

Hon Amber-Jade Sanderson; Hon Michael Mischin; Hon Samantha Rowe; Hon Sue Ellery; Hon Alyssa Hayden;
Hon Stephen Dawson; Hon Peter Collier; Deputy President; Hon Simon O'Brien

SERCO—STATE GOVERNMENT — COMMERCIAL RELATIONSHIP

Motion

HON AMBER-JADE SANDERSON (East Metropolitan) [10.12 am] — without notice: I move —

That this house expresses its concern at the Barnett government's handling of its commercial relationship with Serco.

I move this motion this morning in the house to express concern over the government's handling of its commercial relationship with Serco in light of more recent events over the past 12 to 18 months involving a number of contracts run by Serco. Despite being excluded for a period from all public sector contracts in the United Kingdom, Serco has found very fertile ground with the Western Australian government since 2008, as evidenced by the increasing number of contracts that has been awarded to it. Serco is a multinational company that runs a range of government service contracts, along with nuclear arms and defence procurement in other countries. In Western Australia it runs Acacia Prison; the prisoner transfer contract for the Department of Corrective Services; and court security. It has the honour, I suppose we would call it, from its point of view, of running the biggest privatisation contract in the history of the state—that is, the services at the soon-to-be-opened Fiona Stanley Hospital—which will be worth \$4.3 billion over 20 years. That is just some of the contracts it has in Western Australia through a number of privatisations of this government.

I want to start with the prisoner transport contract. Some serious questions need to be asked about why Serco is still running prisoner transport. It has a contract with the Department of Corrective Services to transfer prisoners in a secure environment between facilities and hospitals and wherever they need to go, and it has failed to do that so far this year under the terms of its contract. In January Serco lost three prisoners in less than a month. On 3 January, two maximum-security prisoners, one a violent convicted rapist, escaped during transfer from Greenough Regional Prison while being moved to be closer to relatives; the pair escaped at Geraldton Airport. On 17 January, Bradley John McIntosh-Narrier escaped at Joondalup Health Campus. Both these incidents sparked manhunts and significant use of state resources, to which Serco had to make a significant contribution.

The Department of Corrective Services wrote a report into these incidents—it is not a public report, which I will get to in a minute—which lays the blame squarely on Serco. A range of issues were identified with the vans and with Serco's management of the vans. The executive summary of the DCS report into the incident stated that the CCTV recording had failed and not been working for weeks beforehand, and that Serco had been failing to carry out regular inspections of the CCTV recording devices. It is beyond belief that after the incidents that have occurred in this state, those failed recording devices meant that not all prisoners were being constantly monitored. Mark Irwin, CEO of Serco in the Asia-Pacific, stated —

... there had not been a breach of its contract as a result of this incident.

If Serco's contract is not to transport prisoners securely and not lose them, what is in the contract? Surely a fundamental part of the contract is not to lose prisoners, particularly maximum-security dangerous prisoners. The contract states that two lost prisoners in one service year triggers a loss of contract. Serco lost three in less than a month and it still has the contract. There is no public report and no evidence; the government has not provided any real grounds and reasoning to clearly identify why Serco should continue to have that contract. Mr McMahan, the head of corrective services, said that systematic testing of those vans by Serco was not done properly. Again, I hope that maintenance of those vans and making sure that all security aspects and recording aspects of those vans are functioning would be firmly in the contract. However, the secrecy that surrounds this relationship and these contracts means that we do not get to see exactly what they contain.

We have learned through Serco's detention services, and other services that it runs, that the priority for private companies is to run a profit. As a result, training of staff, maintenance, upkeep and all the things that provide very, very good front-line services fall to the wayside or they fall second to profit. The other concerning part of this relationship is the secrecy surrounding Serco. We have to be experts in freedom of information law to get anything out of this government about its contract and contact with Serco. This demonstrates a complete lack of openness and accountability in taxpayer-funded public services.

Recently, there have been claims of price gouging by Serco for prisoner transport. Information released by the state government clearly shows a significant increase in the cost of prisoner transport and a lack of explanation from either Serco or the state government.

I want to refer to a contract for the transfer of prisoners to funerals. It is legitimate for people who are incarcerated to be able to attend family funerals whenever possible, but the cost to the state has to be managed. I refer to a funeral in Meekatharra where prisoner transportation by G4S cost \$3 430. The cost of the same transportation done by Serco went up by 830 per cent to \$31 927. That is huge. There are other examples. The

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cost of prisoner transportation to a funeral in Halls Creek went up by 426 per cent from G4S to Serco; Kununurra, 480 per cent; and Fitzroy Crossing, 181 per cent. There needs to be a clear explanation from the government about why these costs are so high and why Serco is able to charge so much.

In the short time I have I briefly want to talk about the contract awarded to Serco to run Fiona Stanley Hospital. It is a \$4.3 billion contract over 20 years. It is a historic contract; the biggest privatisation contract ever awarded in this state. In the last Parliament the Public Accounts Committee inquired into the awarding of this contract and came up with some very interesting findings. There were significant concerns about the competitiveness of the tender process and the absence of a real public sector comparator to enable the government to properly assess it against the providing of those services. I want to run through some of those findings because we are now seeing the fruits of the lack of due diligence and the issues raised in this report with the delays in the opening of the hospital and the extra costs that Serco is now able to impose on the state. Finding 43 of the PAC report states —

The State's exposure to the risk of cost escalation in the delivery of the information and communication technology ... components of the project may not be capped, as the Department of Health states, if Serco requires variations to the contract in order to deliver the services identified on the ICT compliance document.

“May not be capped”, so Serco can essentially charge whatever it likes for those services. That is a wide-open contract for Serco. I quote recommendation 3 of the report —

The Department of Treasury needs to apply a greater level of scrutiny to the work being carried out by commercial advisors on public private partnership ...

I note that recently Tim Marney, the former Under Treasurer, gave evidence that Treasury had only had two weeks to examine a contract that took nine and a half months to negotiate—that is, two weeks out of nine and a half months. I quote finding 49 of the report —

Important details about how Serco would deliver the services at Fiona Stanley Hospital were not finalised at the time that the contract was signed with Serco.

