



# Community & Public Sector Union Civil Service Association of WA

Community & Public Sector Union  
SPSF Group, WA Branch  
Civil Service Association of WA Inc

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17/10/2011

Mr Matthew Bates  
Principal Research Officer  
Public Accounts Committee  
Legislative Assembly  
Parliament House  
Perth WA 6000

Dear Sir

## **Public Accounts Committee: Inquiry into the decision to award Serco Australia the contract for the provision of non-clinical services at Fiona Stanley Hospital (FSH)**

The CPSU/CSA thanks the Committee for its invitation to make a submission to the above Inquiry. The CPSU/CSA represents public sector workers in the state of Western Australia. In all the CPSU/CSA has a membership in excess of 16,000 members.

The CPSU/CSA opposes the privatisation and outsourcing of public sector services in line with the views of our membership. This view is also shared with the general public of Western Australia particularly in relation to essential services. A substantial majority believe that the Government is better at running prisons (76%), community services (71%), water (70%) and motorways (70%) (Essential Media Communications, 2011).

The CPSU/CSA has many concerns in regards to privatisation of public services and will express those concerns in relationship to the awarding of the Fiona Stanley Hospital contract. The first concern to be discussed is the use of the public sector comparator (PSC).

The purpose of the PSC is to compare the proposed PPP cost with the cost of the Public Sector undertaking the project solely. The PSC enables a like-for-like comparison to be made. The PSC is a primary tool in the decision to award tenders to contractors, it is therefore important that the results of the PSC should be published in the name of Government Transparency.

At this point in time it appears that the PSC for Fiona Stanley Hospital has not and will not be made public. It is interesting to note that Department of Treasury Policy promotes the disclosure of the PSC but does not enforce the disclosure. *"The Risk Adjusted PSC (Net Present Cost), excluding retained risk, together with the key assumptions (financial and operating) may be disclosed, following assessment on a project-by-project basis, as part of the value for money comparison in the project summary published post contract execution."* (Dept. Treasury, 2011).

This policy differs from other Jurisdictions such as in New South Wales where the PPP guidelines stipulate, "The results of the PSC will ultimately be publicly available in the contract summary." (Infrastructure Australia, 2011).



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The Western Australian Government's decision not to disclose the PSC means that the decision to award the contract cannot be objectively tested by independent parties. The non-disclosure of the PSC is a particular concern if non-disclosure becomes the norm when awarding future Government contracts.

In 2009 the Economic Audit Committee released its final report "Putting the Public First" outlining the role that the public sector should play in the Western Australian Community. The report foresaw the public sector as a "facilitator of services, rather than a direct provider". The Premier, Colin Barnett stated that the Liberal National Government would shift the delivery of services away from government agencies. ("Supporting WA's most vulnerable", 2010).

To confirm that the shifting of services away from government delivery is based on genuine benefits for the Western Australian Public, and not an ideological agenda, the PSC must be made public for all government contracts awarded to the private and not for profit sectors.

Given that the PSC for Fiona Stanley Hospital is not currently available, there are a number of questions which need to be asked.

For the like-for-like comparison hold true, the Government model of service delivery must not stay fixed but should match that of the tenderer. For example, if a tenderer sheds light on a more innovative way of providing the service is an alternative government model developed to match the private sector's model? Was the Government's delivery methodology comparative to that of Serco's e.g. the use of technology and mechanisation?

Another important comparator is the estimation of the value of risk. Risk calculation and allocation forms the basis of the Discount Rates applied to the tenderer's bid. Either undervaluing or overvaluing the risk can skew delivery costs against or for the bidder.

Given that there is an assumption that the tenderer includes the price of transferring risks within the bid:

- a. Was the allocation and calculation of Project specific Risk quantified within Serco's bid?
- b. Was the Government calculated Project Specific Risk comparable to Serco's?
- c. What procedure is there to ensure that Serco had not undervalued the Project Specific Risk therefore receiving a greater discount for comparing costs?
- d. Was the degree of systematic risk being transferred to Serco incorporated within Serco's Bid?
- e. Was this risk quantified within the Serco Bid?
- f. Does the incorporated systematic risk as calculated by the Government mirror the systematic risk calculated by Serco?



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The contract for Fiona Stanley Hospital is purported to be for non-clinical only. The public would assume that non-clinical means that Serco, or any other contractor, would only be supplying services for the cleaning, maintenance and administration of Fiona Stanley Hospital.

Serco have been contracted to manage all of the Human Resources and Industrial Relations functions (Dept. of Health, 2011), this means that Serco will be recruiting clinical staff and potentially be involved with the planning of the clinical workforce. Radiation therapy services for the hospital have also been contracted out to a private company, Genesis Healthcare ("Major boost for State's cancer services", 2011).

It is evident that the Government's definition of non-clinical differs to that of the public. Therefore the Government needs to publicly disclose, in clear and descriptive language, the details of all major contracts prior to tendering.

Though Serco has been awarded the contract for the provision of non-clinical services there is also some question on who will be directly providing many of the services at Fiona Stanley Hospital. Serco has a history of sub-contracting services, this is can be seen in their management of Immigration Detention Centres where services are outsourced to MSS Security and detainee social engagement programs are outsourced to volunteer groups. Already Serco have outsourced IT and medical equipment support to BT (Georgina Swan, 2011) and Siemens (Siemens, 2011) for Fiona Stanley Hospital.

The State government has also shown a preference to contract out to head contractors, as is the case at the Department of Housing, who subsequently outsource and manage services. It is of some concern that a winning tender can in fact provide services by acting as a brokerage and still provide the service at a lower rate than government. Either there is a serious flaw with government procurement policy or a lesser service is being provided.

It is therefore fair to ask that the public is made aware of what services may be further outsourced by the winning tender and if any local content requirements apply.

The western Australian economy is experiencing strong growth on the back of a strong resource industry; unfortunately this has created a two speed economy. The effect of a two speed economy means that workers will migrate to the higher paid industries and those who do not will see a fall in their real standard of living.

One of the major savings for private industry contractors and not for profits is through reduced staffing levels or pay levels. This affects the ability to retain experienced and trained staff as well as placing those staff employed under financial and workload stress. These scenarios affect the services provided to the public, as was the case in 2007 when the contractor providing court security for the Department of Corrective Services was unable to staff their Special Security Group (Office of Custodial Services, 2010, p.12).



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To ensure workforce stability and quality service, not for profits and private contractors need to provide wage parity with the public sector.

In summary the CPSU/CSA is opposed to the privatisation of public services. Where privatisation cannot be stopped, then there at least needs to be safe guards to ensure that the long-term public interest is the driving force for privatisation, not ideology.

The CPSU/CSA has made the following recommendations for inclusion in privatisation and outsourcing policy guidelines:

1. The Public Sector Comparator must be made public for all government contracts awarded to the private and not for profit sectors.
2. The Government needs to publicly disclose, in clear and descriptive language, the details of all major contracts prior to tendering
3. The public be made aware of what services may be further outsourced by the winning tender and if any local content requirements apply.
4. Not for profits and private contractors need to provide wage parity with the public sector.

The CPSU/CSA thanks you for the opportunity to provide comment on the decision to award Serco Australia the contract for the provision of non-clinical services at Fiona Stanley Hospital.

Regards

Tony Walkington  
Branch secretary  
CPSU SPSF Group WA Branch and General Secretary Civil Service Association



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