability is enhanced through supervisory and complaints functions exercised by the Youth Parole and Youth Residential Boards as well as the Victorian Ombudsman, the Auditor General, and the Commissioner for Children and Young People.*<sup>177</sup>

And that:

*...sharing of information between agencies (where appropriate) and working together are key features that risk being undermined in a competitive environment.*<sup>178</sup>

It is clear from the evidence the inquiry received that child protection requires governments to enforce strict legislative and regulatory oversight, and ensure adequate funding and enough well-trained staff to protect children. But state governments of all political persuasions are outsourcing their responsibility for the most vulnerable children in our society, keen to distance themselves from this difficult policy area.

<sup>176</sup> Jesuit Social Services written submission page 13 - 14

<sup>177</sup> Jesuit Social Services written submission page 13

<sup>178</sup> Jesuit Social Services written submission page 14

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# PRIVATISING THE POLICING SECTOR

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Defence and policing have long been seen as a central role of government, even by proponents of small-government neoliberalism. Even in these industries though, privatisation has taken a firm hold with multinational companies such as G4S and Serco being contracted to provide services internationally. In Afghanistan, for example, the US forces privatised security services of its bases. The Inquiry was told that pressure is increasing here in Australia for similar privatisation of policing duties.

The Police Federation of Australia's (PFA) submission to the inquiry provided a good example of the lobbying that occurs in the lead up to the privatisation of services, including the creation of 'independent' peak bodies.

In October 2012 the self-named Construction and Property Services Industry Skills Council (which includes the Security Industry), visited the UK to investigate the processes, and strengths and weaknesses of outsourcing security tasks carried out by the UK police to the private security industry to see if it was applicable to Australia.

Despite a number of significant weaknesses, a number of key issues were identified in the report including:

- the UK Security Industry Authority believed that about 15 to 20 per cent of Police Force functions in the UK could be outsourced
- where historically public servants had provided the administrative support to police, these services could be outsourced in future through contracted services set up by Police and Crime Commissioners

“

The police provide a unique range of services to the community that cannot be delegated to private providers without great risk to equitable and effective service provision, and a weakening of the strong accountability and oversight that balances the very great powers necessary for the police to carry out their role.<sup>179</sup>

”

- the selling point of outsourcing should be value for money for taxpayers
- private security firms are encouraged to appoint former high level police with credibility to sell the concept of outsourcing to key players and the community.

In 2013, another lobby group, the Australian Security Industry Association Limited (ASAIL), commissioned scoping work for outsourcing of policing tasks in Australia. They have since visited the UK to learn from experiences there and subsequently engaged a former senior police officer to assist in their lobbying efforts in Australia and to produce a position paper on PPPs in policing.

This followed another paper commissioned by the ASIAL in January 2013 – *Outsourcing of Policing Tasks: Scope and Prospects* by Tim Prenzler from the Australian Research Council Centre for Excellence in Policing and Security. The Owens paper identifies a number of areas where roles that are carried out by police in

<sup>179</sup> Police Federation of Australia, written submission, p. 1.

some jurisdictions could be 'outsourced to the private security industry'.

In its submission to the Inquiry, the PFA raised a number of significant concerns should police services be privatised in the manner suggested above. The PFA's policy position is that a proper cost-benefit analysis, which would include an evaluation of 'value for money' *and* 'service to the community', should take place where any role is considered fit for contestability or privatisation.

The legitimacy of Australian democracy depends crucially on the confidence of the public that police undertake their duties of enforcing the law and protecting public safety with impartiality, professionalism and effectiveness.

The police provide a unique range of services to the community that cannot be delegated to private providers without great risk to equitable and effective service provision, and a weakening of the strong accountability and oversight that balances the very great powers necessary for the police to carry out their role.

In the light of this, the Inquiry believes that any moves to privatise significant parts of Australia's state and federal police forces is fraught with unnecessary risk that could undermine public confidence in some of our most vital and respected institutions.



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# PRIVATISED PRISONS: SERVICE FAILURES AND INCREASED COSTS

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In Australia, incarceration is the ultimate punishment the state can impose on its citizens, and as such should be the subject of meticulous public oversight. The Inquiry heard much evidence questioning the quality of the oversight of contracted prison services, calling into question the advisability of the increasing contracting-out of prison services in Australia.

Researchers Dr Jane Andrew and Dr Max Baker made a submission to the Inquiry outlining the extent of privatisation of Australia's current prison system. That submission – 'Prison Privatisation in Australia: The State of the Nation' detailed how Australia now incarcerates more people than at any other point in its history – increasing eight per cent (36,134 to 38,845) in the twelve months from June 2015 (or from 196 prisoners per 100,000 adult population in June 2015 to 208 prisoners per 100,000 adult population in June 2016)<sup>180</sup>. Their submission states that as prisoner numbers have risen, state governments have looked to privatisation as a way of delivering prison services with 'greater performance, lower cost, better efficiency and stronger accountability', but that, 'little is known about the consequences of privatisation and whether or not they deliver these benefits to the community.'<sup>180</sup>

A broad range of prison and related services have been privatised in some states in Australia. These include prisoner transport services, court security, and the design, building and management of prisons. Andrew and Baker

noted that private prisons now incarcerate 18.5 per cent of the prison population in Australia, and as such Australia has the highest rate of private prison incarceration per capita of any country in the world<sup>180</sup>. Out of 101 prisons in Australia, private contractors operate 10 facilities in five different states:

**Queensland:**

- Arthur Gorrie Correctional Centre (operated by GEO)
- Southern Queensland Correctional Centre (Serco)

**New South Wales:**

- Junee Correctional Centre (GEO)
- Parklea Correctional Centre (GEO)

**South Australia:**

- Mount Gambier Prison (G4S)

**Victoria:**

- Fulham Correctional Centre (GEO)
- Port Phillip Prison (G4S)

**Western Australia:**

- Acacia Prison (Serco)
- Wandoo Reintegration Facility (Serco)
- Melaleuca Remand and Reintegration Facility (Sodexo)<sup>180</sup>

Submissions to the Inquiry highlighted the deterioration in service quality, unanticipated service failures and increased costs which appear to be inadequately weighted when decisions are made to privatise prisons.

<sup>180</sup> Andrew and Baker written submission, p. 1.

## SERVICE QUALITY

Numerous submissions highlighted the diminishing quality and performance of private prisons and prison services compared to public prisons. The WA Prison Officers' Union (WAPOU) told the Perth hearing about service quality failures by the private companies that led to the escape of prisoners. For example, in 2004 nine prisoners escaped from the Supreme Court in Perth. WAPOU noted:

*Some very, very simple things went wrong: for example, I think anybody in a prison should know that you don't chock open doors and wedge them open because what occurred was when the prison officer at the time opened the cell and the keys were taken off them, they didn't actually need to use the keys because all of the doors on the way out had been chocked open by the private provider.<sup>181</sup>*

Another escape occurred in 2010 at Acacia Prison. WAPOU noted:

*It was very unusual for prisoners to be able to escape from secure facilities, particularly at night when they're supposed to be locked into a prison. Again, there were very serious failures laid at the feet of the private provider.<sup>181</sup>*

Privatised prisoner transport has also created a series of failures. In 2014, two prisoners escaped from Geraldton Airport under the watch of Serco, the private provider.

The most disturbing failure of private prisoner transport, however, was the death of Aboriginal elder Mr Ward in January 2009. Mr Ward was transported over 372 kilometres in searing summer heat in the back of a van with no air conditioning. He was being transported by private company G4S when he died from heat stroke. The Coroner's report noted that outside temperatures were over 40 degrees Celsius,

<sup>181</sup> John Welch, Secretary of WA Prison Officers' Union, Public Hearing, Perth, 25 October, 2016.

and although external conditions were very hot, the air from the van was 'like a blast from a furnace'<sup>182</sup>. WAPOU spoke about this tragedy at the Perth hearing:

*That was a shocking incident which reverberated throughout the world, and the comments of Alastair Hope, the Coroner, were extremely critical of the quality of training and the services provided by the provider. I want to be fair. He was also critical of the failure of the State Government to provide new vehicles...*<sup>181</sup>

## CONTRACTS

State governments enter into lengthy (often decades-long) contracts with private companies to deliver prison services. These contracts, like other contracts between governments and private companies, are confidential. Andrew and Baker noted how this presents a major issue for public accountability and in determining the effectiveness and efficiency of private prisons. In their research into Junee and Parklea private prisons in NSW, they noted:

*At the time of writing, the contracts for Junee and Parklea prisons were not publicly available. It is not therefore known exactly what Key Performance Indicators and other measures are being used to establish good standards of service provision. The use of commercial-in-confidence legislation has been a significant barrier to 'external' accountability from Corrective Services New South Wales to the general public. Where private contractors have been used to provide prison services, Freedom of Information requests may be blocked on the basis that they breach commercial-in-confidence agreements. Commercial-in-confidence is intended to keep information, including operating costs, out of the public sphere where its disclosure would impact upon competition.*<sup>183</sup>

Evidence to the Inquiry also noted the strict terms of the contracts, which mean that private companies will only provide the exact services specified in their contracts, and only accept specific numbers and cohorts of prisoners. These contracts are highly inflexible, which often leads to the public sector stepping in to meet demand. For instance, WAPOU noted in reference to prisoners sleeping on the floor in WA's public women's prison, Bandyup, with two and three prisoners in cells designed for one:

*Because it's the public sector, there's no contractual requirement as to the number of prisoners. That's one of the things the private sector does. They stipulate how many prisoners they'll take, so they're then able to control what takes place within and they charge a premium to go above that.*<sup>181</sup>

Private contractors will often avoid delivering services that are costly and difficult. Regarding transporting prisoners to hospital appointments, a worker in a WA prison observes:

*...our staff now have to do those because Serco won't provide that service to Royal Perth at all anymore because it's not cost-effective to them.*<sup>184</sup>

According to the submission by the CPSU, privatisation advocates claim that contracts can be carefully written to offer private companies incentives to achieve desirable outcomes, and penalise them for poor outcomes, but this can have unintended consequences. For instance, contracts designed to incentivise a private provider to reduce recidivism rates can lead the provider to focus attention on prisoners with good prospects of rehabilitation, leaving prisoners with more complex and difficult needs without the supports and interventions they need<sup>185</sup>. This sort of perverse incentive can also lead to a private provider 'cherry-picking' clients who will be the least costly and least risky to service. WAPOU claims cherry-picking occurs at Acacia prison, run by Serco:

<sup>182</sup> For more information see Liz Jackson report for Australian Broadcasting Corporation, Four Corners report of 15 June 2009 and links to Alastair Neil Hope, State Coroner, Western Australia, Record of Investigation into Death, Ref No. 9/09, 12 December 2009, <[http://www.abc.net.au/4corners/special\\_edits/20090615/ward/ward\\_finding.pdf](http://www.abc.net.au/4corners/special_edits/20090615/ward/ward_finding.pdf)>

<sup>183</sup> Andrew and Baker, p. 21.

<sup>184</sup> Closed Public Hearing, Perth, 25 October 2016.

<sup>185</sup> CPSU SPSF written submission, p.120



***Acacia contractually takes no remand prisoners and where a prisoner 'plays up' or shows ill-discipline they can be returned to be managed in the public sector.***<sup>186</sup>

WAPOU claim the first prisoners for WA's private women's prison Melaleuca, run by Sodexo, which opened in December 2016, were also cherry-picked:

***With the opening of the new Women's remand and reintegration facility, Melaleuca, our members at Bandyup [the state's other women's prison which is publicly run] have already advised us that the first 50 prisoners will be handpicked to ensure a smooth opening. There will also be categories of prisoners who will not go to the new facility, including mothers with babies and prisoners displaying very challenging behaviour. In other words, prisoners that are difficult and expensive to manage.***<sup>186</sup>

Submissions to the Inquiry argued that privatisation is not cheaper. Private providers can use contracting arrangements to price-gouge the government. In WA, for example, public prisons used to supply their own staff from regional prisons to accompany prisoners attending funerals. One officer states:

***If Serco don't have the staff available, which more often they don't because up in the regional areas they're very thin on the ground, they'll actually fly people up from Perth. That cost is borne by the public at the end of the day, because they're the ones that have got to meet the obligations of the contract. Some of the funeral escorts that we've seen, \$13 000 for one person to attend a funeral, you know, that's huge.***<sup>187</sup>

These 'profit enhancing' methods are very common, according to WAPOU. In comparing transport costs of the public sector with more expensive charges by private contractors, WAPOU noted:

***They specify a whole range of services and they try to ensure that the contract add-ons are really, really expensive so that they can make some money out of that.***<sup>181</sup>

## **PUBLIC SECTOR STEPPING IN**

During the public hearings in Western Australia, WAPOU noted that problems created by private service providers often required considerable attention from the public sector to rectify the problem or work to minimise their harm to prisoners and the community. This cost to the public sector to 'pick up the pieces' is not taken into account when discussing the benefits of privatisation.

For example, as a consequence of the 2004 Supreme Court escapes, public sector workers were required to divert their attention toward rectifying problems created by the private company failures:

***What occurred was the public sector had to come in, rectify the problems, create new procedures, put those all in place before it was then handed back to the private sector to run again on the template that the public sector had provided.***<sup>181</sup>

When the privatised system continues to require 'fixing', additional calls are made on the public sector in a range of ways. This can include extensive contract monitoring, review of functions of the contract, reporting, and managing issues:

***We've got a new contract for the provision of court security and prisoner transport. Each time we're told that it will fix the problems that the previous contract did not, and each time it's fixed those problems and created new ones. And those problems are fixed by public sector staff who then have to fill in the space, pick up the slack and be able to provide the service because otherwise prisoners, for example at Bandyup, who are pregnant, don't get to go to hospital at the necessary and appropriate time. Prisoners who are having heart attacks don't get taken to hospital because Serco won't be able to provide it.***<sup>181</sup>

The public sector 'stepping in' has implications for the claimed cost savings of privatisation. A NSW prison officer made this observation at the Sydney Inquiry hearing:

<sup>186</sup> CPSU SPSF written submission, p. 133.

<sup>187</sup> Closed Public Hearing, Perth, 25 October 2016.

***What's not apparent in the costs published around private operating prisons are the on-costs. One of those is shifting back to the public sector. The other is the monitoring – that is a very, very difficult task and very costly...***<sup>188</sup>

WAPOU agree that the savings claimed by the government of privatised prisons is not clear. Their evidence to this inquiry makes reference to a 2016 report into Acacia prison by the Office of the Inspector of Custodial Services (OICS), which states:

### **CASE STUDY: METROPOLITAN WOMEN'S CORRECTIONAL CENTRE, VICTORIA**

Both the CPSU and Jesuit Social Service's submissions make reference to the case of Victoria's Metropolitan Women's Correctional Centre, a private prison that has been returned to the public sector.

The women-only Dame Phyllis Frost Centre was opened in August 1996 as the Metropolitan Women's Correctional Centre, and was the first private prison in Victoria<sup>189</sup>. The CPSU provide the following case study in its submission:

*In response to repeated concerns regarding the operation of the prison, including two deaths in custody, the then Correctional Services Commissioner, Penny Armytage, released a report, Metropolitan Women's Correctional Centre's Compliance with its Contractual Obligations and Prison Services Agreement in September 2000. The Commissioner's report was highly critical of the prison, noting:*

- *an 'unacceptably high' number of prison incidents, relating to assaults, damage and lack of adequate security measures*
- *the prison's poor performance against its Prison Operations Service Delivery Outcomes, particularly*
  - *incidents of attempted suicide and self-harm that were more than double the 'allowed benchmark'*
  - *prisoner assaults on staff almost double the maximum allowed benchmark*
  - *high levels of prisoner on prisoner assaults*
  - *an illicit drug rate above the allowed benchmark*
- *recent sanctions by two regulatory bodies, including the Victorian WorkCover Authority*
- *significant issues between prison management and its sub-contractors.*<sup>190</sup>

In her report, the Correctional Services Commissioner identified a number of causes for the identified issues, principally:

- inconsistent management practices and poor leadership
- lack of operational procedures, guidelines and on the job support and training for staff
- staff shortages and budget constraints
- poor prison design.<sup>190</sup>

Following the release of the Correctional Services Commissioner's report, the Bracks Labor Government intervened – despite the protestation of the prison operator, Corrections Corporation of Australia (a subsidiary of the Corrections Corporation of America) – taking back control of the prison on 3 October 2000.