Therefore, the government did not know what it was signing up to. Finding 51 states —

Many of the service plans, including the cleaning service plan, have not been completed to the level of detail where Serco has outlined how it will deliver the services.

But the government still signed the contract. Finding 52 states —

Information about the performance of Serco in delivering the services at Fiona Stanley Hospital will be recorded through the centralised Helpdesk, which is a service also provided by Serco.

Is that not a case of putting the vampires in charge the blood bank? The final dot point of finding 56 states —

The success of this contract with Serco will rest on both the details of the contract and the quality of the working relationship between the contract partners.

We have certainly seen a deterioration of that over the last 12 months at least. There were a number of alarming elements to the state budget, but in my view one of the most frightening aspects was a carefully crafted paragraph hidden away on page 68 of budget paper No 3 that states —

There is a significant risk that approved expenditure on service reconfiguration and commissioning activities at FSH, including costs under the facilities management contract, are under-stated in 2013–14 and 2014–15. WA Health was unable to quantify the expected financial impacts at the time of finalising the 2013–14 Budget estimates, either precisely or a general order of magnitude.

It had no idea what it was liable for due to the delays. We can now quantify that and it is \$118 million, and \$53 million of that is just compensation for not opening. That is \$53 million of taxpayers' money just for existing.

I will now go through the evaluation report about awarding Serco that contract. I want to highlight that this is really the manifestation of the lack of competitiveness in this process. It could be claimed that this process was designed to create a desired outcome. The evaluation report compares the two final tenderers. This is not a public document, by the way; I believe it had to be extracted through freedom of information. The evaluation report compared the two final tenderers, and the evaluations for Serco are not glowing; in fact, they are pretty average to be honest. I quote some of them —

... there were some areas that lacked clarity and require resolution.

...

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- The Evaluation Panel was reasonably confident with the Respondent's Service Plans.

If the government is to award a contract worth \$4.3 billion, it would want to be more than “reasonably confident” that those services would actually be able to delivered. I quote further —

- the Respondent's risk and quality control plans were adequate, with identification of clinical risks ...

I would like to see words that are little stronger than “adequate” and “reasonably confident” when a contract of this size is being awarded. The final evaluation I would like to quote is as follows —

- The Evaluation Panel was reasonably confident that the Respondent had the capacity, experience and understanding of the scope of the services.

Serco has never run a hospital in Australia before and I would want to know that the evaluation panel was much more confident than just “reasonably confident”.

We also heard evidence from the former Under Treasurer, Tim Marney, that he had significant concerns about the Department of Health's ability to manage and deliver this project on time, within the “accepted parameters of risk to the taxpayer”, and I think we have seen it fail to do that. We are also not getting enough clear information from the government about what it is doing to fix that and exactly what the government is liable to pay Serco throughout the life of this contract over and above the service management fees. We have seen blame shifting between the Treasurer, the Minister for Health, senior bureaucrats and ex-bureaucrats over the fact that Treasury had two weeks to view the biggest management contract in the history of this state, the negotiations for which took nine months to complete.

We do not have to look far at all to see that Serco has an increasingly sordid history across the globe, but particularly in the United Kingdom. The UK CEO, Christopher Hyman, recently resigned to enable Serco to “help the company restore its reputation”. He did this while Serco faces criminal investigation for overcharging the British government millions of pounds for electronically tagging criminals, even when they were dead, in prisons, or never even tagged. Serco has had to pay back millions of pounds for that. In 2006 the Committee of Public Accounts in the UK Parliament held an inquiry into the Norfolk and Norwich University Hospital and the chairman of that committee, Edward Leigh, is quoted as stating —

“My Committee would not expect to see appearing before it another Accounting Officer defending what we believe to be the unacceptable face of capitalism. Such a face was shown by this private sector consortium in its dealings with the public sector.”

This is in 2006 and this evidence was clearly available to the state government. When asked in Parliament whether he had read that report, the Minister for Health simply said, “No, I have not.”

Hon Michael Mischin: In 2006, was it?

Hon AMBER-JADE SANDERSON: Hon Michael Mischin need not worry, I have more recent examples. In July 2011 —

Hon Michael Mischin: Who was in government in 2006?

Hon AMBER-JADE SANDERSON: The point is that this government has awarded a massive contract to a company against which that finding was made in 2006, not who was in government then. In July 2011 the same Committee of Public Accounts examined the out-of-hours general practitioner service in Cornwall run by Serco and the committee found that the service was short staffed and substandard, and that the service data was being manipulated, making the company's performance look better than it was. I would add that they have recently just lost that contract. They lost that contract a year before its expiry because they have left that county short of general practitioners over the last few years. The committee in both reports painted a picture of Serco as crafty contract negotiators, running rings around the bureaucrats, and that Serco do far better negotiating contracts than delivering services. I do not have confidence that this government is able to manage those crafty contract negotiators. If the government is absolutely certain that those contracts are in the best interests of the state, why are they not all public and why can we not examine them.

Hon Michael Mischin: When in 2006?

Hon AMBER-JADE SANDERSON: Have a look on the British Parliament website. It is pretty easy to find.

In another finding, Margaret Hodge, the UK member of Parliament who chairs the powerful Public Accounts Committee—the same committee that has conducted three different inquiries into Serco; it is taking up a lot of parliamentary time over there—said that Serco had proved that it is good at bidding but not at delivering. The UK community faces the loss of a hospital in Yorkshire because Serco has also walked away from that contract.

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The risk to the state is high. There is a lack of clarity, information and openness from this government on its relationship with Serco. It is in the state's interest to provide that. It is taxpayers' money that is being spent on these services and it looks like Serco may get more. It looks like Serco may have been awarded a contract to run court security. In an answer to a question from Hon Ken Travers—I think it was yesterday—it seems to be the company that dare not speak its name. The Attorney General was happy to name all of the other entities involved in the contract, but not Serco. Has Serco now become a dirty word? The minister is happy to mention Western Australia Square, the Colonial Building and the Department of the Attorney General, but who is actually running the contract? We did not get that information. Given that Serco already runs court security, members could join the dots and say that it is probably Serco. Given this government's preference for privatisation, there are jitters in the not-for-profit sector as well, and those entities running community services are very nervous about this government's relationship with Serco.

