

Submission
No 26

**INQUIRY INTO THE PRIVATISATION OF PRISONS AND
PRISON-RELATED SERVICES**

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SUBMISSION TO THE LEGISLATIVE COUNCIL INQUIRY REGARDING PRIVATISATION OF PRISONS AND PRISON-RELATED SERVICES

Proposals for the privatisation of Cessnock Correctional Centre, Parklea Correctional Centre, the Court Transport Unit and some Court locations is about cost savings for the NSW Department of Corrective Services, and therefore the taxpayer, we have been told.

What has not been made public are the details of:

- the process that was put in place that resulted in the conclusion that privatisation was the most appropriate option to be adopted
- how these Centres/services were identified as being privatisation prospects
- what other options were considered as alternatives to privatisation

From the information available, it is not really clear whether the Department has actually considered any other options, or if it has, what those options were. There is no public information available on how the privatisation proposals compare with cost savings for any, or all, of the following:

- Reduction in costs associated with Head Office staffing levels
- Reduction in the number of senior managerial positions
- Re-evaluation of the cost of running some programs
- Deletion of more than 50 junior managerial positions
- Annualising of salaries for all Correctional Officers

In any case, the public/privatisation debate is not just about perceived cost savings. It is also about standards in the provision of services.

Reduction in Costs Associated with Head Office Staffing Levels

The Department has not announced whether it has considered any re-structure within its Head Office as a means of reducing costs.

It seems that the Head Office will not be adopting any cost saving measures that are comparable to those that have already been announced as part of the proposed privatisation of prisons and prison services.

Senior Managerial Positions

The Department has not provided any information on how many senior management positions will be deleted or downgraded, as part of any cost saving strategy. These positions include the following:

- Deputy Commissioner positions
- Senior Assistant Commissioner positions
- Assistant Commissioner positions in Head Office and Regional areas
- Superintendent positions, across the State.

No review has been announced regarding the reforming of the top-heavy Departmental rank structure with a view to provide cost savings.

Evaluation of the Cost of Programs

The Department has not provided any information on whether the costs associated with program delivery have been re-evaluated in order to make programs more cost effective.

Deletion of More than 50 Junior Managerial Positions

As part of a re-negotiated award for the Commissioned Officers Vocational Branch (COVB) in January 2006, agreement was reached that more than 50 junior managerial positions would be deleted.

The identified cost savings were about \$4.5 million per year (i.e., about \$13.5 million over the past 3 years). However, it seems that the Department has been unable to effectively deal with this issue for most of the past 3 years. Although some positions were eventually deleted in 2008, resolution of the matter remains outstanding.

It seems that new Executive Officer positions are being created at a faster rate than current positions are being deleted, with some positions being retained that were meant to have been deleted as part of the agreement in 2006.

Annualising of Salaries

By its own admission, the Department has been unable to effectively manage its annual wages cost. The blow-out in overtime costs is the reason that is given by the Department.

The Department has never advised whether it has properly considered the annualising of salaries of Correctional Officers (as it has already done with its junior managers) as a strategy to effectively manage the wages bill.

Annualising of salaries may enable the control of wages costs. It is an option that certainly should be debated. Its success would be dependent upon a number of things including safe staffing levels being maintained while meeting the Department's 'bottom-line' of allowing all inmates a minimum of two hours of out-of-cell exercise per day and access to showers and telephone calls.

The Department can give no guarantee that all inmates will be out of cells each day, even with its recent proposed cost saving strategies. This is due to the proposed measures being based, in part, on lock-downs as a means of addressing staff shortages on any given day.

Private Operators

The NSW Correctional system is neither a 'user pays' system nor a profit-making enterprise.

A private operator has an obligation to the shareholders of that company to produce the best financial returns possible. To do this, costs are cut. Lowering of staffing levels is a way of easily reducing costs and therefore increasing the profit. This impacts upon safety and security.

It has been shown that although private operators in Australia and overseas continually fail to reach the minimum standards and the bench-marks which form

part of their contract, penalties imposed are historically either token or non-existent.

Cost Savings versus Service Delivery

When considering the perceived benefits of privatisation, anticipated cost savings need to be balanced against appropriate standards in delivery of services.

The private operator is continually under pressure to maximise the profit to the shareholders. The easiest way to increase the profit is to reduce the overheads, including reducing the standard of the services provided.

Employees Excluded from Being Involved in the Process

The majority of Correctional Officers in NSW are members of the Public Service Association of NSW (PSA). **It would appear that the Department has never asked the employee (PSA) representatives if they were able to work with the Department with the view to keeping all prisons and prison-related services (including Cessnock, Parklea, Court Transport Unit and the Courts) in the Public Sector, while keeping costs within budget.**

It seems that that the process adopted by the Department was never intended to be inclusive and that there was never any intention to give the employees the opportunity to 'come on board'. Why wasn't the following question ever put to them?:

'Here is the (financial) bottom-line from the Government. Can we work together so as all the services of the NSW Correctional system remain within the public sector while keeping costs within budget?'

If this question was ever asked, then there is no evidence of this in any Departmental notices or other advice to the employees.

While it seems surprising that this question was never asked, it appears that the strategy adopted by the Department from the outset may have been one of intentionally excluding the employees from being able to 'come on board' and to be part of the process. The reasons for this have never been explained.

Conclusion

It is unclear as to exactly what options were considered by the Department before making recommendations to Government on cost saving strategies.

The Department has not as yet disclosed the following to its employees, or to the public:

- **the process that was put in place that resulted in the conclusion that privatisation was the most appropriate option to be adopted**
- **the options that were considered as alternatives to privatisation**
- **the reason that the employee representatives were never invited to work with the Department with the aim of seeing whether all prisons and prison services could remain within the Public Sector while keeping costs within budget**

The NSW Correctional system is neither a 'user pays' system nor a profit-making enterprise. A private operator seeks to profit from selected sections of the Correctional system while maximising financial returns to the shareholders of that company.

It seems that it is the Correctional Officers at the 'coal-face' who have been identified as the target group for a strategy of privatisation and job losses within the Department for reasons that have never been explained.

19th February 2009