It was reported at the time that the prison had been 'locked down 75 times and half of those lockdowns were the result of staff shortages'.<sup>190</sup>

In November 2000 it was announced that the government had 'bought back' the Metropolitan Women's Correctional Centre from the Corrections Corporation of Australia at a cost of \$20.2 million.<sup>190</sup>

The Jesuit Social Services submission noted that during this time there were a series of deaths during the first five months of the operation of Port Philip private prison. These incidences, together with the case of the Metropolitan Women's Correctional Centre, led to significant reforms which saw a single corrections entity, Corrections Victoria, taking more direct oversight of prison operations, including private prisons.<sup>191</sup>

<sup>188</sup> Steve McMahon, Prison Officers Vocational Branch, Public Hearing, Sydney, 8 September 2016.

<sup>189</sup> CPSU SPSF written submission, p.21

<sup>190</sup> CPSU SPSF written submission, p.22

<sup>191</sup> Jesuit Social Services written submission, p. 6

*The Department simply does not know if Acacia provides good value for money because the total cost of running Acacia is unknown. The contract cost is publicly available; however, the Department has repeatedly failed to provide a robust estimate of additional overhead costs associated with managing the contract, claiming that they do not record such information... These costs should be readily available, not just for contract accountability but for accountability for the operating costs of their own facilities, and for developing an intelligent assessment of comparability.*<sup>192</sup>

## REHABILITATION

WAPOU noted in its submission that prisoner rehabilitation is ‘most desirable outcome of incarceration’ leading to improved quality of life, improved community safety and reduced costs to the state in future incarceration and welfare benefits.<sup>193</sup>

Education of prisoners is a fundamental part of the rehabilitative process. Prison education in NSW is currently being privatised, however, with a 2016 review recommending that TAFE teachers should be replaced by private Registered Training Organisation (RTO) contractors. It remains to be seen what impact this privatisation will have on the prospects of rehabilitation for prisoners. Michael, who has been a TAFE teacher in NSW prisons for 22 years, spoke at our Newcastle public hearing about the importance of quality prison education:

“

The commissioner said that we, people with 20 years’ experience aren’t specialised enough to teach inmates and that private RTOs that have the experience will come in and do it. We’re still asking: ‘who are these private RTOs that have 20 years’ experience? Who’s going to develop the rapport? Who’s going to spend the time to get these inmates interested in education, turning up, supporting them?’ We know first time-round education systems didn’t always work for these people. But we have seen it work,

and we’ve seen the transformation. But it’s not done by ‘tick-a-box’, it’s not done by 20 people in a class with a Certificate IV trainer out the front. It’s done by people that care about what they’re doing, that spend the extra time, they stay back to do it.<sup>194</sup>

”

## STAFFING NUMBERS

Staffing levels in prisons are vital for proper functioning, the safety of staff and prisoners and relationship building between staff and prisoners (which can contribute to successful rehabilitation of prisoners). However, staffing levels appear lower in private prisons, as workforce is an area where private companies can save costs. WAPOU noted in its submission the difference between public and private prison staffing levels:

*According to the Office of the Inspector of Custodial Services, Acacia should theoretically have about five prisoners to every staff member (notwithstanding the fact staffing levels often fall short), whereas the public system in Western Australia has around two prisoners to every one officer.*<sup>195</sup>

Low staff numbers in prisons can have serious implications for the safety of prison officers. One officer who has recently moved from Acacia to a public sector prison set out prison officers’ concerns:

“

We were often working very short handed. The company don’t like to call too many staff on overtime – it costs too much. They just cross deploy and cross deploy. It makes it really difficult in terms of having any continuity with the prisoners...With such low levels of staffing compared to the public sector it is really hard to get on top of standovers and bullying. Staff often feel that it’s dangerous, but people don’t like to raise it too much as they worry it won’t be good for their careers.<sup>196</sup>

”

<sup>192</sup> Office of the Inspector of Custodial Services (OICS) as quoted in the CPSU SPSF submission, p.132.

<sup>193</sup> CPSU SPSF written submission, p. 126.

<sup>194</sup> Michael, Public Hearing, Newcastle, 5 September, 2016.

<sup>195</sup> CPSU SPSF written submission, p. 116.

<sup>196</sup> CPSU SPSF written submission, p. 114.

Another officer who has worked at both Acacia prison and a public prison states:

“

I have worked in both private and public sector prisons. At Acacia we were always short of staff and it often felt dangerous.

I always felt that money rather than our safety came first.<sup>197</sup>

”

This sentiment was echoed by Michael Clifford from the Queensland Council of Unions, who noted the damage the Campbell Newman government’s ‘tough on crime’ approach had on increasing the prison population, particularly in Arthur Gorrie private prison:

“

...the main concern of the staff in the prisons were health and safety concerns because of the burgeoning prison population and, at the same time, no increase to staffing levels to deal with that increase in population.<sup>198</sup>

”

Low staffing levels can also have an impact on the safety of prisoners. WAPOU noted that protection prisoners – those prisoners who are more vulnerable to harm from the general prison population – are at greater risk with fewer staff to protect them. Again, they quote from the OICS report:

***We also received complaints from protection prisoners about the severity of bullying and standovers within the unit itself. The amount of complaints received about safety from protection prisoners was far greater than from other areas of the prison. Our pre-inspection prisoner survey also indicated a high rate of prisoners feeling unsafe within the protection unit. When asked what made them feel unsafe, the majority of prisoners claimed that there***

***were not enough officers in the unit or CCTV cameras to provide supervision.***<sup>199</sup>

WAPOU also noted the importance of good relationships to the prospects of rehabilitation:

***Good relationships with prisoners do not just have a bearing on the safety of the facility, prisoners and staff, they also impact the prospects of rehabilitation through mentoring, guidance, conflict resolution, and prisoners feeling able to ask questions and seek help when they need to. The more vulnerable prisoners may often be less capable of proactively communicating their needs... having adequate staffing levels and increased contact is essential to promoting better outcomes for prisoners.***<sup>200</sup>

## **PAY AND CONDITIONS**

An officer with 25 years’ experience working in NSW prisons noted: ‘...the first thing that a private operator drives down is the benefits to the officers that work there... Being that the operating cost of a prison is predominately around those labour costs, that’s where they make their largest profit section.’<sup>201</sup>

The evidence from WAPOU comparing pay rates between Serco-run Acacia prison and the public prisons in WA supports this claim. WAPOU noted that while there appears to be little difference in the pay rates for officers in their first two years, the differences become much more marked over time, with the Serco ‘length of service allowance’ worth a lot less to an officer than the annual increments paid to public sector officers:

***For instance, an officer who has completed four years of service in a public prison receives \$8829 per annum more than a first year officer in the same prison. An officer who has completed four years of service in a Serco-run prison receives \$936 per annum more than a first year officer in the same prison.***<sup>202</sup>

<sup>197</sup> CPSU SPSF written submission, p. 2

<sup>198</sup> Michael Clifford, Queensland Council of Unions, Public Hearing, Brisbane, 13 September 2016.

<sup>199</sup> OICS quoted in CPSU SPSF written submission, p. 10.

<sup>200</sup> CPSU SPSF written submission, p. 10.

<sup>201</sup> Steve McMahon, Prison Officers Vocational Branch, Public Hearing, Sydney, 8 September 2016.

<sup>202</sup> CPSU SPSF written submission, p. 129.

## COMMISSIONING

The Inquiry heard concerns about ‘commissioning’ – a new form of privatisation originating in the United Kingdom that is introducing ‘contestability’ to public services. Rather than the complete selling-off of a service, commissioning makes parts of these services contestable – open to bids from private, not for profit, and the public sector itself. As Andrew and Baker explain, commissioning promises to pressure market participants (both public and private) ‘to raise productivity, lower costs and gain efficiencies through innovation.’<sup>203</sup> A review conducted by the WA Economic Regulation Authority into the ‘Efficiency and Performance of Western Australian Prisons’ (2014-15) recommended the Department of Corrective Services introduce commissioning so that prison services will become a contestable market. This would require the establishment of a unit within the department to handle tenders from private, not-for-profit and public entities to provide prison services. Andrew and Baker are critical of the commissioning approach, and as they noted in their submission:

*...there are concerns that the claims of contestability are implausible given the nature of the market for prison services and further, the costs associated with the departmental reforms required to introduce market commissioning remain unknown.*<sup>203</sup>

As we have seen in the above section, reduced staffing levels and reduced pay and conditions for workers are two key ways private providers drive down the cost of running prisons and increase their profits while delivering a poorer quality service. Commissioning threatens to drive down staffing levels and the pay and conditions of workers in *public* prisons too, in the race to the bottom to reduce costs and diminish service delivery standards.

In their submission, Andrew and Baker conclude that ‘any evidence of performance improvements and efficiency gains remains patchy and opaque; systems of accountability vary significantly; public reporting remains poor; and the total cost of private prisons remains unknown.’<sup>204</sup> Overall, they find that ‘there is not sufficient evidence to support claims in favour of prison privatisation in Australia.’<sup>204</sup> The examples provided to this Inquiry from workers in prisons back up Andrew and Baker’s research. Prison privatisation has, from the accounts we received, led to diminished service quality, compromised community safety, poorer working conditions, increased staff turnover, and has done nothing to improve the prospects of prisoner rehabilitation. Indeed, the only outcome prison privatisation appears to have successfully achieved is to funnel large sums of public money to multinational companies.

<sup>203</sup> Andrew and Baker, p. 50.

<sup>204</sup> Andrew and Baker, p. 4

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# VET PRIVATISATION

## A PUBLIC SCANDAL OF THE HIGHEST ORDER

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Australia's Vocational Education and Training (VET) system was established to enable students to gain vocationally oriented post-school qualifications.

As described by the Australian Skills Quality Authority (ASQA), VET is provided 'through a network of eight state and territory governments and the Australian Government, along with industry, public and private training providers'.<sup>205</sup>

Currently VET course providers include:

- technical and further education (TAFE) institutes
- adult and community education providers
- agricultural colleges
- community organisations
- industry skill centres
- commercial and enterprise providers
- other private providers
- some universities and schools.

Whilst VET is largely funded by the Australian Government and state and territory governments, companies and individuals also contribute to the cost of training. Companies can contribute by purchasing training for employees. Students contribute through payment of course and administrative fees (some students pay all their fees without receiving any government subsidies).<sup>206</sup>

### PRIVATISATION OVERVIEW

VET privatisation has resurfaced as a major policy debate within Australia in recent times, and was the subject of considerable interest to people presenting to the Inquiry.

In various states across Australia, the privatisation of VET was preceded by government commitment to the introduction of contestable funding. It was assumed (by governments of various political persuasions) that increased competition would bring a number of benefits to the sector including increased choice for students, cost savings for governments, and increased efficiency.

Evidence at the inquiry hearing in Victoria summarised the process when, in 2008, the government decided to introduce contestability of funding:

*That led to, essentially a voucher system where a student was given a training guarantee and could go out to any provider effectively, who was prepared to provide a training program and then government would give that provider the money to educate the student.*

*That led very rapidly to the expansion of private providers who saw the opportunities of getting large amounts of money funneled their way through often very shonky nefarious offerings.*<sup>207</sup>

<sup>205</sup> See Australian Skills Quality Authority website < <https://www.asqa.gov.au/about/australias-vet-sector> >

<sup>206</sup> For a summary of the history of funding agreements from 1974 to 2016 see Peter Noonan, Mitchell Policy Paper, *Vet funding in Australia: background, trends and future directions*, Mitchell Institute, March 2016, p.v <[http://www.mitchellinstitute.org.au/wp-content/uploads/2016/03/VET\\_funding\\_in\\_Australia\\_Background\\_trends\\_and\\_future\\_directions.pdf](http://www.mitchellinstitute.org.au/wp-content/uploads/2016/03/VET_funding_in_Australia_Background_trends_and_future_directions.pdf)>

<sup>207</sup> Colin Long, NTEU Victorian Division Secretary, Public Hearing, Melbourne, 18 October, 2016.

This statement is indicative of the experiences in the VET sector across Australia. Indeed, experiences drawn from the public hearings indicate that the introduction of the contestable funding model (and consequent privatisation) had major negative results for students, workers, their communities and government funding capacity, including:



the demise of the internationally respected VET system



the emergence of fraudulent and predatory behaviour (including the targeting of vulnerable people – leaving them with debts they cannot pay)



poorer quality of education



harsh effects on students



poor consequences for regional areas.

Indeed, one might conclude from the evidence presented that the privatisation of VET constitutes perhaps the greatest scandal to emerge from Australia's history of privatised public services.

## DEMISE OF INTERNATIONALLY RESPECTED VET SYSTEM

The government funded and operated TAFE has been the bedrock of Australia's VET system for decades. In 2009, on National TAFE Day, then Deputy Prime Minister Julia Gillard, spoke about the significant contribution of TAFE:

*TAFE changes lives. It is the backbone of trades training in this country. It enables adults to change careers. It caters for students who prefer an adult learning environment rather than school. It has a truly national footprint and plays a vital role in regional Australia. It does so much to build a love of learning and to boost national productivity.*<sup>208</sup>



<sup>208</sup> For the full transcript of the speech, see The Hon Julia Gillard MP, Transcript – Speech National TAFE Day, Parliament House, Parliament of Australia, <<http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=id%3A%22media/pressrel/6F2V6%22>>

The quality of VET in Australia has been overseen by the ASQA which set standards to ensure national consistency, and high-quality VET training and assessment.

However, since the 2012 National Skills Agreement and recent state-based VET sector reforms, there has been increased competition for government funding. This has hastened the privatisation of VET, the defunding of TAFE, and opened the floodgates for more private for-profit VET providers to saturate the market.<sup>209</sup>

Events of the last few years, such as the sector 'reform' in Victoria, New South Wales and Queensland, are threatening not only the viability, but the very existence, of public vocational education provision through the TAFE system. In addition, the VET Fee Help<sup>210</sup> scheme further increased the number of vocational training courses being carried out by the private sector rather than through TAFE.<sup>211</sup>

Private providers of VET have been playing an increasingly visible and central role in this sphere globally. However, it seems that some for-profit private providers, particularly in Australia, are amassing huge profits at taxpayers' expense. The quality of the VET system is declining and students are facing large debts for courses they either did not complete or were of a poor standard.

## **PRIVATISING AND SLASHING TAFE FUNDING**

The Inquiry received evidence about the voucher system which was introduced in some states as part of the competitive model of service provision. Phil Chadwick, an electrical trades teacher at TAFE and President of the NSW TAFE Teachers' Association, described the voucher system as a means of privatising TAFE funding as more profit-seeking players entered the market:

“

... what basically happens is the student gets a voucher which is worth a certain amount of money and, depending on which provider they go to, whether it's one of the public providers of TAFE college or one of the private providers ... if the private colleges can entice the students to go to them with offers of free iPads and offers of ridiculously short courses and overseas trips or cash scholarships, the piece of the pie that our TAFE colleges gets shrinks and gets much, much smaller, so it effectively cuts their funding quite significantly.<sup>212</sup>

”

The Inquiry also received evidence about the damage done to TAFE, as a result of the bleeding of funds by the influx of 'shonky' providers within the contestable system. As noted by the National Tertiary Education Union (NTEU) Victorian Branch:

*In 2008, the public TAFE system taught over 80 per cent of vocational education and training students in Victoria, [it] now teaches about 24 per cent, and the rest are taught by private providers to varying degrees of quality. There are some good private providers out there and there are some good non-TAFE providers out there, including excellent registered training organisations run by unis; but there are a large number of very shonky private providers operating.*

*The damage done to TAFE is still being recovered and repaired by the current State Government which has put, and should put, all the money back in to the sector, but there were a number of closures of campuses during the period to deal with the problems, and the closure of hundreds of courses, especially in regional Victorian areas.<sup>213</sup>*

<sup>209</sup> George Myconons, Kira Clarke, Kitty te Riele, Shedding light: private 'for profit' training providers and young early school leavers, NCVET, Adelaide, 2016 <[https://www.ncver.edu.au/\\_\\_data/assets/pdf\\_file/0012/61023/2885-Shedding-light\\_Myconos.pdf](https://www.ncver.edu.au/__data/assets/pdf_file/0012/61023/2885-Shedding-light_Myconos.pdf) >

<sup>210</sup> VET Fee Help is a loan scheme for students at the upper levels of vocational education who are studying diplomas and advanced diplomas. See <<https://www.education.gov.au/vet-fee-help-reforms>>

<sup>211</sup> Rod Sims, 'Privatising NDIS services could be a repeat of the VET-fee disaster', SMH, <<http://www.smh.com.au/comment/privitising-ndis-services-could-be-a-repeat-of-the-vetfee-disaster-20170314-guxs7g.html> >

<sup>212</sup> Phil Chadwick, President of the NSW TAFE Teachers' Association, Public Hearing, Sydney, 8 September, 2016.