HON MICHAEL MISCHIN (North Metropolitan — Attorney General) [10.33 am]: An awful lot could be said about this, but time is limited. It is interesting to hear this alleged motion which is about the government's handling and management —

Hon Amber-Jade Sanderson: It is not alleged.

Hon MICHAEL MISCHIN: I am sorry—the assertion that somehow the government's management of these contracts is unsatisfactory. It comes down to this: there has been a long campaign over the past 12 months, if not longer, on behalf of the idea that privatisation is bad, and that public sector control and expenditure in these areas, and of course, by happy coincidence, presumably public sector union involvement, is good. It is the old “four legs, good; two legs, bad” argument and slogan from Orwell's *Animal Farm*. It is fascinating to hear the mover of this motion talking in outrage about how the possibility of Serco being involved in any sort of privatisation arrangement to run public services is inconceivable to her and smacks of incompetence. Let me remind honourable members on the other side of a little bit of history. For example, one of the projects that Serco is involved in is the management of Acacia Prison, which has been said by the Inspector of Custodial Services to be one of the best run, if not the best-run, prison in this state. I will get to that in a moment.

A little bit of history. Acacia Prison is one of two privately-operated prisons in WA, the other being the Wandoo Reintegration Facility, which is out in Wooroloo and which was opened in 2001. The land and buildings are publicly owned. The initial five-year contract was awarded to Australian Integrated Management Services Corporation. That was a privatisation contract, and that contract was awarded to be effective from 16 May 2001. In case anyone has forgotten, something called the Gallop government was formed on 16 February 2001, so that government—as I recall that was a Labor government—thought fit to award a contract to a private operator to run a prison. It is not exactly novel stuff that this government is doing. That was in 2001.

Hon Sue Ellery: Just not doing it well.

Hon MICHAEL MISCHIN: I am glad that Hon Sue Ellery mentioned that, because, guess what? That contract was allowed to expire and then there was a retendering process. The subsequent agreement, consisting of a five-year period with two five-year extension options, was awarded to Serco. Guess when it was awarded? We have heard about 2006 and all these revelations in the United Kingdom about how terrible Serco is. It was awarded in May 2006! The Minister for Justice at that time was one John D'Orazio. Guess who took over as Minister for Corrective Services after that? A certain Margaret Quirk, the member for Girrawheen. She took over on 26 May 2006. The original contracts then, with the options for renewal and the like, were awarded by a Labor government! Did Hon Amber-Jade Sanderson realise that or did her research not go back far enough?

Hon Sue Ellery: Why do you have to be such a nasty-pasty about your presentation? Just make your point.

Hon MICHAEL MISCHIN: Hon Sue Ellery, we have heard little outrages on the other side about how any government could possibly be responsible for awarding a contract to Serco, which had come under such a cloud in the United Kingdom, and guess which government was involved in that?

Hon Sue Ellery: And you've never signed a contract with Serco—only the biggest one!

Hon MICHAEL MISCHIN: The hypocrisy is astonishing! If there are confidentiality issues around these contracts that allow only limited access to them, they stem back to 2006, under a Labor government. It is no use coming out and beating us with a stick about arrangements that have been standing since 2006, under the ALP's control and management.

Several members interjected.

The PRESIDENT: Order! There are too many interjections.

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Hon MICHAEL MISCHIN: As I say, that contract was awarded through a re-tendering process, and Serco won it on its merits it appears, as far as the Labor government was concerned, back in 2006. There are two five-year options following the expiration of that. The final option is to extend to May 2016 and the contract ceases in May 2021. It has to be said that there have been failures in that time, with prisoners escaping custody and the like—I will deal with some of those shortly—but there have also been lapses in security by the Department of Corrective Services. One that was not mentioned recently was the escape of a prisoner under the control of departmental officers. I do not hear any calls that suddenly that department ought to be disbanded and its union members fired. No; it appears that these things will happen from time to time. It is unfortunate that they happen from time to time. I recall back in the Labor days an escape from the Supreme Court when something like 12 prisoners made themselves scarce despite continual warnings from the Supreme Court management that security needed to be upgraded. People were held hostage and their cars were hijacked; yet, those custodial services continued. These things, unfortunately, happen. The question is how one prevents them from happening in the future. Simply closing down the operator and then having to spend a vast amount more in order to re-establish another service, unless there is an egregious failure and a failure to abide by the necessary duties, is just irresponsible. It did not happen in the past.

I noticed that after the Ward disaster, which was directly as a result of a failure of the security company and indeed of the government of the day, which again happened to be a Labor government refusing to spend money to upgrade prison vans, there was no cancellation of the contract by the then ALP government. So the hypocrisy that emanates from the other side is simply astonishing. It is simply astonishing.

Hon Sue Ellery interjected.

Hon MICHAEL MISCHIN: You can't handle the truth.

Hon Sue Ellery: You're trying to be Tom Cruise, it's too much! The "Boss" and Tom Cruise!

The PRESIDENT: Order! Let us stick to the issues and substance of this motion.

Hon MICHAEL MISCHIN: Thank you, Mr President. Of course, we get back to the old thing about, "Oh, it's public money being spent for private profit", well, in a sense, yes. If a private organisation can provide at least the level of services that can be done in-house by government and do so for less cost to the taxpayer, it is something surely to be applauded, not to be derided.

As far as court security services are concerned, the bid for court security and custodial services comes to something like an 18 per cent saving on the alternative direct delivery by the Department of Corrective Services. As far as Acacia Prison is concerned, on a public sector comparator, the services provided there—as I have indicated, the Inspector of Custodial Services found that it is one of, if not, the best-run prisons in Western Australia—has provided a significant saving to the taxpayer as well. There are a number of innovative programs that come from that particular institution. It is one of the successes that informed the granting of the contract to run the Wandoo Reintegration Facility because of Serco's ability to provide a service above and beyond what could be provided in-house and at a better price.