<sup>213</sup> Colin Long, NTEU Victorian Division Secretary, Public Hearing, Melbourne, 18 October, 2016.



The NTEU said emphasis was placed on TAFE funds being targeted to make up for a blow out in the VET system:

*When the Liberal party came to power in 2010 ... the budget had already blown out from about \$800 million that was spent on vocational education and training in Victoria ...*

*The government decided to try and rein that in by slashing the funding to public TAFE. There was no attempt to really restrain the growth of private providers. So over four years \$1.2 billion dollars was stripped out of public TAFE. It was about \$300 million a year taken out of public TAFE. So a lot of that went out of teaching programs, but also a lot out of what you call the 'full-service provider' funding which provided services that public TAFEs provide that private providers don't provide – such as libraries, student counselling, student support services, and so on. And that's where a lot of the damage was done.<sup>214</sup>*

Cuts to TAFE also had a significant effect on staff. This included job losses, and the lowering of staff morale. This was explained in statements about TAFE in NSW:

*... up to 5,200 teachers have lost their jobs in TAFE, including part time teachers and permanent teachers. This has had a huge impact on the morale. Everyone keeps on saying to me what's happening with TAFE. So on the exterior, TAFE is still providing really high quality education and second-chance opportunities for people. But that loss of educational experience and qualification is having a detrimental effect on the morale of the staff. Even though, they keep on doing some pretty amazing work.<sup>215</sup>*

Other comments regarding the situation in Victoria included statements about other knock-on effects of TAFE cuts:

*But those cuts did lead to around at least 2000 full-time jobs lost in public TAFEs, and uncountable numbers of casual staff losing their jobs as well. It's very hard to keep track of how many causals did lose their jobs in that period. The budget continued to blowout, mind you, but by 2013 the decline in outcomes for students and course quality meant that there was a reduction in student numbers, and there has been a continuing decline in student numbers.<sup>214</sup>*

One result of funding changes has been the rising cost of courses. This was discussed in the written submission of the State School Teachers' Union of WA (SSTUWA). The SSTUWA stated that as part of the 2013 Future SkillsWA strategy, the WA State Government reduced subsidies of all courses and removed caps on course fees, 'for all bar a select handful of Certificate IV courses and Advanced Diplomas and Diplomas':

*The effect of this has been an increase by over 600 per cent in some course fees since 2013. As TAFE colleges do not operate on a solely profit driven model and rely heavily on government funding, the course fees were significantly increased from 2013 in order to be able to afford to deliver training. In the May 2014 budget hearing, the state government referred to a recuperation of funds; that of the \$45 million set aside for the training sector budget, \$26 million would be replaced through student fees. The enormous increase in course fees has meant many individuals have questioned their ability to afford a TAFE course. Since the introduction of the Future SkillsWA reform, over 13,000 fewer students enrolled in TAFE.<sup>216</sup>*

The SSTUWA said the state government had attempted to justify fee hikes by shifting funds and government subsidies to 'priority courses' which are linked to particular priority industries. This has resulted in massive increases for general industry courses and students missing out.

<sup>214</sup> Colin Long, NTEU Victorian Division Secretary, Public Hearing, Melbourne, 18 October, 2016.

<sup>215</sup> Rob Long, NSW Teacher's Federation, Public Hearing, Wollongong, NSW, 6 September, 2016.

<sup>216</sup> State School Teachers' Union of WA (SSTUWA), *People's Inquiry into Privatisation, A submission for the State School Teachers' Union of WA*, September 2016, p6.

The following table provided by the SSTUWA shows examples of TAFE fee increases.

#### EXAMPLE OF COURSE FEE INCREASES FOR TAFE, 2013 TO 2016

| Course                                | 2013    | 2016    |   |                  |
|---------------------------------------|---------|---------|---|------------------|
| Cert IV in Beauty Therapy             | \$626   | \$4,778 | Advanced Diploma of Engineering – Oil and Gas | \$2,203 \$9,298  |
| Diploma of Graphic Design             | \$2,545 | \$6,727 | Cert IV in Surveying                          | \$1,156 \$3,536  |
| Diploma of Fashion and Textile Design | \$1,241 | \$4,479 | Diploma of Surveying                          | \$1,751 \$6,317  |
| Cert IV in Business Administration    | \$621   | \$2,464 | Cert IV in Education Support                  | \$621 \$3,587    |
| Diploma of Management                 | \$621   | \$3,530 | Diploma of Nursing                            | \$1,862 \$9,361  |
| Cert IV in Accounting                 | \$1,037 | \$2,885 | Cert IV in Fitness                            | \$621 \$3,498    |
| Diploma of Business – Legal Studies   | \$986   | \$2,697 | Cert III in Travel                            | \$621 \$3,822    |
| Diploma of Music                      | \$1,241 | \$6,302 | Cert III in Events                            | \$621 \$2,597    |
| Cert IV in Building and Construction  | \$1,241 | \$4,051 | Diploma of Events                             | \$1,241 \$5,751  |
|                                       |         |         | Advanced Diploma of Engineering – Electrical  | \$2,203 \$12,712 |

A submission from a TAFE Library Technician of 15 years at the Perth public hearing echoed similar concerns. Lewis Stevens describes his personal transformative experience with TAFE, and the changes he has seen in the past 15 years:



I'm a library technician and have been working that role for 15 years at TAFE...In 1999 I was in insecure employment in the aged care sector and on a very low wage and I was a father of two children and things really needed to change.

I commenced a course at the Central TAFE then or Central Metropolitan College of TAFE, in library and information studies and the diploma overall after two years had cost me about 2 and a-half thousand...I had paid this in instalments at the beginning of each semester and I graduated debt-free and job ready.

I was very fortunate to actually be offered a job at the campus where I'd studied, in the library where I'd done my prac, but as a student...I experienced an enrolment and administration process that was actually very supportive. I came in as a very inexperienced person without computer skills, but the people who I dealt with were very responsive to my needs as a student and I got what I felt was actually quite an individualised treatment. They

structured the course I was going to do to match my skill needs. I knew I could also meet with staff outside of class to deal with any issues I had, and I could also seek assistance through some of the other services that were available, such as college counselling, student counselling.

There was also assistance with writing resumes and getting prepared for job applications as you came towards the end of your course. When I needed help I knew there was support there within the administrative structures and student support areas.

In 2001, I commenced my employment at the Perth campus of Central TAFE. The library I got a job at was actually very well resourced, adequately staffed and with a roster that allowed for three individually staffed services on the front desk at any one time during the normal period, that is a circulation desk, a reference desk and a dedicated computer services officer. We also had an audio-visual team that serviced the equipment throughout the college and

provided photographic video and audio services to the college staff. There were interpreting courses run there, which they needed to record for reasons of assessment...

When I was not actually rostered on a desk role as a library officer I had other maintenance and library functions that I did and projects to work on that were basically promoting to staff and students the services and resources we had on offer. We were open every day, including Sundays from 11 to 4, and up to 9 pm most weeknights. The open hours were duplicated at least during the week times across the other four metropolitan campuses and two of those campuses also contained bookshops which provided resources and texts, etcetera, to the students that were working there in their particular study areas.

To encourage some diversity and competition we were actually amongst a group of 11 TAFEs by that stage. At the beginning of 2000 the TAFEs had been separated into what appeared to be increasingly more discreet business units and even though I was working in what appeared to be quite a competitive system, I still felt that we were delivering a very good high quality training service, that it was accessible for most people in WA, if not everyone, but especially for people with disability, people from low socioeconomic backgrounds. Women and mature students were extremely prevalent in the student population, but also carers and anyone else experiencing disadvantage. There was quite a range of courses available at a range of times and costs were relatively low, I felt as a student myself going from a low economic situation. I didn't have any difficulty paying at all.

From about 2002-2003 I began to realise we were under constant review for our staffing levels and the expenses that we

were putting forward. There was many restructures in different departments but there was always a sense that we were somehow having the pennies counted but at the same time technology was entering into my particular workplace and student support and resources that were provided were also becoming more and more online, so I could see there was rationales for staff being perhaps more not delivering so much of a personal service as providing the support in those areas. Despite this, I felt a degree of job security and when I got permanency in 2003 I was quite happy to continue to develop my skills out into the IT arena.

Jump forward 15 years and there's been quite significant changes to my role and the service I'm able to provide to students and the staff and these changes are largely sadly negative. I'm not really an economist, but I would easily say that I have to do more in 2016 with less than I had in 2001. Cuts at the federal and state level have removed millions of dollars from the TAFE sector, resulting in an ever-changing and fluid operational environment and reduced levels of job security and service, mainly through casualization, contracts and also a sense that you just continue to do what you can, given the budgets and staffing levels you have.

Here in WA recent attempts to transform the TAFE system stemmed from the numerous state and federal enquiries, so-called independent reviews and policy initiatives, including Future Skills WA, all of which are basically designed to create more competition within the VET sector and open up more and more of the courses we provide to other colleges regardless of whether or not they're equipped to deliver them and also put in more for profit provision of VET out to the private sector and even within our TAFE itself.<sup>217</sup>

”

217 Lewis Stevens, CPSU CSA delegate, Public Hearing, Perth, 25 October 2016.

Lewis notes that these reviews and cuts have reduced staffing levels:

“

The restructure recently reduced staffing levels. They took 630 full-time employees (FTE) in the organisational corporate services area and reduced it to just over 400 FTE which resulted in widespread redundancies and a lot of people who have worked for some time on contracts not having those contracts renewed. The decreased enrolment numbers which stem from increased fees in attempts to weaken the public perception of the ability of TAFE to provide cheap education, which also included our minister describing TAFE as a parasitic drain on the public purse straight after she'd cut 230 FTE from us.<sup>217</sup>

”

## SHONKY RECRUITING METHODS

Many submissions made to the Inquiry indicated that the increase in provider numbers and the related contractual arrangements stemming from privatisation have encouraged questionable behavior. Indeed, there were several submissions which described how private VET providers exercised predatory behaviour to lure individuals into courses.

Whilst much of this behaviour has been exercised by unregulated third-party sales entities, nonetheless, these sales entities were engaged by private VET providers who are responsible for their actions. Some of the behaviour described in submissions included:

- predatory recruitment techniques used by individuals going door to door in public housing estates and low socioeconomic areas
- predatory recruitment outside Centrelink offices or shopping malls in low socioeconomic areas

- offering iPads, monetary gift cards, laptops, cashbacks and other inducements to encourage people to enrol
- offering incentives for people with low literacy and numeracy levels to enrol in low quality courses.

The Australian Council of Trade Unions (ACTU) stated<sup>218</sup>:

*...the access to public funding has attracted a number of unscrupulous providers motivated by the opportunity to make money, rather than any genuine focus on education and skills development. In order to attract the students who in turn attract the public funding, private providers are encouraged to focus more on marketing courses and signing-up students, rather than serious attention to the quality and rigour of the training being provided<sup>219</sup>. In some reported cases, these marketing efforts become predatory behaviour targeting vulnerable students<sup>220</sup>.*

The ACTU also discussed how these private VET providers place considerable pressure on the professional educators in the privatised system:

*These same fly-by-night providers are often poor employers, under-paying staff who are asked to work in conditions where there are insufficient resources or time to provide a quality education.<sup>221</sup>*

A representative from the Justice and International Mission Unit from the Uniting Church Synod of Victoria and Tasmania also shared information on how some private VET providers specifically targeted vulnerable people through cold calling or door knocking in low socioeconomic neighbourhoods. This was done irrespective of whether the potential students had the capacity to complete the course. Furthermore, there was evidence put before the Inquiry that some of these private VET providers targeted people who did not understand the loan obligations that they would have to repay in the future<sup>222</sup>.

218 ACTU, *The failure of for-profit privatisation: ACTU submission to the People's Inquiry into Privatisation*, available on the ACTU website <<http://www.actu.org.au/our-work/submissions/2016/the-people-s-inquiry-into-privatisation-in-australia>>.

219 ACTU submission cites Productivity Commission Discussion Draft: Impact of COAG reforms, December 2011, at paragraph 36 notes that increased competition does: 'imply a need for greater investment in marketing and advertising to appeal to students, increasing the importance of staff associated with these functions within the workforce... While the VET sector already comprises professional with such skills, it may require proportionally more of these workers in the future...'

220 ACTU submission cites example of evidence from the 2014 House of Representatives Inquiry – *TAFE: an Australian Asset*, pp. 126-130, 133; and Bitá, N., *Carpetbaggers targeted by private training probe*, *The Australian*, 26 November 2014, p. 5, *Bachelard, Michael Dodgy vocational colleges using laptop lure despite government crackdown*, *Sydney Morning Herald*, 22 November 2015

221 ACTU submission, Op. Cit.

NTEU Victoria told the Inquiry about an enrolment technique of a private provider where they would visit local football clubs and offer cash incentives of \$500 to all players and trainers who enrolled in a sports management certificate<sup>223</sup>. Private providers told sports clubs the certificate would take three weeks, when in fact it would be 6-12 months.

It must be acknowledged that not all private VET providers are engaged in predatory behaviour or offer poor quality training. However, it is evident that such behaviour has significant effects on individuals, particularly those from low socioeconomic backgrounds. It is important that such rogue providers are weeded from the VET sector as a matter of urgency to ensure quality outcomes and improvements.

## **RORTING THE SYSTEM**

During public hearings it was emphasized that there was widespread rorting of the system which appears to be allowed within the contracting rules. This was a point raised by Roger Scott in the Brisbane public hearing when he reflected:

“

The government has finally worked out that the way they have framed the rules allow for rorting without illegal behaviour. So people are now getting into selling government approved courses which are useless. They're only interested in getting the enrolments and then delivering a qualification, but no quality assessment in that.<sup>224</sup>

”

Governments and proponents of privatisation often argue that government provided services cost too much and the private sector can improve poor performance. However, in the VET sector there is concern that the primary courses captured by private trainers are those that are the most profitable and easiest to provide – leaving the public sector to deliver the remaining

more expensive courses which require more infrastructure and equipment. This concern was presented by Unions WA:

*We are concerned that as private providers come into the vocational education market they will be attracted to delivering the courses that are most profitable, that have the least barriers to entry, so none of the infrastructure that you might see in other areas and that they will simply cream off the most profitable courses from that sector, leaving the government TAFE sector... to deliver the essential skills that we need, because not all training is created equal. There's certain amounts of infrastructure you need to learn some skills, which is significant, and that is clearly not what private providers are interested in.<sup>225</sup>*

Many submissions expressed strong concern that within the competitive system, public funds were not being spent on students but were effectively wasted and diverted to boost the profits of private companies and individuals. The following comment citing a University of Sydney Report<sup>226</sup> provides such an example:

*'When we start to look at private vocational training colleges, some of them are non-for-profit but many of them, in fact most of them, are for-profit... [we note] a report called the Capture of Public Wealth by Private VET ... done by the University of Sydney - rates these profits as somewhere between 33 and 50 per cent, so what that effectively means is the government gives them \$100 million worth of funding, [but] possibly only \$50 million of that may make its way into the classrooms to provide educational resources for the students.'<sup>227</sup>*

The findings of this report show that VET reforms have led to a sharp reduction in government spending per hour of VET delivery and a massive transfer of wealth from taxpayers to the owners of private for-profit training providers.

222 Denisse Sandoval, of the Uniting Church Synod of Victoria and Tasmania, Justice and International Mission Unit, speaking at the public hearing in Melbourne, Victoria, 18 October, 2016.

223 Colin Long, NTEU Victorian Division Secretary, Public Hearing, Melbourne, 18 October, 2016.

224 Roger Scott, Public Hearing, Brisbane, 13 September, 2016

225 Meredith Hammat, Unions WA, Public Hearing, Perth, 25 October, 2016.

226 For a summary of this report and the link to the full report go to VOCEdplus, website <http://voiced.edu.au/content/ngv%3A67289>.

227 Phil Chadwick, President of the NSW TAFE Teachers' Association, Public Hearing, Sydney, 8 September, 2016

## POORER QUALITY OF EDUCATION

Concern about the deteriorating quality of training has been a consistent theme in evidence given to the Inquiry. Many contributors were of the view that the model of market-driven contestability, combined with entitlement funding and VET Fee-Help, has given rise to low quality provision of privately provided yet publicly funded VET.

One of the most commonly reported problems is that courses are often too short to deliver the complex training required. For example, it was reported that investigations into training in the construction and aged care sectors in particular found exceptionally high levels of poor quality training delivered over a time span that was very short for the subject areas.

However, quality issues are not confined to single qualifications or sectoral areas. The 2013-14 ASQA Annual Report showed that three in four training colleges had given students sub-standard training or questionable assessments – i.e. non-compliance with the core regulatory standard for quality training and assessment<sup>228</sup>. More than one in five still could not comply after a further 20 days. Only 20 per cent of 1,515 colleges audited complied fully with national standards in 2013-14. The remaining 80 per cent had at least one case of non-compliance, ranging from minor concerns through to serious failures with training and assessment.



Three in four training colleges had given students sub-standard training or questionable assessments



Only 20 per cent of 1,515 colleges audited complied fully with national standards in 2013-14. The remaining 80 per cent had at least one case of non-compliance.

In some cases employers were becoming frustrated by the poor quality of training that was taking place, as the following quote indicates:

“

Let's say aged care, a lot of private providers engaged in aged care, and a lot of evidence that training provided for those students was not at an adequate standard, which had serious ramifications for those in aged care, of course, working with people. But we were hearing instances of people who had got an aged care qualification from a private provider, went out and worked for a short while, then the employer said, 'you just don't have the qualifications, so go' and TAFE's taking them back in. But if you were doing the qualification at the same level, you have to pay full fees under the reform. So they're being charged double, effectively, to repeat their qualification.<sup>223</sup>

”

## REDUCED TRAINING TIME

The Inquiry received many submissions expressing concern about public funds being diverted toward those who appear more concerned about making a profit rather than investing in quality education in the VET sector. Some people were of the view that the competitive market and profit incentive is putting pressure on providers to reduce training hours for particular courses. The following statement provided to the Inquiry in Sydney offers a typical example:

*On a state level, the New South Wales Government's introduced a thing called Smart and Skilled and what that seeks to do is it takes our lower level of courses, our certificate two, certificate three and certificate four courses, and gets the same type of private for-profit providers in competition with our TAFE colleges to teach trades like electrical, carpentry, plumbing. Now, it's had the effect that TAFE now have to reduce their face-to-face time with their students so that they compete on cost...<sup>227</sup>*

228 Annual Reports are available from the Australian Skills Quality Authority website <<https://www.asqa.gov.au/>>

There was considerable concern that reduced training time in some courses was posing a threat to the quality of the training. The following examples were provided:

“

A typical trades course takes around about 864 hours to complete. In south-western Sydney where I'm from, examples of electrical trades now been cut down to 720 hours, carpentries were cut down to 600 hours and the worst one I've seen so far, worst example I've seen, is light vehicles. That's been cut down to just 440 hours. Now, the last time I looked in the last 10 years, motor vehicles got a little bit more complicated, not less complicated. This is an atrocious and appalling situation where we're seeing the money that should be going into educating our young, getting them in the jobs, going into the hands of private for-profit people.<sup>227</sup>

”

## DETRIMENTAL EFFECTS ON STUDENTS

Students were confronted with escalating course costs under the private VET system. In many cases private providers were charging many times the costs which had been charged within the TAFE system. This issue was identified by the ACTU:

*There are regular reports of courses being offered up to five times more the cost of equivalent courses at TAFE.*<sup>229</sup>

The ACTU submission reported on the experiences in Victoria with the introduction of VET-Fee Help and revealed some comparisons with other jurisdictions:

*Price increases were evident from the early experience in Victoria where VET-Fee Help was first introduced. Standard fees for*

*diplomas tripled to \$2,500 when loans were introduced there from mid-2009, while government subsidised diplomas in other jurisdictions were less than half that amount in most cases (\$990 a year in Tasmania, \$1,212 in Western Australia, \$1,350 in the ACT and \$1,570 in NSW).*<sup>230</sup>

Overall, the ACTU found that in Victoria between 2012 and 2014, 'VET student fees and charges increased by 14.3 per cent'.<sup>231</sup>

## EXPLOITATION OF DISADVANTAGED PEOPLE

The Illawarra is another region which has been experiencing significant structural change in its economy. Experiences there for some vulnerable students appear to be consistent with those experienced elsewhere. In some cases students are detrimentally affected by the privatisation of the VET system because they are viewed as sources of profit but are effectively being set up to fail. This issue was discussed in the public hearing in Wollongong and described in the following terms:

“

Since the privatisation of VET, what I've witnessed has been the unabated exploitation of disadvantaged people [and], in particular, people with disabilities in the community. I've seen so many people sign up in shopping centres to do diplomas in business and business management who simply do not have the intellectual capacity to study a course higher than a certificate level one course. Yet they've been signed up – and they've not only been signed up, they've been enticed to sign up with the use of iPads and laptops or holidays or even cash rebates, the cash incentives to do courses that they have got no means to complete.<sup>232</sup>

”

<sup>229</sup> ACTU, *The failure of for-profit privatisation: ACTU submission to the People's Inquiry into Privatisation*, citing Ross, J., and Loussikian, K., 'Vocational loans go through the roof', *The Australian*, 1 October 2014, p. 31, see also evidence from the 2014 House of Representatives Inquiry –TAFE: an Australian Asset, pp.126-130,133.

<sup>230</sup> ACTU, *The failure of for-profit privatisation: ACTU submission to the People's Inquiry into Privatisation*, citing Ross, J., and Loussikian, K., 'Vocational loans go through the roof', *The Australian*, 1 October 2014, p. 31; and Yu, S., & Oliver, D., 'The Capture of Public Wealth by the For-Profit VET sector: a report prepared for the Australian Education Union', Workplace Research Centre, 2015, p. 16.

<sup>231</sup> ACTU, *The failure of for-profit privatisation: ACTU submission to the People's Inquiry into Privatisation*.

<sup>232</sup> Lorraine Watson, (NSW Teachers' Federation), Public Hearing, Wollongong, 6 September, 2016.

The following case example had been provided to support this point:

“

I had one student, a woman, who had a mild intellectual disability. She also had behavioural problems. Her son had been removed by DOCS [Department of Community Services]. She signed up to do a diploma in business at a local shopping centre. She didn't complete that course, but the same company signed her up to do another course, a diploma in business management. She now has a \$30,000 debt. Plus, because there's a 20 per cent interest loading on top of that, she's got a debt of \$36,000. She's got no qualifications and no means to gain employment. The taxpayer of Australia has funded that. Because that money will never, ever be refunded.<sup>233</sup>

”

Some submissions included reflections about the closure of for-profit companies such as Vocation (this particular closure took place after government funding was removed due to breaches in quality standards). One public hearing participant noted that :

“

...there's all these students who now have got no qualifications. They put their time, their money, their effort, everything into gaining a qualification that's now worthless. I understand there's three class actions representing the shareholders of people who lost investments in Vocation. But who's representing the 7,000 students who've been left with worthless qualifications?<sup>233</sup>

”

It also appears that students were not given sufficient information to make an informed choice about training options. The ACTU noted:

***...evidence from organisations like the Consumer Action Law Centre is that students are not being properly informed about the***

***debt they would incur or about the course they are being sold. Only later do many find out they have undertaken a course they are either not suited to and/or does not give them the skills and qualifications they need in the labour market.***<sup>234</sup>

## **POOR CONSEQUENCES FOR REGIONAL AREAS**

The competitive funding model has had a number of detrimental effects on regional areas. These have included the consequences which flow on from:

- the closure of TAFE colleges
- significant funding cuts for any remaining TAFE courses
- TAFE employee job losses
- increased fees for students
- increased debt faced by individual students
- loss of apprentices from industries
- failure of governments to adequately ensure the provision of quality skills investment in regional areas
- shifting of funds from quality education for the public good to fund profit makers who may take profits out of the region.

The above actions have far reaching consequences, particularly in relation to the undermining of community resilience and the loss of skills development which would otherwise assist in strengthening regional development in the future.

Steve O'Brien raised particular concerns about the hardships for students and communities in the Hunter Region in NSW:

“

The so called Smart and Skilled model under which contestable funding operates in NSW has seen fees in many areas go up. The art school in Newcastle for example, has seen students' fees increase from under \$1,000 a year to over \$15,000. The arts are important in a region such as the Hunter which is undergoing a transition in its economy<sup>235</sup>.

”

<sup>233</sup> Lorraine Watson, (NSW TF)Public Hearing, Wollongong, 6 September, 2016.

<sup>234</sup> ACTU, Op. cit.

<sup>235</sup> Steve O'Brien, (PSA – NSW), Public Hearing, Newcastle, NSW, 5 September, 2016.



O'Brien's submission raised a number of connected concerns which touch on important issues for a region undergoing significant structural and economic transformation. In a region such as the Hunter, skills investment is particularly important to the social and economic future. Yet policy shifts are resulting in public funds being increasingly funnelled toward private profits, while individuals and families are being expected to bear the brunt of contestable models of funding.

In addition to these issues, the closure of many TAFE colleges and the related loss of jobs has reduced spending capacity in some regions which has had a detrimental knock-on effect for local business.

Some of these issues were explored in the following statements to the Inquiry's public hearings<sup>236</sup>:

*Most people would associate TAFE with apprenticeships. TAFE is not only just apprenticeships, but most people would understand the importance of apprenticeships and that there's been a fundamental attack on apprentices' time to learn. The idea of an apprenticeship was that they got time off the job enabled to learn that. We've run major campaigns against that threat but, at this time, I'll tell you we're losing. Students and apprentices are losing that valuable time to learn as well as the highly publicised issues in relation to students being ripped off with student debt and increased fees.*

VET has been further damaged by the knock-on effects for training of the privatisation of a number of other industries. In such instances, regional areas in particular face compounding issues as privatised industries fail to invest in apprentices. For example, in relation to privatisation of the energy sector Mick Koppie from the Electrical Trades Union stated in the ACT public hearing that:

“

When I joined the ETU and we were looking after, at that stage, Essential Energy, which is regional and rural New South Wales.

They had 240 apprentices in training.

The number of apprentices in training across the industry in New South Wales at the moment is 13. So that's the sort of reduction. They just go to zero, they just stop training.<sup>237</sup>

”

<sup>236</sup> Rob Long, NSW Teacher's Federation, Public Hearing, Wollongong, NSW, 6 September, 2016.

<sup>237</sup> Mick Koppie, ETU, Public Hearing, Canberra, 27 October, 2016.

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# PRIVATISATION AND JOBS

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The effects of privatisation on employment are rarely scrutinised by governments or the media, as the focus is usually on service cost and quality. It is therefore often left to unions to ensure employment issues receive adequate attention.

The employment effects of privatisation vary and are influenced by a number of factors including the form and method of privatisation, the production process and industry characteristics, and the nature of the workforce.

The contracting out of labour-intensive government services following a competitive tendering process typically has a greater effect on employees and their conditions than the sale of stand-alone government assets. Details such as the number of workers affected, their age, gender and qualifications and the mix of labour and technology in the workplace also play a role.

The Inquiry heard much evidence of privatisation driving down wages and conditions, reducing job security, intensifying work rates and reducing job satisfaction. Labyrinthine contracting arrangements also tended to reduce the accountability of employers for their employees.

## LOSS OF JOB SECURITY AND THE COMMUNITY

Submissions from individuals, unions and church groups indicated that the loss of job security due to privatisation hurts communities in numerous ways. The following statements provided to the Inquiry were typical:

- **United Voice** stated that reductions in staff numbers can increase safety risks and service

quality. They noted, ‘Fulham prison in Victoria, run by the private operator Australasian Correctional Management, was found to have reduced its staffing numbers in 2011 to levels that resulted in a riot and a siege’.<sup>238</sup>

- **The Australian Services Union (ASU)** indicated that government jobs (particularly in regional and rural areas) help to support fragile economies as workers tend to spend their money locally and help support families who are able to be active in their communities – whether it be through sporting groups, community based organisation, schools or other forums. *‘Investment in traineeships as well as research and development contributes to the information, knowledge, and resourcefulness of the local community...’*<sup>239</sup>
- **The Australian Manufacturing Workers Union (AMWU)** demonstrated that government decisions to invest in Australian jobs (to provide public transport infrastructure, for example) provides far more benefit to the Australian community than sending jobs off-shore as part of privatisation and cost cutting exercises to gain ‘cheaper’ foreign options.<sup>240</sup>

This deterioration of employment conditions is of concern to the wider community, not just the union movement. The Uniting Church’s Justice & International Mission Unit, Synod of Victoria and Tasmania noted in their submission that privatisation often means costs are lowered through:

<sup>238</sup> United Voice, *Written Submission to Peoples Inquiry into Privatisation in Australia*, 22 September 2016, p9.

<sup>239</sup> Australian Services Union (ASU), *Written Submission to Peoples Inquiry into Privatisation in Australia*, 23 September 2016, p16.

<sup>240</sup> AMWU (NSW) *Written Submission to Peoples Inquiry into Privatisation in Australia*, 8 September 2016, including attachment authored by Jim Stanford of Centre for Future Work at the Australian Institute, *Penny Wise and Pound Foolish: The economic and Fiscal Costs of Offshoring Public Procurement*, The Australian Institute, Centre for Future Work, Canberra.

- employing staff with lower qualifications so that wages can be reduced
- pressuring staff to work extra unpaid hours or illegally underpaying employees
- cutting out quality assurance measures and measures to ensure occupational health and safety or the safety of the people accessing the service from abuse
- breaching government quality assurance standards
- cutting costs by using suppliers that are engaged in illegal activities such as using a cleaning business which is illegally underpaying its workforce on temporary work visas.<sup>241</sup>

The ACTU noted:

*Public sector workers often see long-term drops in wages and conditions under for-profit providers in newly privatised systems and many new workers in these fields face low pay and poor working conditions.*<sup>242</sup>

## EXPERIENCES OF WORKERS IN THE CLEANING INDUSTRY

Cleaning work is labour intensive and predominantly performed by women. Employment is typically insecure, due to extremely competitive tendering processes.<sup>243</sup>

The Inquiry heard directly from cleaners – mainly those employed by hospitals – about their employment conditions<sup>244</sup>. They told the Inquiry that they had suffered from:

- downward pressure on wages and conditions
- reduced hours and lost job security
- reduced skills and accountability
- a loss of productive efficiency
- the emergence of a bullying environment
- increased work intensity
- poor outcomes for communities.

<sup>241</sup> Justice and International Mission, Uniting Church in Australia, Synod of Victoria and Tasmania, *Written Submission to the People's Inquiry into Privatisation in Australia*, September 2016, p10

<sup>242</sup> Australian Council of Trade Unions (ACTU), *The failure of for-profit privatisation: written submission to the People's Inquiry into Privatisation in Australia*, 2016, Summary Overview p1.

<sup>243</sup> See Iain Campbell and Manu Peeters, RMIT University, 'Low Pay, Compressed Schedules and High Work Intensity: A Study of Contract Cleaners in Australia', *Australian Journal of Labour Economics*, Vol 11, No.1, 2008, pp27-46 <[http://ceebi.curtin.edu.au/local/docs/A3\\_-\\_campbell\\_peeters.pdf](http://ceebi.curtin.edu.au/local/docs/A3_-_campbell_peeters.pdf)> accessed 4 May 2017.

<sup>244</sup> Peoples Inquiry into Privatisation in Australia (PIIP), *Public Hearing Transcripts*, Canberra and Perth



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## Downward pressure on wages and conditions

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The contracting out of government provided services is often preceded by competitive tendering processes. In labour intensive areas, such as cleaning and security services, this can often encourage downward pressure on wages and conditions to give some contractors a competitive advantage over others that pay higher wages. Once a service has been privatised and competitive tendering processes continue to play a role, workers typically face employment insecurity and their wages fail to keep pace with living costs (even where they were initially paid above award wages). As one employee told the Inquiry:

“

I've been here for four and a half years. In that time we haven't had a pay increase since 2012, but because we're not on the award, we're on a Clean Start allowance, but people who clean offices in general have had pay increase in that four years. But because we're paid above the award because we're on a Clean Start, we haven't been given a pay increase at all. And my concern is we're up for tender at the moment...

I'd like to see something to help us out to have increments put in to the new contract, whoever has it, whoever gets it, whether it's in-house, whether it's a different company, whether it's the company we're with, so that we do get wage increase that are fair in conjunction with our other workers - as they get a wage increase, I'd like to see us get one. Because the cost of living keeps going up, but here we are still sitting on the same wage, and it's not a high wage and we're still trying to make ends meet.<sup>245</sup>

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## Reduced hours and lost job security

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During one of the public hearings, cleaning workers employed by contractors were asked about issues relating to job security and access to regular hours of work. The following comments were made by the workers at various stages in their presentations:

“

When you're first employed you're put as a casual to start with until you get the hang of what's going on, and then as a position becomes available. Because they normally hire as they know there's going to be some positions opening. Then they'll put you on if a position becomes available, they'll give you the option, there's a morning shift, an afternoon shift, and a night shift...<sup>245</sup>

At the same time, that security's not there. It doesn't matter whether you're casual or you're permanent, or whatever, if management thinks you are doing the wrong thing, you get a notice of it, a phone call, 'Meet me in the office. I want to see you now.' Your employment's been terminated.