Now, of course failings are to be considered. The idea of picking up incidentally on what happens in the United Kingdom as being somehow reflective of what is going on in a separate arm of an organisation here is like criticising the Labor Party over here for its failings in the United Kingdom. They are different organisations. Although one must always be vigilant about public sector services that are awarded to the private sector, the idea that somehow they will always be failure free, whereas government services are allowed to fail, is just a nonsense. In any event, the recent spate of escapes is of course unacceptable, and they have highlighted policy and procedural issues within the Department of Corrective Services as well as those from Serco. Those are being addressed by the new commissioner.

The escape of the two prisoners in Geraldton from legal custody at the Geraldton regional airport in January raised concerns about how decisions are made in relation to the temporary transfer of offenders and the security and operational compliance of prisoner transport services. In this case, something that could not be done with corrective services failures, Serco has agreed to a commercial settlement in excess of \$720 000 to cover the costs of finding and reapprehending those prisoners. It includes \$185 000 to cover the costs incurred by Western Australia Police and \$295 000 for modifications to secure the fleet of vehicles, with modifications to be completed by 28 March this year. It is far quicker than what was done by the last Labor government in response to the Ward disaster.

In any case, each escape has been closely examined and steps are being taken to rectify all the identified issues. I will not go into what those have been in the time available. Again, there have been a number of failings at the Wandoo Reintegration Facility and those are being addressed. A prisoner under escort by two Serco officers was

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taken from Joondalup court to Joondalup hospital and he escaped through a toilet cubicle. It is my advice that that was a result not of systemic issues but due to the Department of Correctives Services and Serco oversights. The leg restraints were removed when the prisoner was allowed to use the toilet. Western Australia Police were in attendance at the time in an unrelated matter and attended the scene. It appears that all procedures were followed and new instructions have been issued by Serco indicating that all prisoners using a toilet facility have to be restrained by leg irons and a ratchet cuff. If that is not possible, they have to be restrained to an officer or some immovable object in the cubicle, and DCS has also been issued with similar instructions.

There was news about a planned escape in October by prisoners at Acacia Prison. A cut in the fence was found well in advance of the planned escape. Prisoners were identified and charged, and the contractors have undertaken mitigating actions. That is an example of actual proper prison management. The fact that prisoners might, from time to time, make plans to escape is inevitable. They will always try to do that, but the key to it is whether they can be detected in time. Indeed, they were on that occasion.

I have already mentioned the potential efficiencies if these privately operated prisons and contracts are properly managed. I made mention of the Inspector of Custodial Services' findings regarding Acacia; he noted that it is one of the best-run prisons in the state. It appears that the real cost per prisoner per day at Acacia Prison represents a 35 per cent cost saving on a comparable state-operated facility. I would have thought that that is something to be applauded, but, of course, I suppose from the ALP's point of view, any amount of money does not matter, as long as there is a union involved in it somewhere. We have seen how well unions are run—Craig Thomson ring a bell?

Hon Sue Ellery: The sneer that came out of your mouth then is not attractive.

Hon MICHAEL MISCHIN: It is just an observation.

The annual report tabled in Parliament this year details that Serco undertook something like 35 000 prisoner transfers a year. Yes, there were occasional incidents and those incidents were deplorable and needed to be addressed, but clearly the majority of those transfers happened without incident. It is clear that in the Department of Corrective Services' space, work needs to be done. The new commissioner, James McMahon, has immense experience in management and he has been tasked with leading the structural and procedural changes necessary. Of course, the government needs to observe what is happening with Serco and others that are charged with the public safety; that is being addressed.

HON SAMANTHA ROWE (East Metropolitan) [10.48 am]: I also rise this morning to make a contribution to the motion that has been moved in this place by Hon Amber-Jade Sanderson—namely, that this house expresses its concern at the Barnett government's handling of its commercial relationship with Serco. We heard from my colleague Hon Amber-Jade Sanderson who put forward very concise arguments about the poor handling by the Barnett government of its relationship and its contracts with Serco.

The role of government is to ensure that everyone in society has access to public goods and services, such as basic health care and basic education, but also, I would have thought, basic safety. As we have just heard, Serco is responsible for the transport of prisoners and its cutting costs and cutting corners is at the expense of WA's safety. Conservative governments often justify privatisation with the old argument that private companies are more efficient than government organisations and will find ways to cut costs. But at what expense? Because of the government's poor handling of the contracts and its poor relationship with Serco, we do not know who is accountable to the public. There is even less accountability to the minister by Serco and its subcontractors. There is practically no transparency. We have to ask: at what cost is privatisation a good path to go down? I would like to consider some of the arguments for why privatisation is not always the answer and is not always the most efficient method to use. A really interesting piece was published on salon.com on Thursday, 24 October 2013. The article by Paul Buchheit originally appeared on AlterNet, which is an alternative news website. Some really interesting points were made in the article on why privatisation often ends in disaster. I am not going to go through all six reasons as to why it is not always the most effective path to go down, but I would not mind highlighting a few. The first is —

The Profit Motive Moves Most of the Money to the Top

This paper is from an American news site, so it relates to the US. It goes on to say —

The federal Medicare Administrator made \$170,000 in 2010 ... Stephen J. Hemsley, the CEO of United Health Group, made almost 300 times as much in one year, \$48 million, most of it from company stock.

...

Medicare, on the other hand, which is largely without the profit motive and the competing sources of billing, is efficiently run, for all eligible Americans.

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The second reason is —

Privatization Serves People with Money, the Public Sector Serves Everyone

The article states —

... with regard to health care, 43 percent of sick Americans skipped doctor's visits and/or medication purchases in 2011 because of excessive costs. It's estimated that over 40,000 Americans —

That is 40 0000 Americans —

die every year because they can't afford health insurance.

Another reason given in the article is —

The Private Sector Has Incentive To Fail, or No Incentive At All

We see this time and again. I am not having a go, but private companies have to answer to their shareholders so they have to make a profit. That is just a fact of life. According to this article, what that means is that —

The most obvious incentive to fail is in the private prison industry. One would think it a worthy goal to rehabilitate prisoners and gradually empty the jails. But business is too good. With each prisoner generating up to \$40,000 a year in revenue, the number of prisoners in private facilities has increased from 1990 to 2009 by more than 1600%, from about 7,000 to over 125,000 inmates. Corrections Corporation of America recently offered to run the prison system in any state willing to guarantee that jails stay 90% full.