You get escorted from the property.

”

“

...working for contractors, we don't have any security whatsoever.<sup>246</sup>

”

<sup>245</sup> Helen, *People's Inquiry into Privatisation*, Public Hearing, Canberra, ACT, 27 October, 2016.

<sup>246</sup> Linda, *People's Inquiry into Privatisation*, Public Hearing, Canberra, ACT, 27 October, 2016.

### Reduced skills and accountability

Some cleaners shifted from regulated government employment (where policy commitments and guidelines were typically well understood) to less regulated contractual arrangements (where policies and conditions were more opaque). For example, some cleaners expressed dismay at the lack of training and professionalism demonstrated by the managers of contracting firms:

“

What we've had is a level of management with contractors that as they keep the wages down for the cleaners, they also don't pay their managers seemingly well either. Lower and middle management has virtually no skills. Our dealings with them are so terribly difficult because you're dealing with people that don't understand even a concept of natural justice, let alone any procedural fairness... They don't get it. They don't understand what their obligations are as managers.<sup>247</sup>

”

The reduction of the managerial skills base may reduce short-term costs, but they tend to increase them over the longer term. These may include costs relating to unfair dismissal applications, discrimination claims and other disputes which could have been avoided if managers had a clearer understanding of their roles and obligations.<sup>246</sup>

Cleaners also indicated the tendency of contractors to maximise profits by cutting corners, including the extra hours and training needed for ongoing vigilance and monitoring of hygiene in hospitals. Such monitoring costs – ‘fat’ – are often under-estimated when contracts are devised. One cleaner said you had to keep a close eye on contracts otherwise ‘the guts are ripped out of those contracts, hours are cut, equipment's not supplied...’<sup>247</sup>

### Loss of efficiency and the emergence of bullying

Some workers performing duties for contractors expressed the view that the requirements of their work do not encourage optimal productivity:

“

Things could be organised properly. And I think if we became one it would give us a security as cleaners, which we don't, working for contractors, we don't have any security whatsoever. You get intimidated, you get bullied... And I think if we could work together as a team, all under the government, I'm sure a lot more work would be done, it would be more productive, therefore you get a cleaner hospital and you have happier staff.<sup>246</sup>

”

In the public hearing, concerns were also raised about the emergence of an environment of bullying:

“

...people are sacked when they're actually complaining, having legitimate complaints.<sup>247</sup>

”

One cleaner indicated that it was possible to be sacked for complaining that they did not have adequate equipment or supplies to do their job. This bullying and belittling environment inevitably affects staff morale. One worker expressed the situation in the following terms:

“

I'd just like to see us go in-house with management. Management, when they're under contract, they're just in it for the money, they don't treat us like individuals, they belittle you, they look down on you, there's a lot of bullying. And we're not just cleaners, we're specialised cleaners and we should be recognised for that. We feel like second class citizens because people just look at you like you're a cleaner. We're probably the only ones in the hospital that are contracted.<sup>247</sup>

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<sup>247</sup> Lyn, *People's Inquiry into Privatisation*, Public Hearing, Canberra, ACT, 27 October, 2016.

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# POLICY, PLANNING AND ADMINISTRATION

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One of the most important roles of government is to plan for our country's future, especially in the face of issues like climate change and digital disruption. In the words of one submission to the Inquiry, it is 'naïve and irresponsible to expect corporations, which are inherently mandated to pursue their individual commercial interests, to collectively regulate themselves in a manner that will ensure that the transition to a low-carbon, highly automated society is a fair and just one'<sup>248</sup>. But as the Inquiry heard, governments are increasingly outsourcing or privatising this important policy work. Previously 'core' functions of state and Commonwealth public services, including some hitherto regarded as 'unprivatisable' (such as providing advice to Ministers), are now in the privatisers' sights.

## **DIMINISHING AUSTRALIA'S CAPACITY TO UNDERSTAND AND PLAN FOR THE FUTURE**

The Inquiry received extensive credible evidence about the diminishing ability of governments to understand and plan for our future. To do their job well, governments need to draw on evidence, advice and expertise across a whole range of sectors, and they also need to invest in scientific and research capacity so that we can collectively solve important problems like droughts, health epidemics and city and town planning. In recent decades, governments have been undercutting their own ability to do this work by outsourcing, privatising and cutting key scientific and research agencies. As one individual put it, this involves a remarkable lack of foresight:

*Privatising public services means you lose institutional memory, your skills, policy knowledge, and ability.*<sup>249</sup>

One researcher from the CSIRO told the panel of funding and staffing cuts that come with the expectation that the private sector will somehow pick up the responsibility for solving problems that face our country, even if it's expensive and likely unprofitable. He said once public research programs are shut down, 'you can't switch it off easily and back on again ... because if you destroy a laboratory, you destroy networks and skills and knowledge bases that take time and money to establish'. This 'privatisation by stealth' means that, 'at worst we will be thoroughly underprepared for some of the impacts of the significant global challenges that we face as a nation'.<sup>250</sup>

Agricultural research and development and services – which in a country like Australia are absolutely critical to our health, society and economy – are increasingly being pushed to the private sector<sup>251</sup>. Diminishing public sector capacity in areas like this can have serious consequences. Two separate hearings were presented with disturbing evidence of fire services that had been outsourced to the private sector:

*A company called Working on Fire provides integrated fire management services for governments, landowners and land users. In January of 2016 the Sunday Times revealed that Working on Fire was paid \$100,000 by the WA Government to have 12 staff, five trucks, two light fire vehicles and two bulldozers lying dormant in Collie earlier this year while 77 kilometres away the town*

<sup>248</sup> United Voice, written submission, 2016, 12.

<sup>249</sup> David Hermolin, (CPSU), Public Hearing, Canberra, 27 October 2016.

<sup>250</sup> Mike Collins, Public Hearing, Newcastle, 5 September, 2016.

<sup>251</sup> Warren Hunt, written submission, 2016.

*of Yarloop burned to the ground. When asked about the contract, the managing director of Working on Fire said that the arrangement with Parks and Wildlife was commercial-in-confidence. There's no transparency, no accountability...*<sup>252</sup>

*There's also currently a class action running against Endeavour Energy from members of the public in the Blue Mountains [in NSW], as a result of bush fires basically burning people's homes down.*<sup>253</sup>

In international development, Australia's Department of Foreign Affairs and Trade (DFAT) is continuing to use contractors to deliver large sections of the international aid and development program in a 'concerning trend' which 'devolves responsibility' away from government<sup>254</sup>. It also de-skills staff working in the departments who are responsible for delivering these programs. ActionAid provided evidence about the way public sector departments, such as DFAT, are pushing privatisation to countries elsewhere – even in sectors where privatisation would not be tolerated by the public in Australia. This is not an isolated phenomenon – Australian Fair Trade and Investment Network (AFTINET) provided evidence of the way in which Australia's ability to regulate and fund public services is undermined by trade agreements that are typically negotiated in secret without input from the public.<sup>255</sup>

*The strategy of Australia's aid investment in agriculture, fisheries and water boldly states that a shift will be facilitated from treating water as a public good to an economic good... ActionAid is fundamentally opposed to the Australian Government's position on water as it has a social and cultural value that's far beyond any economic value ... women are the most dependent on clean and healthy water and ... privatisation of water impacts on this. Private companies have no moral duty to their citizens and can block access...*<sup>254</sup>

<sup>252</sup> Michelle Sheehy, CPSU/CSA, Public Hearing, Perth, 25 October 2016.

<sup>253</sup> Justin Page, Public Hearing, Newcastle, 5 September, 2016.

<sup>254</sup> Rachel Colbourne-Hoffman, (Action Aid Australia), Public Hearing, Melbourne, 18 October 2016.

<sup>255</sup> AFTINET, written submission, 2016.



The Inquiry was told that these forms of privatisation not only limit the expertise of public servants and degrade key nation-building skills, they also help keep government at arm's length from the communities they serve. They are part of a broader trend of privatising policy advice itself. Four separate hearings received evidence of private consulting companies such as KPMG offering advice to government on how to run public services. These consulting projects often seem to end in advice to privatise. Even apart from the content of the advice itself, the fact that the advice is outsourced in the first place engenders a loss of policy capability in the public sector, whose 'frank and fearless' advice should be foundational to government decision-making.

## PUBLIC ADMINISTRATION

The Inquiry heard that underlying public administration systems are viewed as increasingly attractive targets for privatisation. A form of invisible privatisation is underway, where massive fundamental systems from aviation to insurance to social security IT are quietly disappearing – a shift that is ill-understood but has potentially massive consequences for all Australians for many years to come.

Aviation is a critical industry in a large country like Australia, and is an area where citizens are entitled to assume that the highest standards apply. AirServices Australia is the public agency that helps guarantee we can feel safe when we fly. It provides telecommunications, aeronautical data, navigation services and aviation rescue fire-fighting services. Although the Turnbull Government has stated that its policy is not to privatise AirServices Australia, there has been pressure for some time from business groups and bodies such as the Productivity Commission to privatise<sup>256</sup>. In the meantime, the agency has faced significant cuts to precisely the kind of 'back-end' services and underlying systems that governments often employ as a precursor for privatisation, relying on a perception that the public don't really know what they do anyway. As Megan Baker-Goldsmith told the Canberra hearing:

“

Without aviation Australia stops ... everybody in Australia is equally deserving of safe, efficient and reliable aviation transport services, whether they live in regional communities or ... city centres, and I think that if many Australians were to be cut off from easy access to our capital cities by not having safe, efficient, reliable and affordable aviation services, then this will further contribute to the dying off of regional towns. Australians and everybody who works in the aviation sector is, rightfully so, incredibly proud of the reputation as having one of the safest aviation systems in the world. That kind of safety is no coincidence...<sup>257</sup>

”

The panel received several examples of important administrative systems and functions that have either been privatised or proposed for privatisation. Two examples illustrate some of the important issues:

- **Biosecurity Tasmania:** Biosecurity Tasmania has a charter to protect industry, the public and the environment from pests and diseases. This is an incredibly important function in a state that is carefully safeguarding its pest- and disease-free status. Trading companies are lobbying to conduct their own biosecurity inspections to speed up the process of getting their products in and out – but the Inquiry heard of clear concerns that this would compromise the integrity and efficacy of what is a fundamentally important system.<sup>258</sup>
- **The Territory Insurance Office:** In Darwin, the panel heard evidence of the sale of the Territory Insurance Office (a government-owned home insurance provider that was sold in 2014) to Allianz, which has caused a reduction in face-to-face service to Territorians as well as a rise in premiums<sup>259</sup>. Whereas once the government was involved in providing access to

<sup>256</sup> <http://www.smh.com.au/business/aviation/aviation-industry-players-call-for-1b-privatisation-of-airservices-australia-20160427-gogqsc.html>

<sup>257</sup> Megan Baker-Goldsmith, Public Hearing, Canberra, 27 October 2016.

<sup>258</sup> Tom Lynch, CPSU Tasmania, Public Hearing, Hobart, 14 October 2016.

<sup>259</sup> Kay Densley, Unions NT, Public Hearing, Darwin, 15 September 2016.



protection from cyclones and other extreme weather events, citizens must now take on the risk themselves and insure in the open market, a move which has caused hardship particularly for people living in areas prone to extreme events such as storm surges.

The Inquiry was told of how behind-the-scenes public administration and fundamental administrative systems were affecting public services including Medibank, the Commonwealth Superannuation Corporation, Keystart home loans in WA, the NSW Trustee and Guardian and many more in between.

It was argued at the Inquiry's hearings that privatisation in important public policy and administrative areas seemed to be motivated primarily by ideological rather than practical reasons, and that this is placing our economy and nation at considerable risk. Once gone, these seemingly mundane but vital services will be extremely difficult to bring back into public hands.

## INTEGRITY AND GOVERNANCE

In two state hearings, the panel heard evidence of the dangers of privatising land titles systems. New South Wales and South Australia have, since the inquiry hearings in late 2016, privatised their land titles registries. After the Inquiry hearings concluded, the Victorian Government announced its own plans to privatise the land titles office. These systems guarantee the integrity of land titles and are one of the most important functional systems in our economy.

Participants in both the SA and NSW hearings described proposed privatisation processes that are opaque and undemocratic and seem to offer little financial advantage over current systems. Somewhat unusually, the Adelaide public hearing was attended by two representatives of private industry who spoke about the detrimental impact the privatisation of the land titles registry in SA would have on business and homeowners. Robert Woodward, a private conveyancer with over 40 years experience said:

“

I, along with other property professionals, mainly surveyors, valuers, property solicitors and planners are the gatekeepers of the registry, which has served the public and the business community well over the last 158 years. It is as much up to us to ensure the information provided to update the register is correct as it is for the staff of the Lands Title Office to verify.

As knowledgeable persons in this regard we stand as advocates not only for the *Rural Property Act*, but also for the public. Land ownership...is in the vast majority of cases... the asset of highest worth owned by people. As such, the integrity of the system that we enjoy must be ferociously protected. If there is even a hint of doubt as to the trust placed in the system it would create a financial malaise that would spread so fast and lead to catastrophic losses.

In our professional capacity, we not only understand these potential ramifications of the privatisation of the LTO to the public and the business community...

Our concerns include increased in unregulated fees, the loss of expertise in the Lands Title Office, delays in registration, increased likelihood of title insurance, which would be an additional financial burden on the public... the loss of opportunity for public service to manage the delivery of information systems and as such deliver income for the South Australian public, privacy matters, the question of where this data will end up... The treasurer has not provided a business case, or a cost benefit analysis to the stakeholders, or to the public to justify the privatisation of the LTO.<sup>260</sup>

”

<sup>260</sup> Robert Woodward, Public Hearing, Adelaide, 26 October 2016.

Richard Abbott, a private surveyor from South Australia has been working alongside the land titles office for 46 years gave evidence that the 'blanket obsession to commercially lease the LTO will come at a financial cost to every land owner.'<sup>261</sup> The Public Services Association gave evidence in Sydney that commercialising land titles in New South Wales could mean that people may need to take out insurance over their own house titles:

***Once you privatise it, will [land titles] be guaranteed to be correct or do you need to insure to make sure it will be – and secondly, all of that information that comes with titling and land property in the state, if that's handed over, how will that information be protected?***<sup>262</sup>

Forcing people to take out insurance rather than simply guaranteeing the accuracy of land titles effectively pushes risk from government to individual citizens: a common consequence of privatising administrative systems.

Similar concerns about protecting vital information arose during the proposed privatisation of the ASIC Registry. This registry, which is based in Traralgon, Victoria, registers and maintains a database of business names, histories and financial records. The accuracy and integrity of this information is incredibly important, but over the past couple of years the Turnbull Government has been investigating handing over what is partially a corporate watchdog function to a private company.

This privatisation was halted after a major community campaign attracted probably more public interest in the issue than the government had been expecting, but, as with the land titles offices, the issue highlighted the public interest concerns about privatising databases that contain critical and sensitive information. Both the Medicare payments system and the Department of Human Services have also been mooted as candidates for privatisation but have so far stayed in public hands (the former only after a massive public campaign). The fact that they have so far avoided privatisation is due in part to concerns over the security of the information these databases hold, but there continues to be pressure on the government to divest these and similar systems.

Evidence heard by the Inquiry demonstrates that privatisation is affecting a broader suite of services and functions of government than previously thought. A range of systems and databases are increasingly discussed as candidates for privatisation, with little public knowledge of the details or potential consequences. Core government functions such as planning for the future and assessing advice and evidence are increasingly being shifted to the private sector, with serious risks for Australia's ability to address upcoming threats and challenges such as climate change and digital disruption. It appears that few areas of public services and assets are now safe from the threat of privatisation.

<sup>261</sup> Richard Abbott, Public Hearing, Adelaide, 26 October 2016.

<sup>262</sup> Steve Turner, Assistant Secretary, Public Service Assoc. NSW, Public Hearing, Sydney, 8 September 2016.

# CONCLUSION

## WORKING ON A BETTER ALTERNATIVE TO PRIVATISATION

The final issue the Inquiry turned its attention to was a more positive one: possible alternatives to the continuance of privatisation. In the face of the failure of privatisation to deliver on its promises of improved economic efficiency and living standards for Australians, the Inquiry feels compelled to start a discussion about what should take its place.

## ADDRESSING THE ROLE OF GOVERNMENT

The goal should be a new consensus on the role of government. Taken to its logical extreme, neoliberalism (the dominant idea in many industrialised economies like Australia) argues that government should be ‘small government’ – responsible only for the provision of military and (potentially) police forces, with all else left to the market. This view is found in the Productivity Commission’s draft report for its *Human Services* inquiry, which describes the roles of government as stewardship, oversight and supervision. Evidence provided to the Inquiry suggests that the risks posed by such a view are too great.

What, then, should the role of government be? What are the alternatives to the small government ideology of neoliberalism?

Many contributors to the Inquiry see the privatisation of services and the resulting diminishing role of government in our daily lives as a leading cause of inequality with potentially anti-democratic consequences. The sociologist Eva Cox talked about the rise of populism at the Sydney hearing:

“

...we actually have a situation where a lot of people are deeply unhappy with the political system... in terms of actually giving people some sense of (a) leadership and (b) optimism about possibilities... I’m just wondering how far I can actually look at the stories that are coming up and use an analysis which basically is... that government has disappeared from view.<sup>263</sup>

”

Cox was clear that the current focus on replacing universal public services with marketisation and ‘*individual choice*’ is breaking down our sense of living, and belonging, in a community:

“

...unless you actually see the social, the public, the relational, the community as part of what is, you feel disconnected. You wonder why democracy’s there. You wonder why you’re voting for these bastards who never seem to do anything for you.<sup>263</sup>

”

Cox referred to prominent cases of privatisation – banks, airlines and public transport – and how their replacement with profit-making enterprises were examples of how the role of government was disappearing from the view of everyday people. She reminded us that it wasn’t always this way:

“

I can remember the time when governments went to sociologists, political scientists, psychologists and social workers for advice. Now they go to economists and that’s part of the problem. You’ve left out all of the rest of the real social scientists and tried to fit everything into an algorithm...<sup>263</sup>

”

In his submission, Dexter Whitfield noted that it is not just the wholesale privatisation of services and infrastructure that has changed people's perception of the role of government, but also insidious public policy process which are rotting away public services from within. Transformations within the public sector have been whittling away at their capacity to provide valued services:

“

The mutation of privatisation has created new pathways, such as the transfer of services to arm's length trading companies, trusts and social enterprises, wider use of private and social finance, and the commercialisation of public services. Public provision is being fractured into a plethora of individual or chains and networks of increasingly private or quasi-public organisations, particularly in health, education and housing, all competing against each other. Commissioning (the separation of purchaser and provider functions), competition and markets are embedding a contract culture and business values, with profound consequences for the public and voluntary sectors.<sup>264</sup>

”

The written submission by Dr Ben Spies-Butcher focused on marketisation in social service provision. The submission reveals how, in recent times, the roles and principles of the public sector and private sector have been blended in such a way as to blur their different boundaries. He described the spread and impact of concepts and language from the private sector that reflect a predetermined commitment to competition and private provision.

These submissions suggest that this disconnect from democracy, as the role of government shrinks, is not an accidental by-product, but a purposeful policy approach that is embedded within neoliberalism. Globally, democracy is facing massive challenges. The rise of populism

in America, Europe and parts of Asia is a result of centrist governments being unable, or unwilling, to challenge the growing inequity in society. In an article for the *Guardian* Stephen Metcalf said of neoliberalism:

*This is where the triumph of neoliberalism meets the political nightmare we are living through now. 'You had one job,' the old joke goes, and Hayek's grand project (neoliberalism), as originally conceived in 30s and 40s, was explicitly designed to prevent a backslide into political chaos and fascism. But the Big Idea was always this abomination waiting to happen. It was, from the beginning, pregnant with the thing it was said to protect against. Society reconceived as a giant market leads to a public life lost to bickering over mere opinions; until the public turns, finally, in frustration to a strongman as a last resort for solving its otherwise intractable problems.*<sup>265</sup>

In an article for Fairfax newspapers Ross Gittins noted:

*For almost 40 years in the English-speaking economies, both sides of politics have accepted that businesses and individuals should be allowed to go about their affairs with as little restriction as possible.*

*But now both sides are stepping back from that attitude, doing so under pressure from voters growing increasingly unhappy about the state of the economy – in Oz, low wage growth, high energy costs, a seeming epidemic of business lawlessness and a lengthening list of government outsourcing stuff-ups – and the special treatment accorded to business.*

*You can see it overseas in the electoral popularity of Bernie Sanders and Jeremy Corbyn, and the anti-establishment revolts in the Brexit vote and the election of Donald Trump.*<sup>266</sup>

These are views supported by Walker and Walker, whose 2008 comment remains prescient:

<sup>264</sup> Dexter Whitfield written submission, page 1.

<sup>265</sup> <https://www.theguardian.com/news/2017/aug/18/neoliberalism-the-idea-that-changed-the-world>

<sup>266</sup> <http://www.smh.com.au/comment/the-neoliberalism-of-margaret-thatcher-and-ronald-reagan-has-run-its-course-20170718-gxda42.html>

*The process of privatisation by the Australian public sector has been radical, far ranging, and, it would appear, increasingly unpopular with the electorate...these radical changes have been promoted by politicians from both sides of politics, supposedly because of financial imperatives. Demonstrably, many of those arguments have been distorted and deceptive. Our political leaders have failed to articulate a clear vision for the role of government. Such a vision should encompass what governments should do, and what governments should avoid. There has been far greater discussion of how a government should deliver services rather than what governments should be doing.*<sup>267</sup>

Whilst it is not surprising that public sector unions argued at the Inquiry for a greater role for government, they were not alone in their submissions:

*'...the role of government must be greater than that of a service purchasing agency – in some circumstances government will be best placed to deliver services.'*<sup>268</sup>

*'The... delivery of high quality human services can be conducted by government, the not-for-profit sector and private providers, or a combination of these providers. However, there is not a one size fits all and the Unit is concerned at the neoliberal trend to see government as the provider of last resort, rather than acknowledging there are some human services that are best provided by government. There are also human service areas where for-profit providers are the worst option for government to pursue, based on public interest and common good.'*<sup>269</sup>

So if the privatisation and commercialisation of public services has led to a purposeful obfuscation of the role of government, what are the arguments for government playing a larger and more visible role in society? What would be the benefits of a move away from neoliberalism, and what would the alternative look like?

Neoliberalism ignores the central fact that the public sector and the welfare state have played a critical role in the planning and establishment of physical infrastructure and essential services, as well as building social capital in Australia. This work has assisted in the development of the economy as well as the resilience of communities.

According to the ASU, a well-resourced, quality public sector has an important role to play in sustaining living standards and helping to build fairness and socially inclusive societies. They argue this is achieved by:

- creating reach and influence of public policy and democratic influence
- maintaining service delivery in response to market failure
- safeguarding the public interest
- guaranteeing a stable source of public revenue from government businesses
- providing capacity for wealth and resource redistribution where needed
- an explicit focus on achieving social objectives resulting in more resilient communities
- protecting consumers from exploitation by private sector control of monopolies in the provision of basic services
- enabling fair minded governments to set standards for employment practices, anti-discrimination and equal opportunity
- planning for better integrated services without being derailed by competitive concerns of different units seeking profit for private owners
- enabling a focus on safety issues rather than cost cutting
- providing public accountability and scrutiny instead of hiding things under 'commercial confidentiality' clauses
- allowing flexibility to adapt for emergency community needs instead of sticking to limits of contractual clauses (as evidenced in the Western Australian fire example above)

<sup>267</sup> Walker and Walker, p.276.

<sup>268</sup> Jesuit Social Services, written submission, p. 11.

<sup>269</sup> Uniting Church Justice and International Mission (Vic Tas Synod), p.4.

- enabling long term investments in local infrastructure as opposed to offshore profit shifting
- fostering traineeships and staff development with a focus on higher quality outcomes
- knock-on longer-term social benefits of a fairer society that will cause less economic burden on the public purse in the longer term.<sup>270</sup>

This view is supported by the submission made by the CPD:

*Living up to the community expectation of effective service delivery, while maintaining a strong, assured and dynamic standard of public sector capability, is essential. A public sector that relies solely on purchasing services from other social service providers is likely to fall short – in part because it fails to leverage the special characteristics of government, and the valuable role the public sector can play. Government is ultimately responsible for the spending of public money and for the collective policy response to disadvantage and welfare gaps in the community. It can offer an unparalleled and stable source of applied expertise on service delivery and design. Its potential for cross-service reach across departments and jurisdictions offers unique opportunities to design services that are widely integrated, coordinated and innovative, provided it can break down traditional barriers that prevent this from occurring.*

*These qualities need to be significantly enhanced, not just maintained. The benefits of contestability and of a ‘commissioning’ approach to public service design and delivery are illusory unless there is a corresponding investment in the capability of the public sector. Far from minimising the role of government as a market steward or contract manager, this means building the capabilities for the public sector to engage in all stages of the process as necessary in different portfolios – from policy formulation and service design through to delivery, analysis and evaluation. This involves a more*

*open approach to utilising technological innovation and disruption.*<sup>271</sup>

The CPD further recommended that prior to any privatisation government should:

*Ensure any outsourcing of human services passes a legislated Net Public Impact Test (NPIT), which examines as appropriate the financial, economic, social and administrative impact, including reputational risks, loss of capability and public accountability. This process should also examine the second and third order impacts on related services to ensure risks to integrated, holistic service delivery are identified.*

*The NPIT should be undertaken by an independent assessment agency and made publicly available upon completion.*<sup>271</sup>

Whitfield warns that a ‘demand for public ownership alone is inadequate’<sup>272</sup> and, that a different model of transformation of the public sector is needed to achieve social justice and democratic governance. Whitfield explores many strategies which should be considered and emphasised the importance of adherence to public sector principles ‘such as democratic accountability, participation and transparency; social justice; collective responsibility through universal provision; evidence-based policy making, good quality integrated, responsive and flexible services; and quality employment...’<sup>273</sup>

The CPSU argued similar themes: that there needs to be a renewed investment in the public sector to rebuild its capacity. To further this agenda of improving public services, the CPSU says the following policy ideas should be adopted:

- giving the community a say
- ensuring quality services to the community through an improved approach to performance and service standards with greater accountability, transparency and clear links to resourcing
- making it easier for the community to access services by ensuring digital transformation ‘is inclusive and that there is choice of service channel by maintaining a presence across Australia, importantly in regional areas

270 ASU Written submission pages 5 – 6.

271 CPD written submission page 58

272 Dexter Whitfield written submission, page 2

273 Dexter Whitfield written submission, page 4

- building public sector capacity and quality jobs for the future by focusing on investment in staff
- involving and utilising staff in decision-making processes.<sup>274</sup>

Cox noted that:

“

...we need to defend the community and the public sector for more than just efficient delivery of services. It's about creating social cohesion and social wellbeing and creating a sense of optimism which gives people a sense that it's worth maintaining democracy...<sup>275</sup>

”

Cox finished by reminding us that:

“

We live in a society and not an economy.<sup>276</sup>

”

Walker and Walker are clear:

*But so long as political leaders avoid articulating their vision about the role of government in Australia, or are not challenged to do so, it would seem that we will continue debating the merits or otherwise of privatising the latest potential target.<sup>277</sup>*

## WHAT STEPS SHOULD BE TAKEN?

Given the evidence and the arguments put forward during the hearings, given we know that privatisation is failing in many instances, the Inquiry panel believes that we are obliged to consider the alternatives. These and many other submissions encouraged us to consider, in addition to halting current and future privatisation practices, a revitalised public sector. Such a revitalised and recast public sector could be the best vehicle to genuinely meet the needs of future generations and release us from restrictive political and economic constraints that are based on an unrealistic view of the power of market forces.

We suggest three actions:

**1 Stop what we're currently doing:** We need a moratorium on further privatisations until stronger safeguards are in place. These safe guards should include, but not be limited to, those listed by Whitfield, CPD and the CPSU, namely: democratic accountability, participation and transparency; social justice assessment; ensuring universal provision; evidence-based policy making, good quality integrated, responsive and flexible services; and quality employment for those providing the service.

**2 Institute a process for identifying and managing failed privatisations:** Such a process would identify the early warning signs of failed privatisation. These signs are likely to be:

- when the non-government owner or provider chooses to exit (noting that this is the only existing option, currently)
- service quality and availability declines – for this to be evident data needs to be assessed against pre-agreed measures, all of which should be publically available
- public safety is being put at risk – again reliant on publically available data
- when monopolist and oligopolists are earning excess profits.

**3 We need to develop alternative approaches to the stewardship of public services and assets.** This should be done in a way that meets existing needs and positions Australian society well into the future. Apart from reversing failed privatisations, this should include:

### **Building new public infrastructure in emerging markets: Energy and digital government**

If inequality is one of the biggest problems facing us today, climate change is the other. The provision of electricity is the starkest example of these two issues combining, and yet provides the clearest example of the way forward.

<sup>274</sup> CPSU written submission page 18

<sup>275</sup> Eva Cox, Public Hearing, Sydney, 8 September, 2016.

<sup>276</sup> Eva Cox, Op Cit

<sup>277</sup> Walker and Walker written submission page 279.

We heard evidence that privatisation is driving up the cost of electricity to the consumers, yet we are witnessing massive profits for the producers, the bulk of whom use cheap fossil fuels, whose original capital costs were publicly subsidised. In Europe we are seeing the ‘remunicipalisation’ of power generation as local governments invest in clean and renewable energy. Scaling this up would not only create real action on climate change but would also increase the level of democracy through public engagement.<sup>278</sup>

Another clear example is the opportunity to build upon the public services’ capacity to deliver services digitally. Utilising existing in-house knowledge and expertise, and building capacity within the public sector to design and run services in this way will ensure that these services are not left to the whims of the market, risking adverse outcomes such as the collapse of the provider. Remarkable digital government initiatives are already happening around the world, with Estonia the world leader in e-government innovation.<sup>279</sup>

### **Rebuilding a new public provider in existing markets**

Whilst the energy market is an example of the government re-entering the energy market (see recent state intervention by the South Australian Government), communities would clearly benefit from government intervention in other markets such as health insurance, child care, banks and TAFE.

### **HEALTHCARE**

The private health care insurance industry is one such example. The government subsidy of this market is the fastest growing component of the healthcare budget according to Spies-Butcher who in his submission also states:

*Competition fragments demand, undermining the monopsony power of governments as a single purchaser of services. Thus, the unit*

*costs of private health insurance are higher than of Medicare (McAuley 2005), and the returns to retail superannuation funds are regularly lower even than industry funds (see Bryan, Ham & Rafferty 2008) (let alone a single government provider). In markets where the level and structure of consumption reflects the varied tastes of consumers, competition may bring benefits of choice and diversity. This is rarely the case in social provision, where professionally assessed need is central to defining the desired policy outcome. If we accept the ill should receive treatment as determined by their doctor, forcing them to choose between providers and pay part of the cost simply inflates unit prices and lowers productivity.<sup>280</sup>*

The privatisation of Medibank Private saw the fears about ‘increased costs in the pursuit of profit over service’ realised with members paying higher premiums as the newly privatised company sought to make a return to shareholders.<sup>281</sup>

### **BANKING**

The Commonwealth Bank was privatised in 1991, leaving the banking industry to the private and credit union sectors. It now operates as one of the most profitable banks in the world. One of the four pillars of the banking industry in Australia, the Commonwealth Bank has recently come under public scrutiny for alleged transgressions.

Most workers have no option but to have access to their wages other than via a bank. In most circumstance accessing their wages incurs a transaction cost and bank fees. Bank fees cost Australian households over \$4 billion in 2016 according to the Reserve Bank of Australia.<sup>282</sup>

In a previous report by the Inquiry’s Chair, David Hetherington, the case was made for a new people’s bank; *Your Bank*:

278 See Trade Unions for Energy Democracy and the Transnational Institutes report *Reclaiming Public Services*’ eighth chapter for further discussion.