Those sorts of figures are quite astounding.

The last reason given in the article is —

With Public Systems, We Don't Have to Listen To "Individual Initiative" Rantings

It states —

Back in the Reagan years, a stunning claim was made by Margaret Thatcher: "There is no such thing as society. There are individual men and women, and there are families." More recently, Paul Ryan complained that government support "drains individual initiative and personal responsibility."

That's easy to say for people with good jobs.

In the corrective services area in WA there have been massive cost increases under Serco. Our shadow minister, Paul Papalia, stated in a recent media release on 9 January 2014 —

New information on funeral attendance by prisoners reveals outrageous increases in costs following the Barnett Government decision to award Serco the prisoner transport contract in 2011.

Shadow Corrective Services Minister Paul Papalia said the Minister must explain how he remains unaware of the excessive costs under Serco when the Government has known about the costs since Serco took over the contract.

This goes back to the motion—the Barnett government clearly cannot handle its commercial relationships with Serco. As I said earlier, there is less accountability to the minister. For us, there is absolutely no transparency. We are not the only ones who are concerned about this; the WA Prison Officers' Union is also concerned. An article in *The Geraldton Guardian* of 17 February this year, headed "Calls for Serco to lose contract", quotes WA Prison Officers' Union secretary John Welch. It states —

Mr Welch said a string of incidents involving Serco and its predecessors was a clear indicator that privatisation in the prison sector had failed.

"The trouble with privatisation is that companies like Serco have to make a profit. We believe this means less money for services, which translates into lack of maintenance, understaffing and poor training."

The article also states —

... Commissioner McMahon had admitted that routine checking of equipment had not been done properly.

I would have thought that that would be a pretty basic standard that would need to be complied with in any contract. It is sort of "101 contracting". I think it is fair for the WA Prison Officers' Union to be outraged at Serco and what it has done. An article from *The Sydney Morning Herald* headed "Escapes blamed on Serco cost-cutting" quotes an apparent whistleblower who is an employee with Serco. The whistleblower said —

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... with a \$1.8 billion Australian government contract ... its managers routinely underplay risks of guarding asylum seekers and prisoners to cut costs, putting the public at risk.

...

“The operational plans are always incomplete and usually just a cut-and-paste job,” said the whistleblower working in the company.

“This is what they have been directed to do to save time ... the director calls it generic cost-effective planning.”

I am sorry, but that is not going to cut it. This is why we have the issue about whether to go down the path of privatisation. These sorts of examples make us sit back and question whether it is the right path to go down. At the end of the day, governments should be accountable for these situations. The contract or commercial relationship with Serco, however one wants to look at it, is clearly not working. Something has to change; something has to give so that there is more transparency and accountability.

HON SUE ELLERY (South Metropolitan — Leader of the Opposition) [10.57 am]: This is a very serious issue because we are talking about large sums of money and core services—those that keep Western Australians safe and healthy and look after them when they are sick—and if things go wrong in these areas, it can have a significant impact. The Attorney General described as hypocrisy the fact that the opposition would dare to raise this issue because we had contracted with Serco and other service providers when we were in government. I guess the logic of his position was that we cannot criticise his government for doing the same, except, of course, that nothing will ever improve or get better if we do not learn lessons from how things were done in the past. Indeed, we need to make sure that we learn the lessons of the past. Effectively, the logical conclusion of what he said was that it is okay that the government has not learnt anything over the past five years and that it is okay for the government to continue to make the kinds of mistakes that have clearly been made in drawing up the contract with Serco for facilities management at Fiona Stanley Hospital and for the government to not hold Serco to account for the risks to public safety that have occurred over the past couple of months in relation to its contract to transfer prisoners. The size and scope of the contracts between this government and Serco are not insignificant. They total about \$5.2 billion. The movement of prisoners is worth hundreds of millions of dollars. There are 35 000 prisoner movements each year or 250 a day. The minister himself publicly made the point that it is a massive logistical exercise and it takes just one thing to go wrong, for example, the escape from Geraldton airport of two violent prisoners, for public safety to be significantly and severely compromised and that is exactly what happened.

With Fiona Stanley Hospital, we are talking about a \$4.3 billion contract to run facilities management. The terms of that contract, or one element of it, were certainly written in such a way as to protect Serco’s commercial interests, including that if the buildings and the infrastructure were not ready to receive patients by the designated date, Serco would receive an additional payment. The interesting thing is that at the time—the second half of last year—the opposition began to ask questions about what the value of any penalty payment would be if the buildings and infrastructure were not ready to receive patients we heard that the figure would be about \$100 million. The Treasurer, in his usual high-performance fashion dismissed that out of hand saying, “Don’t be ridiculous! It’s fanciful to suggest that the penalty would be anywhere near \$100 million.” It was fanciful because the figure was \$118 million. That is what Western Australian taxpayers are paying because the contract between Serco and the government states that if the hospital was not ready to receive patients by designated date X, this money would be paid to Serco. I can understand why Serco would want that money because Serco is working to a deadline to recruit staff and make sure everything is in place to manage the facilities from day one. It is a large hospital that will be a significant attribute for Western Australia and as the member for South Metropolitan Region I look forward to its opening. It will be fantastic. However, it has been a dreadful exercise that has demonstrated a serious lack of attention to detail when putting together that contract that has seen the taxpayers of Western Australia pay far more than they should be paying to get a hospital of that nature in the southern suburbs.

Once it is up and running alongside the expanded St John of God Health Care’s Murdoch facility, the precinct will be amazing. There will be tens of thousands of people through there every day. I look forward to it, but it is unfortunate that the people of Western Australia have had to pay such a high price simply because no one paid attention to the details of the contract. Despite the fact that the government recognised all along that building a hospital as complex and big as this one would be a difficult task and something that had not been done in Western Australia for a very long time, it ended up giving the Department of Treasury, which has responsibility for checking these things, just two weeks to peruse the details of the contract. As early as 2009 Treasury was warning that there were serious risks—these warnings appeared in budget papers and the midyear review. There was warning after warning that there were risks that this hospital would not be ready on time. Despite all that,

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the response from the Premier was, “I don’t care whose fault it is; I just want it fixed.” My observation of the Minister for Health is that he deals with questions about the contractual arrangements and penalties that apply by dismissing them with a laugh as if it is a joke that these things have gone wrong. This is a serious expense involving taxpayers’ money. It is not a joke and the Treasurer needs to respond to this far more seriously than he has so far.

I have only three minutes left and I want to say more about Fiona Stanley Hospital but in regard to the prisoner transport contract, Serco spends public money but the accountability for when things go wrong is at arm’s length. In fact, Serco has an air of mystery about it and if I were advising the company on how to protect its public reputation and brand I would say that it needs to get out more; it needs to get out and let people see that it is not a spooky, scary company of people who never speak publicly. Serco needs to get out and show the public what it is and that it really cares about how it is spending taxpayers’ money. Yet, that is not Serco’s way of doing business; it hides in the background and says that it cannot say anything because it is part of its contract to not say anything.

Who then are we to hold accountable? It is the Minister for Corrective Services, who likes the media a lot of the time but when the heat comes on he runs out of media conferences or does not even turn up for media conferences. He sends out his bureaucrat when things go really wrong. That is the issue that causes us on this side of the house to have ongoing concern with a philosophy of privatise at any cost. What happens when we privatise is that we put at arm’s length all the accountability measures that taxpayers are reasonably entitled to expect will apply to how their money is spent. When it is things like public health and safety, which the hospital and prisoner transfer arrangements are, we on this side of the house say that there needs to be a higher standard of accountability because when they go wrong, they can go very badly wrong. When they go wrong in the case of prisoner transport, there can be violent consequences and when they go wrong in the case of a functioning hospital there can be mortal consequences. These are serious issues that need to be dealt with. There needs to be a higher level of accountability around the provision of those services rather than a lower level and an at-a-distance accountability measure. We need to hold those services to a higher level because they are our core business—public safety and public health. We need a higher standard of accountability, not a lesser one. To date, the evidence for the Western Australian taxpayer about the relationship and the contractual arrangements between the Barnett government and Serco shows that there is less accountability than there ever has been but a higher amount of money being spent on really important, core state government services.

HON ALYSSA HAYDEN (East Metropolitan — Parliamentary Secretary) [11.08 am]: I rise to put on record the faith that this government has in Serco. Although it has been touted that Serco has not operated a hospital in Western Australia, I remind members that it operates five hospitals in the United Kingdom. What it does over there has the same complexity as the new Fiona Stanley Hospital will have. It understands the systems that need to be installed in the hospital and the benefit of going to a private operator is that we are not just relying on government agencies and government knowledge to move our health system forward. We are able to tap into the private sector and bring in their way of business, new technology and their sophisticated systems that can be implemented in our public health system: something we have not had before.

People stand in this place and say that the health system has gone downhill but I remind members of the history of health under the Labor government. My Minister for Health, Hon Dr Kim Hames, loves parading around media releases that went out under the Labor government—so much so that he has had them laminated.

Point of Order

Hon STEPHEN DAWSON: The motion today expresses concern at the Barnett government’s handling of its commercial relationship with Serco. The member who has been on her feet has been talking about the health system under a previous government. I do not think that has any relevance to this motion.

Hon PETER COLLIER: I think it is entirely relevant, with all due respect. We are dealing here with a comparison. The opposition has asked us to look at the suitability and the operational capacity of Serco. The parliamentary secretary is merely making a comparison. I think exactly what she is doing is entirely relevant.

The DEPUTY PRESIDENT (Hon Brian Ellis): Members, there is no point of order. I think the comments so far are relevant to the motion.

Debate Resumed

Hon ALYSSA HAYDEN: Thank you, Mr Deputy President. I concur with you. They are completely relevant. How can a contract company come into our health department and that company not be a part of our health services? I am glad we are on this side of things.

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Delivering health services is important to this state. Serco has come into our hospitals and is implementing all the services that it does. I am not sure whether all members are aware of every service that Serco looks after to make sure our hospitals are running, but it is looking at all the things that —

Several members interjected.

Hon ALYSSA HAYDEN: The new Fiona Stanley Hospital will be a fantastic hospital. It will be the best hospital that has ever been built in this state, and I am proud to say that it is under our government and not theirs.

Hon Stephen Dawson: When will it be open?

Hon ALYSSA HAYDEN: Does the member want to talk about waiting lists and crisis in hospitals? I am happy to, but I will be going back into history and to the opposition's days in government and the performance of the health service back then.

Point of Order

Hon SUE ELLERY: There is a standing order about relevance. It is absurd to suggest that waiting lists for a hospital that has no patients has any relevance to the motion before the house, which is about this government's contractual arrangements with a particular company.

Several members interjected.

The DEPUTY PRESIDENT: Order, members! There is no point of order. The member is trying to deliver her speech, and I am sure that she is quite capable of presenting her own side of the debate without assistance from either side.

Debate Resumed

Hon ALYSSA HAYDEN: Thank you, Mr Deputy President.

If I do not get interjections on service delivery, I will try to stay away from that, but it is very hard to do that when we are excelling in that area. As I said, Serco has a lot of experience of working in hospitals. We are taking that experience and bringing it into our new hospital, and we are very excited about doing that. As I said, Serco will bring in new technology, because the private sector has time to explore that, whereas our government areas seem to be too busy trying to deliver the actual services. I think that bringing in a private company to do this is the best way to go.

I should point out that this is not done lightly. This government takes this contract extremely seriously. It was put under scrutiny by the Major Health Infrastructure Projects Steering Committee to make sure that we had the best contract available. I can assure members that there were quite robust negotiations to make sure we got the contract that we required. To show members the strength and the knowledge behind the decision, the people who were on that committee were the Under Treasurer; the State Solicitor; the director general of the Department of Health; the director general of the Department of Planning; the executive director, strategic projects; and the deputy director of the Department of the Premier and Cabinet. We are not talking about lightweights making this decision; we are talking about people who know what they are doing so that we can ensure we have the best possible contract.

Hon Sue Ellery interjected.

Hon ALYSSA HAYDEN: I cannot even hear myself, Mr Deputy President.

The DEPUTY PRESIDENT: Order, members! It is a fair comment. There has been enough interjecting. Hon Alyssa Hayden has the call.