279 <https://theconversation.com/welcome-to-e-estonia-the-tiny-nation-thats-leading-europe-in-digital-innovation-74446>

280 Dr Ben Spies-Butcher, Macquarie University. Marketisation and the Blurring Boundary Between States and Markets: How market accounting tilts policy towards privatisation. Submission to the People’s Inquiry into Privatisation, pp. 5 & 6

281 <http://www.news.com.au/lifestyle/health/how-australias-largest-health-fund-slugged-its-members-with-a-massive-premium-rise-to-increase-its-profit/news-story/6e46a2b00a2f862728b281725579ec40>



*The principal recommendation of the report is a new publicly owned bank, YourBank, which offers ‘vanilla’ deposit and transaction products. It is intended to address the lack of competition by offering lower-cost, no-frills banking services. Any Australian could open an online account with YourBank, and students would be offered new accounts at school in the way that the Commonwealth Bank once did when it was in public ownership. YourBank would not possess a bricks-and-mortar branch network; it would offer online services only. This would enable it to deliver services cost-effectively and would underpin its ongoing commercial viability.*

*The YourBank proposal does involve public costs, including the set-up investment in systems and infrastructure, and the reduced tax take from the banking sector. However, these costs will be outweighed by the commercial profits of the new venture and, even more significantly, by the lower banking costs available to consumers and businesses.<sup>283</sup>*

### **CREATING NEW FINANCING MECHANISM FOR PUBLIC ASSETS**

Following the *Future Fund* initiative of the Howard-Costello government and the *Australian Renewable Energy Agency* approach, investment is needed into an infrastructure bank to fund public services and infrastructure. Investments from all three should have a priority in funding government owned and operated services and infrastructure initiatives.

## **CONCLUSION**

Our communities are looking for an alternative to the neoliberal philosophy of small government and the privatisations that have ensued from it. Privatisation is, if nothing else, highly unpopular. We should heed the advice provided in the submissions made to this Inquiry and be brave enough to articulate an alternative. We should invest in our commonwealth, in our communities, before they are all lost to private wealth creation. We should invest in, and activate, our community’s democratic rights rather than abandon these to the demands of the market. If this is to be achieved then unions and civil society organisations must continue to work to influence government policy, and hold politicians accountable once elected.

282 <http://www.rba.gov.au/publications/bulletin/2017/jun/pdf/bu-0617-4-banking-fees-in-australia.pdf>

283 <https://percapita.org.au/wp-content/uploads/2014/11/What-Price-Stability.pdf>

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# TERMS OF REFERENCE

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Public Services International (PSI) Australia asked the panel, chaired by David Hetherington, to consult and report on the issue of privatisation in Australia.

The terms of reference for the inquiry were:

‘Privatisation’ is the transfer, in whole or part, of public assets and/or service provision from the government to an entity outside the government. Privatisation includes the outsourcing of service delivery, sale of public assets, ‘user choice’, voucher systems, public-private partnerships, commissioning, social impact investment, and mutualisation.

PSI Australia notes that extensive Australian<sup>[1]</sup> and international<sup>[2]</sup> literature on the effects of privatisation have shown that privatisation in reality has failed to improve the efficiency and quality of government entities and services. As such, PSI Australia has initiated a public inquiry to build a comprehensive national picture of privatisation and its impacts, and to report on alternatives to privatisation.

The inquiry panel has been asked to consider:

- (a)** The cases of privatisation in Australia
- (b)** The drivers/causes of privatisation in Australia
- (c)** The impact of privatisation on:
  - 1** The quality and efficacy of public service delivery
  - 2** Service delivery to vulnerable populations in the community
  - 3** Public service capacity and capability
  - 4** Ministerial accountability

- 5** Transparency (including, but not limited to: ‘commercial in confidence’ provisions in contracts, supply chain details, company ownership and governance structures, employment practices, tax practices)
- 6** The wages and conditions of ‘privatised’ workers
- 7** Costs to government, compared with publicly-owned services
- 8** Costs to the service-user, compared with publicly-owned services
- 9** Regional and remote communities
- 10** Not-for-profit organisations
- 11** Relevant international human rights and labour standards

- (d)** Alternatives models of service delivery to privatisation (including evidence from other jurisdictions)
- (e)** What should be the role of government in service delivery.

The inquiry was asked to provide recommendations to address any negative effects that it identifies as being associated with privatisation; provide recommendations on best-practice models of service delivery; recommendations for the role of government in service delivery; and recommendations for how to ensure democracy and accountability in service delivery, including through legislative processes.

[1] See, for example, Beth Cook, Victor Quirk, and William Mitchell, “The Impact on Community Services of Staff and Service Reductions, Privatisation and Outsourcing of Public Services in Australian States” (Centre for Full Employment and Equity, 2012).; Dexter Whitfield, “Alternative to Private Finance of the Welfare State: A Global Analysis of Social Impact Bond, Pay-for-Success and Development Impact Bond Project” (Australian Workplace Innovation and Social Research Centre, The University of Adelaide, 2015)

[2] See, for example, Friedrich Schneider, “Privatisation in OECD Countries: Theoretical Reasons and Results Obtained,” (University of Linz, Austria, 2003) [www.econ.jku.at/members/Schneider/files/publications/PrivatizationOECDcorr.pdf](http://www.econ.jku.at/members/Schneider/files/publications/PrivatizationOECDcorr.pdf).; Trades Union Congress and the New Economics Foundation, “Outsourcing Public Services”, (Trades Union Congress, London, 2015); David Hall, “Why Public-Private Partnerships Don’t Work: the many advantages of the public alternative”, (University of Greenwich, UK, 2015).

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## ABOUT THE PANEL

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### CHAIR:



#### DAVID HETHERINGTON

David is the founding Executive Director of progressive Australian think-tank, Per Capita. He has previously worked at the Institute for Public Policy

Research in London and for L.E.K. Consulting in Sydney, Munich and Auckland. He has written over 100 major reports, book chapters and opinion pieces on a wide range of economic and social policy issues, including fiscal policy, market design, social innovation, employment, education and training, disability, housing, and climate change.

David has been an expert witness to Parliamentary Committees and frequently speaks at Australian and international conferences, including the Banff Forum and the Progressive Governance Summit. His articles have appeared in the *Sydney Morning Herald*, *The Age*, the *Australian Financial Review*, the *Guardian*, and *The Australian*, and he is a columnist for Policy Network's *State of the Left*. He was a longstanding contributor to Radio National's *Life Matters* and is a regular panellist on *The Drum* on ABC TV.

David holds a BA with First Class Honours from UNSW and an MPA with Distinction from the London School of Economics where he won the George W. Jones Prize for Academic Achievement.

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### PANEL:



#### YVONNE HENDERSON

Yvonne was the WA Commissioner for Equal Opportunity from 2003-2013, and a WA state Member of Parliament from 1983-1996.

A former high school science teacher and politician, Yvonne became active in the women's movement in the 1970s and was a founding member of the Women's Electoral Lobby: a coalition of women's groups that started campaigning for the introduction of equal opportunity legislation. As a Member of Parliament, Yvonne introduced many reforms including the Equal Opportunity Bill, which became law in 1985. Yvonne was a Minister for 5 years, holding the portfolios of Industrial Relations, Consumer Affairs, Housing and

Construction, and was the first woman Deputy Speaker in the Legislative Assembly, and the first woman in WA to give birth while serving as a member of Cabinet.

After leaving Parliament, Yvonne studied law and practised for 5 years, and then became the WA Commissioner for Equal Opportunity. She has overseen major inquiries by the Equal Opportunity Commission into discrimination against Aboriginal people in public housing. This was followed by an inquiry into racism in the private rental market. Yvonne's contract as Commissioner for Equal Opportunity expired on 27 June 2013.

Yvonne has also been a member of the University of Western Australia's Senate External Environment Committee for 6 years, and is a current member of the Fairbridge WA Board, and the patron of the Ethnic Disability Advocacy Centre.



### **ARCHIE LAW**

Archie was the Executive Director of human rights organisation ActionAid Australia from 2008 to 2017. He has almost 30 years of experience working across

the humanitarian sector.

Prior to joining ActionAid, Archie worked for the United Nations Development Program in South Africa, working on conflict prevention and recovery across the continent. He has also worked for the UN's Department of

Peacekeeping Operations in New York. Archie was a member of the UN team that developed the contingency plan for an emergency response to the conflict in Iraq in 2002-2003.

He also spent four years as the head of the Mine's Advisory Group's 500-person Cambodia Program and four years managing emergency response programs for World Vision between 1995 and 1998.

Archie is highly regarded within the human rights sector and a regular commentator on related issues in the Australian media.

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## **ABOUT PSI AND THE CONVENING UNIONS**

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Public Services International (PSI) brings together more than 20 million workers, represented by over 650 unions in 154 countries and territories. We are a global trade union federation dedicated to promoting quality public services in every part of the world. Our members, two-thirds of whom are women, work in social services, health care, municipal and community services, central government, and public utilities.

Quality public services are the foundation of democratic societies and successful economies. They ensure that everyone has equal access to vital services, including healthcare, education, electricity, clean water and sanitation. They promote development and stimulate economies. They are a clear and positive investment in our future.

When these services are privatised, maximising corporate profits replaces the public interest as the driving force. We believe that privatisation is a dangerous trend that must be reversed. And there is ample academic and economic literature that supports our assertion. However, the voice of workers and the voice of the communities in which they live are rarely heard when it comes to the impact of privatisation.

The global trend of privatisation is varied. In some areas we are witnessing a period of states

taking back control of their water, electricity and health services as the privatisation model fails communities. In other countries, the rate of privatisation is increasing. Australia is a stark example of this with both conservative and progressive governments privatising services and infrastructure. The need for action has never been more urgent if Australians are to reverse the trend.

For this reason, PSI's Australian affiliates requested that PSI convene an inquiry into privatisation, but that it be an inquiry with a difference. They wanted to hear how privatisation was affecting communities.

We were therefore grateful that we found three distinguished independent panellists to conduct the People's Inquiry Into Privatisation. We would particularly like to acknowledge that the panel volunteered their time, expertise and energy. We are grateful for their contribution.

The Inquiry has allowed us to assess the impact of privatisation, gathering evidence specific to Australia, in the words of the workers and the community.

This is a powerful report. One that we hope will influence the decision makers and, more importantly, empower our communities to fight for the alternative in this age of inequity.

# APPENDICES

## DETAILS OF SUBMISSIONS AND HEARINGS

The *People's Inquiry into Privatisation* launched on 12 August 2016. The secretariat for the inquiry wrote to organisations and academics inviting them to make a submission.

The launch included a website and a Facebook

page that provided details of the inquiry. Informal submissions, though no less powerful and significant, were placed on the website by the public. These remain accessible at [www.peoplesinquiry.org.au/about](http://www.peoplesinquiry.org.au/about)

The following formal submissions were received by the inquiry.

| Organisation / Individual                      | Submission Title   | Topic / Major theme   |
|--|--|---|
| 1 ActionAid Australia                          |  | Effects of privatisation on women, Australia's foreign aid policies   |
| 2 Assoc. Prof Andrew, Jane & Dr Baker, Max     | <i>Prison Privatisation in Australia: The State of the Nation. Accountability, Costs, Performance and Efficiency</i> |   |
| 3 Anaf, Gil                                    | Managerialism, Psychiatirc Reform and the Community  | Managerialism, Mental Health  |
| 4 Anonymous                                    |  | Assumed economic benefits, shift in the distribution of wealth, effects on workers  |
| 5 Australian Council of Social Services        | Response to Productivity Commission Issue Paper: Human Services  | Competition and Contestability in Human Services  |
| 6 Australian Council of Trade Unions           | The failure of for-profit privatisation  | Effects on workers and delivery of services, case study on childcare services   |
| 7 Australian Fair Trade and Investment Network |  | Effects of Free Trade Agreements on services and privatisation  |
| 8 Australian Manufacturing Workers' Union      | <i>Penny Wise and Pound Foolish: The Economic and Fiscal Costs of Offshoring Public Procurement by Jim Stanford</i>  | Procurement, financing and privatisation  |
| 9 Australian Services Union                    |  | Quality and efficacy of public service delivery, Public service capacity and capability, Transparency Costs to government compared with publicly owned services, and Regional and rural areas |
| 10 Prof Baines, Donna & Dr Goodwin, Susan      | <i>Privatisation: 'They can't afford to Keep Working'.</i>   | Assess cost efficiencies in shifting to the private sector and the effects on workers and services  |
| 11 Baker, Fiona                                | Need for Increased Public Funding for Opioid Treatment: Appraisal of Evidence  | Impact of shift to user pays  |
| 12 Dr Baldwin, Richard                         |  | Impact on quality of care in residential aged care services   |

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|----|---|---|--|
| 13 | Centre for Policy Development   | Grand Alibis: How Declining Public Sector Capability Affects Services for the Disadvantaged   | Impact of competition and contestability on Public Sector's capacity to design and deliver services for disadvantaged citizens |
| 14 | <b>CONFIDENTIAL</b>   |   | Outsourcing and capacity in government services  |
| 15 | Community and Public Sector Union   |   | Effectiveness and Efficiency of Service Provision  |
| 16 | Community and Public Sector Union - Member  |   | Offshoring   |
| 17 | Community and Public Sector Union – State Public Service Federation                               |   | Impact of Privatisation across the States of Australia   |
| 18 | Construction, Forestry, Mining and Energy Union   |   | Stonemasons in NSW   |
| 19 | Equality Rights Alliance  |   | Public Housing for Women   |
| 20 | Electrical Trades Union of Australia  | Human Services: Identifying Sectors for Reform (Productivity Commission Submission)   | Human Services   |
| 21 | Electrical Trades Union of Australia  | <i>Electricity Privatisation in Australia: A Record of Failure</i> by John Quiggan  | Electricity  |
| 22 | Fair Go for Pensioners  |   | Welfare, Health and Housing  |
| 23 | Fair Go for Pensioners  | <i>Living on Fresh Air</i>  | Policy platform  |
| 24 | Goss, Shaun   |   | Privatisation of rail, cuts to TAFE and effects on trades (electrical)   |
| 25 | Hunt, Warren (CPSU Member)  | Referenced two papers:<br><i>The Many Turnings of Agricultural Extension in Australia</i> – The Journal of Agricultural Education and Extension (2012)<br><i>Recommendations arising from an analysis of changes to the Australian agricultural research, development and extension system</i> – Food Policy (2014) | Impact on research & development, Agricultural competitiveness.  |
| 26 | Jesuit Social Services  |   | Vulnerable Communities and Privatisation, Prisons, VET, Impact of quality and Efficacy   |
| 27 | Justice Action  |   | Impact on user choice – advocates that users control the funding   |
| 28 | Justice & International Mission Unit, Synod of Victoria and Tasmania, Uniting Church in Australia |   | The need for Government and non-government provision, the impact of for-profit in human services, Impact of privatisation      |
| 29 | Moir, Margaret (individual)   | <i>My perception of privatisation</i>   | General comments   |
| 30 | National Tertiary Education Union   | <i>How Privatisation and Market Mechanisms Damaged Vocational Education and Training in Victoria</i>  | Vocational Education and Training  |

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|----|---|--|
| 31 | New South Wales Nurses & Midwives' Association          | Healthcare   |
| 32 | New South Wales Nurses & Midwives' Association (Member) | Impact of privatisation of "soft services" on healthcare delivery  |
| 33 | O'Brien, Steve (NSW PSA Delegate)                       | Vocational Education and Training  |
| 34 | Pasmik, Susan   | Affordable housing for pensioners, reduced access to services secondary to affordability   |
| 35 | Penter, Colin   | Impacts of privatisation and marketisation in the social and community services sector   |
| 36 | Police Federation of Australia                          | Law enforcement  |
| 37 | Queensland Nurses' Union                                | Healthcare   |
| 38 | Dr Spies-Butcher, Ben                                   | <i>Marketisation and the Blurring Boundary Between States and Markets: How market accounting tilts policy towards privatisation.</i> |
| 39 | State School Teachers' Union of Western Australia       | TAFE, Education and Marketisation  |
| 40 | Dr Steels, Brian  | Concerns with privatisation, including privatised health, transport, prisons   |
| 41 | Stone, Vanessa  | Medicare   |
| 42 | TJ Ryan Foundation                                      | Public Enterprise supported when economically efficient and socially desirable to do so  |
| 43 | Tognetti, Irene   | General comments   |
| 44 | Unions Tasmania   | Tas Rail, Workforce planning, Equality.  |
| 45 | Unions WA   | Save Our Services Campaign, Public Sector Reinvestment   |
| 46 | United Voice  | Childcare Services   |
| 47 | Walters, Phillip  | Outsourcing of manufacturing (rail stock) and impact on training and employment  |
| 48 | Watson, Lorraine  | 2015 Submission to the Inquiry into VET in NSW   |
| 49 | <b>CONFIDENTIAL</b>                                     | Vocational Education and Training  |
| 49 | Whitfield, Dexter                                       | Alternative models to privatisation, Role of government in service delivery  |

Public hearings allowed organisations and individuals to make oral submissions. The format of the hearings allowed the panel time to question the speakers, some of who were there to support their written submissions. The hearings were recorded, audio and video, with the hearings then being professionally transcribed.