Hon ALYSSA HAYDEN: Thank you, Mr Deputy President. As I said, I am trying to behave, but if I am interjected on, I will not be able to contain myself.

The DEPUTY PRESIDENT: I also remind the member not to invite interjections.

Hon ALYSSA HAYDEN: I apologise.

Hon Liz Behjat: It is very difficult, though, isn't it?

Hon ALYSSA HAYDEN: It is.

With the agreement going ahead, and being the responsible government that we are and having a minister who takes his portfolio extremely seriously, we have obviously put a lot of systems in place to make sure that that contract is managed. I believe that is where this motion is trying to go. We wanted to make sure that we had a contract that would stand the test of time and deliver the services that we want to have at that hospital, but also save the money that is expected to be saved by having a private operator in place. I should tell members that we

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expect to save about \$515 million over the 20-year contract period. That is \$515 million of taxpayers' money that will be saved by having a private contract. I do not think anyone in this state would be upset about the government looking at alternative ways of saving money. By using a private provider, we are able to save \$515 million over the 20-year contract.

For some of the systems that are in place, Serco has to do a pre-operational and transitional service report on the tenth of every month. That is a way of making sure that Serco is on track. We also have in excess of 500 key performance indicators across all the services that Serco provides. As I said earlier, 28 services are provided under this contract, so making sure that Serco is kept on track and is delivering the services that we need on time and on budget is vital. By putting that monthly reporting system in place—Serco must report on the tenth of every month—we can make sure that Serco keeps on top of its job.

Hon Sue Ellery interjected.

Hon ALYSSA HAYDEN: I point out that Serco has nothing to do with the delay, so I do not know why the Leader of the Opposition is even talking about the delay. We are talking about the Serco contract, and Serco has nothing to do with the delay.

In addition to the monthly pre-operational and transitional service report, the state monitors progress against the milestones for each service that is managed by Serco. They are the services that I have listed here. They are things such as audiovisual, cleaning, child care, electronic records and management, energy, utilities, external transport, fleet management, ground maintenance, health record management and clinical codes. I could go on—there are 28—but I will not continue to read out the whole list.

Hon Sue Ellery: What document was the minister —

Hon ALYSSA HAYDEN: I am not the minister.

Hon Sue Ellery: What document was the parliamentary secretary reading from? Can you identify the document?

Hon ALYSSA HAYDEN: No; they are notes of my own that I typed last night, actually.

Hon Sue Ellery: Did you?

Hon ALYSSA HAYDEN: I did. I am capable of typing notes.

Hon Sue Ellery interjected.

The DEPUTY PRESIDENT: Order, members! Hon Alyssa Hayden has the call, but there is no need for a conversation across the chamber.

Point of Order

Hon SUE ELLERY: Can I just clarify that? I did that by interjection, so can I do it so that it is on the record? Can I ask the parliamentary secretary to identify the document that appeared from my spot in the chamber to be a list that she was reading from? Can she identify what that document is, please?

Hon SIMON O'BRIEN: On that point of order, I believe our requirements to identify documents are to identify documents that we quote from in this place so that the source of the quote is attributed and thereby the document is identified so that if required to be tabled, we know which document is to be tabled. It does not mean, though, if someone reads from their notes, that they are quoting from their document. I think there seems to be this fundamental misunderstanding.

Hon Sue Ellery: She had the list in her hand and she was randomly reading from it.

Hon SIMON O'BRIEN: That is reading; that is not quoting from a document.

Several members interjected.

The DEPUTY PRESIDENT (Hon Brian Ellis): Order, members! The member has identified the document as her notes, and they do not need to be tabled.

Hon Sue Ellery: I didn't ask for them to be tabled.

The DEPUTY PRESIDENT: She has identified that they are notes, so there is no point of order.

Debate Resumed

Hon ALYSSA HAYDEN: Thank you, Mr Deputy President.

I am enjoying this speech; I am tempted to refer to the terrible service that the former Labor government provided for the Department of Health —

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Hon Liz Behjat interjected.

Hon ALYSSA HAYDEN: They are very good; they state, “40-hour waiting in corridor” and “Health care in crisis under the Labor government”. We have got rid of all those now, which is fantastic.

Hon Sue Ellery: I wanted to talk about the current situation, if that is at all possible.

Hon ALYSSA HAYDEN: The current situation is that this government is committed to delivering the best health service this state has seen by providing brand-new hospitals, when none had been built for some time—Fiona Stanley Hospital, Perth Children’s Hospital. The list goes on and on.

Several members interjected.

The DEPUTY PRESIDENT (Hon Brian Ellis): Order!

Hon ALYSSA HAYDEN: It would be a pretty short-sighted government that limited the services and providers by not bringing in a private operator to upgrade our services and our technology.

Hon Sue Ellery: Tell us more about what Serco will do because that list was quite helpful.

Hon ALYSSA HAYDEN: I have read out some of those on the list.

Hon Sue Ellery: I want to hear the rest.

Hon ALYSSA HAYDEN: If the member is not aware of it, I am not here to give her an update on Serco’s services.

Hon Sue Ellery: Yes, you are, actually, you’re the parliamentary secretary for the government.

The DEPUTY PRESIDENT: Order!

Hon ALYSSA HAYDEN: No, I am not; I am here to respond to the motion, and I am doing that in the way I see fit. What matters is that this government has absolute faith in Serco. We have done the proper due diligence and put a lot of work into making sure that the contract will stand up to what is needed. We have put a lot of work into continuing to monitor the contract to ensure that the services are delivered to the standards we need. This government is all about bringing the best health services to the community of WA and I know that our taxpayers would much rather we save money by using another service provider than waste it ourselves.

HON STEPHEN DAWSON (Mining and Pastoral) [11.21 am]: I rise today to also show my support for Hon Amber-Jade Sanderson’s motion, which is —

That the Council condemns the government for its mismanagement of the establishment of Fiona Stanley Hospital and calls on the government to release all details of its dealings with Serco on the Fiona Stanley Hospital contract.