Hearings were held at Newcastle, Wollongong, Sydney, Cairns, Brisbane, Darwin, Hobart, Melbourne, the La Trobe Valley, Perth, Adelaide

and Canberra. It is noted that workers who are members of their communities are often constrained in speaking publically about their work, and for this reason many represented as union members. Where a paid union official presented their title is included.

Access to the submissions and the unedited transcripts from the hearings, unless marked confidential or not-for-publication, are available by contacting [psi.oceania@world-psi.org](mailto:psi.oceania@world-psi.org)

| Hearing                     | Speaker (in order of appearance) | Organisation  | Topic  |
|-----------------------------|----------------------------------|---|--|
| Newcastle<br>5th Sept 2016  | Collins, Mike                    | CSIRO Staff Association (member)                        | Research capacity / Public Science   |
|                             | O'Brien, Steve                   | Public Service Association of NSW (Delegate)            | Vocational Education & Training  |
|                             | Page, Justin                     | ETU (member)  | Electricity – distribution   |
|                             | Turner, Steve                    | Public Service Association of NSW (Assistant Secretary) | Disability Services, Vocational Education & Training (TAFE NSW), Sport and Rec |
|                             | Burgess, Graham                  | Hunter Disability Support Group (parent)                | Disability Services  |
|                             | Smoothy, Rachel & O'Hara, Chris  | PSA NSW delegates                                       | Disability Services  |
|                             | Cuneo, Wendy                     | Stockton Hospital Welfare Association (parent)          | Disability Services  |
|                             | Norris, Trent                    | Public Service Association of NSW (delegate)            | Sports and Recreation Camps  |
|                             | Ray, Terry and Presten Jenny     | NSW Nurses & Midwives' Association (members)            | Disability Services  |
|                             | Hutchinson, Luke                 | United Services Union (Organiser)                       | Local Government   |
|                             | MacKenzie, Leanne                | Community and Public Sector Union (Councillor & Member) | Contracting out of regulators  |
|                             | Curlis, Adam & Falcione, Michael | NSW Teachers' Federation (Organiser & Delegate)         | Vocational Education & Training, Prisons                                       |
|                             | Sheeran, John                    | Individual  | Vocational Education & Training  |
| Wollongong<br>6th Sept 2016 | Oppitz, Rudi                     | United Services Union (Official)                        | Local Government   |
|                             | Pritchard, Wally                 | Maritime Union of Australia (Retried members branch)    | History of Privatisation – Maritime services                                   |
|                             | Long, Rob & Lorraine Watson      | NSW Teachers' Federation (Official and Delegate)        | Vocational Education & Training  |
|                             | Cirillo, Maria                   | Public Service Association of NSW (Official)            | Disability Services  |
|                             | Facie, Sonia                     | Individual (Parent)                                     | Disability Services  |
|                             | Elliot, Shane                    | Public Service Association of NSW (Delegate)            | Disability Services  |



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|----------------------------|--------------------|---|--|
|                            | van Dam, Tom       | New South Wales Nurses & Midwives' Association (member) | Disability Services  |
|                            | McKenzie, Bart     | Public Service Association of NSW (Organiser)           | Superannuation   |
|                            | Coulton, Leigh     | Public Service Association of NSW (Delegate)            | Disability Services  |
|                            | Tognetti, Irene    | Individual  | Local privatisation  |
| Sydney<br>8th Sept 2016    | Cox, Eva           | Individual, Sociologist                                 | Role and visibility of Government and effect on democracy    |
|                            | Turner, Steve      | Public Service Association of NSW (Assistant Secretary) | Effect on employment conditions                              |
|                            | Pickering, Ingrid  | Individual (parent)                                     | Disability Services  |
|                            | Spode, Barbara     | Individual (parent)                                     | Disability Services  |
|                            | Shaw, Rachael      | Public Service Association of NSW (Delegate)            | Disability Services – staff perspective                      |
|                            | Dunne, Gary        | New South Wales Nurses & Midwives' Association (member) | Disability Services  |
|                            | Chadwick, Phil     | NSW TAFE Teachers' Association (President & Teacher)    | Vocational Education & Training                              |
|                            | Sowter, Sheldon    | Public Service Association of NSW (Delegate)            | Family and Community Services                                |
|                            | Brown, Robyn       | New South Wales Nurses & Midwives' Association (member) | Hospital Privatisation                                       |
|                            | Gavin, Paul        | NSW Trustee and Guardianship (Chairperson)              | Trustee and Guardianship                                     |
|                            | Meagher, Gabrielle | Academic  | Public opinion and choice                                    |
|                            | McMahon, Steve     | Prison Officers Vocational Branch (Executive Member)    | Prisons  |
|                            | Patterson, Steve   | Electrical Trades Union (Member, State Executive)       | Monopoly Privatisation and Vocational Education & Training   |
| Cairns<br>12th Sept 2016   | Haire, Michael     | Electrical Trades Union (Organiser)                     | Effects on families and regional communities                 |
|                            | Bowes, Pat         | Individual  | Effects on regional communities                              |
|                            | McLennan, Ros      | Queensland Council of Trade Unions                      | Employment and effects on communities (youth and indigenous) |
|                            | Strauss, Jonathan  | National Tertiary Education Union (Branch President)    | Universities and defunding                                   |
|                            | Backlow, Steve     | Individual  | Medicare, Privacy, youth employment                          |
| Brisbane<br>13th Sept 2016 | Trail, Stuart      | Electrical Trades Union (Organiser)                     | Employment   |
|                            | Clifford, Michael  | Queensland Council of Trade Unions                      | Service provision, workers' entitlements, Prisons            |

|                            |                             |   |   |
|----------------------------|-----------------------------|---|---|
|                            | Lyons, Kristen              | Academic  | Universities  |
|                            | Glynn, Diana                | Individual  | Privatisation of Public Spaces  |
|                            | Furtado, Camille            | The Services Union  | Human Services and investment in quality services                                       |
|                            | Sawyer, Craig               | Community and Public Sector Union (Member)  | Outsourcing and contracts in back-of-house services                                     |
|                            | Scott, Roger                | TJ Ryan Foundation (Director)   | Privatisation as a policy approach  |
|                            | Stevens, Anne               | Queensland Nurses' Union  | Aged Care and nurse staff levels  |
| Darwin<br>15th Sept 2016   | Densley, Kay                | Unions NT   | History of privatisation in NT (ports, insurance, public transport)                     |
|                            | Densley, Kay                | Community and Public Sector Union (NT Secretary)  | CSIRO & Job losses  |
|                            | Winsley, Kenton             | United Voice (member)   | Prison health services, ambulance, indigenous communities                               |
|                            | Falckh, Yvonne              | Australian Nursing and Midwifery Federation, NT (Secretary)                                       | Healthcare (prisons, remote communities and aged care)                                  |
| Hobart<br>14th Oct 2016    | Walsh, Steve                | Unions Tasmania (Secretary)   | Employment (Hydro electricity and TasRail)  |
|                            | Crowley, Luke               | Professionals Australia (Director)  | Economics of outsourcing and loss of expertise  |
|                            | Lynch, Tom                  | Community and Public Sector Union – (State Secretary, Tasmania)                                   | Employment in regional areas, Child Protection, and Profit motive                       |
|                            | Murfitt, Bob                | Academic  | Politics and economics of privatisation   |
|                            | Moore, Robbie               | Health & Community Services Union (Secretary)   | Hospitals, Emergency housing  |
|                            | Mundy, Jess                 | Community and Public Sector Union (Tasmanian Secretary)   | Contracting, Federal Services   |
| Melbourne<br>18th Oct 2016 | Rachel Colbourne-Hoffman    | ActionAid Australia   | Development, Effects on Women, Trade, and Tax   |
|                            | Wheeler, Lou & Cragg, David | Fair Go for Pensioners  | Effects on vulnerable communities, role of NGOs   |
|                            | McKenna, David              | CPSU Retired members committee  | Privatisation of Medibank Private   |
|                            | Davidson, Jenny             | Council of Single Mothers (CEO)   | Access to services, Childcare   |
|                            | Kershaw, Ruth               | Electrical Trades Union (Official)  | Electricity privatisation in Victoria   |
|                            | Sandoval, Dennise           | Justice & International Mission Unit, Synod of Victoria and Tasmania, Uniting Church in Australia | Considerations prior to privatisation, Impact on wages                                  |
|                            | Batt, Karen                 | Community and Public Sector Union – SPSF (State Secretary Victoria and Federal Secretary)         | Role of government, public perception, Privatisation in Victoria, Free Trade Agreements |

|  |                                  |   |  |
|--|----------------------------------|---|--|
|  | Edwards, Julie                   | Jesuit Social Services (CEO)  | Impact on vulnerable communities, community voice, and Human Services  |
|  | Williams, Lloyd & Farthing, Mark | Health and Community Services Union (Secretary & Senior Policy Advisor)             | Disability Services  |
|  | Anonymous                        | Community and Public Sector Union (member)  | Contractualisation and Defence   |
|  | Long, Colin                      | National Tertiary Education Union (State Secretary)                                 | Vocational Education & Training in Victoria                            |
|  | McDonald, Paul                   | Individual  | Personal Experience as a worker following Privatisation                |
| La Trobe Valley<br>19th Oct 2016         | Murphy, Anne                     | Gippsland Trades and Labour Council (President)                                     | Privatisation in the La Trobe Valley                                   |
|  | Jefferson, Beth                  | Community and Public Sector Union (Delegate)  | Personal Experiences, Hospitals  |
|  | Price, Graham & Quigley, Louise  | Community and Public Sector Union (Organiser & member)                              | Australian Securities and Investment Commission                        |
|  | Hollis, David                    | Individual  | Electricity privatisation, employment and effect on communities        |
|  | Farmer, Wendy                    | Voices of the Valley (President)  | Effects on community, responses to disasters                           |
| Perth Closed<br>Hearing<br>25th Oct 2016 | Welch, John & Member             | Western Australian Prison Officers' Union (Secretary)                               | Prisons  |
| Perth<br>25th Oct 2016                   | Hammat, Meredith                 | Unions WA (Secretary)   | Manifestations of privatisation, campaigning against, Electricity, VET |
|  | Welch, John                      | Western Australian Prison Officers' Union (Secretary)                               | Prisons  |
|  | Sheehy, Michelle                 | Community and Public Sector Union/<br>Civil Service Association (Acting Branch Sec) | Privatisation in WA public services                                    |
|  | Stevens, Lewis                   | Community and Public Sector Union/<br>Civil Service Association (Delegate)          | Library Services in TAFE   |
|  | Kowald, Maz                      | Caring About Residents with Disabilities  | Disability Services  |
|  | Smith, Mike                      | Caring About Residents with Disabilities (parent)                                   | Disability Services  |
|  | McLaughlin, Les                  | Electrical Trades Union (State Secretary)   | Electricity  |
|  | Steels, Brian                    | Academic  | Criminal Justice System  |
|  | Wood, Wayne                      | Australian Services Union (Branch Secretary)  | Electricity  |
|  | Penter, Colin                    | Individual / academic / Serco Watch   | Social and Community Services  |

|                           |  |  |  |
|---------------------------|--|--|--|
|                           | Short, Jess and Miller, Simon                  | United Voice (Official and delegate)                                     | School and hospital services (gardening and cleaning)              |
|                           | Hanson, Kirsten                                | CPSU/CSA (delegate)  | Social and Care work   |
| Adelaide<br>26th Oct 2016 | Kitchin, Neville                               | Public Service Association (Secretary)                                   | Outsourcing and history of state privatisation                     |
|                           | Alexander, Caroline                            | Individual   | Effects on disadvantaged communities                               |
|                           | Temple, Liz                                    | Community and Public Sector Union (SA Secretary)                         | Welfare system   |
|                           | Scales, Joseph & Giles, Janet                  | Australian Services Union (Secretary and Officer)                        | Employment, training, just transition and climate change (energy). |
|                           | Abbott, Richard                                | Surveyor   | Lands Titles Office  |
|                           | Woodward, Robert                               | Conveyancer  | Lands Titles Office  |
|                           | Besanco, Al                                    | Retired member, PSA Land Titles Office                                   | Lands Titles Office  |
|                           | Adley, John & Jewel, Ben                       | Communications, Electrical and Plumbing Union SA (Secretary & Organiser) | Electricity  |
| Canberra<br>27th Oct 2016 | McDevitt, Vince                                | Community and Public Sector Union (ACT Regional Secretary)               | Work Place Agreement Protections                                   |
|                           | Ryan, Lyndall and Members (Linda, Helen & Lyn) | United Voice (Branch Secretary & Members)                                | Cleaning services in hospitals                                     |
|                           | Falzon, John and Dobson, Corrine               | St Vincent de Paul (CEO & National Foundation Policy Advisor)            | Effect on disadvantage communities and the role of government      |
|                           | Venus, Liza                                    | Community and Public Sector Union (Member)                               | Outsourcing and the capture of the role of government              |
|                           | Lapidos, Jeff                                  | Australian Services Union (member)                                       | Australian Taxation Office   |
|                           | Koppie, Mick                                   | Electrical Trades Union  | Electricity  |
|                           | Baker-Goldsmith, Megan                         | Community and Public Sector Union (Member)                               | Aviation Services  |
|                           | Platts, Anne                                   | Community and Public Sector Union (Member)                               | Commonwealth Superannuation Corporation                            |
|                           | Muscat, Brooke and Hermolin, David             | Community and Public Sector Union (Lead Organisers)                      | The case for privatisation, democracy and the role of government   |
|                           | Hussein, Hannah                                | Equality Rights Alliance (Project coordinator)                           | Housing  |

## ABBREVIATIONS

|  |   |
|--|---|
| <b>ACOSS</b> – Australian Council of Social Services             | <b>IT</b> – Information Technology  |
| <b>ACTU</b> – Australian Council of Trade Unions                 | <b>MPH</b> – Midland Public Hospital (WA)   |
| <b>ADHC</b> – Ageing, Disability and Home Care (NSW)             | <b>NDIS</b> – National Disability Insurance Scheme                                  |
| <b>AEMO</b> – Australian Electricity Market Operator             | <b>NEM</b> – National Electricity Market  |
| <b>AFTINET</b> – Australian Fair Trade and Investment Network    | <b>NGO</b> – Non-Government Organisation  |
| <b>AIN</b> – Assistants In Nursing                               | <b>NSWNMA</b> – New South Wales Nurses and Midwives Association                     |
| <b>AMWU</b> – Australian Manufacturing Workers’ Union            | <b>OECD</b> – Organisation for Economic Cooperation and Development                 |
| <b>ANMF</b> – Australian Nurses and Midwives Federation          | <b>OICS</b> – Office of the Inspector of Custodial Services (WA)                    |
| <b>ASAIL</b> – Australian Security Industry Association Limited  | <b>OTC</b> – Over The Counter   |
| <b>ASQA</b> – Australian Skills Quality Authority                | <b>PFA</b> – Police Federation of Australia   |
| <b>ASU</b> – Australian Services Union                           | <b>PPPs</b> – Public Private Partnerships   |
| <b>ATSI</b> – Aboriginal and Torres Strait Islander              | <b>PSA</b> – Public Service Association (NSW and SA)                                |
| <b>CARD</b> – Caring About Residents with Disabilities (WA)      | <b>QNMU</b> – Queensland Nurses and Midwives Union                                  |
| <b>CEPU</b> – Communications, Electrical and Plumbing Union      | <b>RNSH</b> – Royal North Shore Hospital (NSW)                                      |
| <b>CPD</b> – Centre for Policy Development                       | <b>SEC</b> – State Electricity Commission (Vic)                                     |
| <b>CPSU</b> – Community and Public Sector Union                  | <b>SPRC</b> – Social Policy Research Centre at UNSW (University of New South Wales) |
| <b>CSA</b> – Civil Service Association (WA)                      | <b>TAFE</b> – Technical And Further Education                                       |
| <b>DFAT</b> – Department of Foreign Affairs and Trade            | <b>VET</b> – Vocational Education and Training                                      |
| <b>DSC</b> – Disability Services Commission (WA)                 | <b>WAPOU</b> – Western Australian Prison Officers’ Union                            |
| <b>ETSA</b> – Electricity Trust of South Australia               |   |
| <b>ETU</b> – Electrical Trades Union                             |   |
| <b>HACSU</b> – Health and Community Services Union (Vic and Tas) |   |

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# NOTES

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# TAKING BACK CONTROL

A COMMUNITY RESPONSE TO PRIVATISATION

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