I thought it was appropriate to take the time to read the motion because some members of this place have not bothered to do so. It was interesting to see in today’s debate that the National Party has been silent on this issue. From doing some research on the issue of the privatisation of services to Serco, I found a fair number of press releases from the now Leader of the National Party. I might call him the minister for privatisation. I have with me a May 2011 press release from the website of the then Minister for Corrective Services, now the Leader of the National Party, about court security and the custodial services provider, which is about Serco. In another press release of 16 June, again from the then minister’s website, headed “Court security and custodial services contract signed”, Minister Terry Redman, MLA, is quoted as follows —

The Department of Corrective Services and Serco have formalised Western Australia’s contract to provide court security and custodial services.

Another press release dated 28 June 2012 is headed “Acacia prison expansion contracts awarded”. Again, it was released by guess who? It is the minister for privatisation, Hon Terry Redman, MLA. It therefore surprised me today that the National Party has been quiet on this issue. Perhaps it is embarrassed by all these contracts going to Serco and that is why —

Hon Sue Ellery: Perhaps they know their constituents don’t like it.

Hon STEPHEN DAWSON: Indeed. Nonetheless, I will continue. As we know, other members have mentioned that Serco has been awarded the contract to provide all non-clinical facilities management and support services to Western Australia’s new Fiona Stanley Hospital.

Several members interjected.

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Hon STEPHEN DAWSON: Mr Deputy President, I was struggling that time to hear myself speak, so I dare say you perhaps were struggling too.

We are aware of the debacle around the contract with Serco in relation to Fiona Stanley Hospital. I do not have to go back over that or talk about what the former Under Treasurer has said, because that is all on the public record. The problems are not with just the hospital sector or the health sector. In the Corrective Services space, justice contracts at Acacia Prison and, in my electorate, court security and custodial services for the Kununurra, Broome, Carnarvon, Roebourne and Kalgoorlie courthouses have been privatised. It is that issue, particularly the privatisation of prisoner transport and transfer, that I want to spend a few minutes on this morning. A former member may have alluded to a press release from Paul Papalia, the shadow Minister for Corrective Services, who has made a number of statements about prisoner transport and the outrageous price gouging by Serco for prisoner transfer services. I quote from a press release from Mr Paul Papalia, MLA, of 9 January 2014 in which he says —

New information on funeral attendance by prisoners reveals outrageous increases in costs following the Barnett Government decision to award Serco the prisoner transport contract in 2011.

Shadow Corrective Services Minister Paul Papalia said the Minister must explain how he remains unaware of the excessive costs under Serco when the Government has known about the costs since Serco took over the contract.

New information indicates the following:

I will just pause for a second to point out that the comparisons I will mention now are for identical services from each company and cover transport costs for one prisoner from the nearest prison, including the cost to charter an aircraft.

For a funeral in Tjuntjuntjara, in 2011, G4S quoted \$5 620; in 2011–12, Serco quoted \$12 320, an increase of about 120 per cent. For a funeral in Meekatharra, G4S quoted \$3 420, only to have Serco quote or, indeed, probably charge, \$31 927, an 830 per cent increase. That is outrageous. I hope members around the chamber will agree how outrageous it is. Not only Labor members of Parliament have raised concerns about prices quoted for prisoner transfer contracts. I had a go at National Party members in this place for their silence on this issue, but Mr Vince Catania, MLA, has raised his concerns about this issue. I will read three paragraphs from an article in *The Australian* of 8 January 2014 to put into perspective the concerns of other members of Parliament on this. It states —

WESTERN Australia’s Corrective Services Minister Joe Francis has been unable to verify allegations of price gouging by prisoner transfer services provider Serco, prompting accusations of incompetence and failure to manage the contract.

The WA Prison Officers Union claims the British company has quoted the government “astronomical costs” to transfer prisoners for funerals, medical reasons and other special purposes. Serco purportedly quoted \$40,000 to transport a prisoner 15km outside Broome, \$12,000 to take one to a funeral at a cemetery 250m from the Roebourne prison, and \$23,000 to fly a prisoner from Geraldton to Carnarvon for a funeral.

The last matter was raised by Nationals MP Vince Catania in a letter to former corrective services minister Murray Cowper in January last year, when Mr Catania wrote he had previously been quoted less than \$3500 to charter a five-seat plane from Geraldton to Carnarvon return.

The member for North West Central was quoted \$3 500, yet Serco slugged the government \$23 000 to fly the prisoner from Geraldton to Carnarvon. When the minister, who responded on behalf of the government to Hon Amber-Jade Sanderson’s motion, spoke earlier, he spoke about private providers providing a service at a lesser cost, but let me tell members that in this case there is absolutely no skerrick of evidence to suggest a private provider has provided a service at a lesser cost in the area of funeral transport.

Another of my fears relates to privatisation in the area of disability services, in particular disability accommodation. Members would remember that in October last year, the Minister for Disability Services announced in a press release that she would be outsourcing about 60 per cent of the accommodation services currently run by the Disability Services Commission, and that 500 workers at the Disability Services Commission would lose their jobs. I am very concerned that with these services going to the non-government sector, and with the advent of the National Disability Insurance Scheme, which I am a great supporter of, companies like Serco will be sniffing around and trying to weasel their way into this area. I am concerned about potential profit gouging. I am concerned also that the people who are provided with disability accommodation services will get a lesser quality of service, and they will be given no choice about that. All we have seen is a

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heavy-handed approach by the minister to say that she will be outsourcing disability accommodation services. The non-government sector has been quiet about this, because it will benefit from it. However, the non-government sector has expressed to me its great fear that Serco will get involved in the provision of services under the NDIS. I have a fundamental concern about the outsourcing of these services, because it will mean that people with disabilities, particularly those from lower socioeconomic groups, will miss out on the services they require.

I commend the motion moved by Hon Amber-Jade Sanderson and I hope the Parliament supports it.

HON SIMON O'BRIEN (South Metropolitan) [11.32 am]: I am disappointed by the debate on this motion. It has been shallow. It has simply been an exercise by the Australian Labor Party to say, "We do not like any sort of privatisation, it is an ideological objection, and we are going to use a hate campaign against it." I wish I had a bit more time to look at the Labor government's record on the provision of security services. It was under the Labor government that there was no money to improve prison vans.

Motion lapsed, pursuant to standing orders.