



Submission to the People's Inquiry into Privatisation

The PSA's NSW Chapter
contribution to the CPSU submission

September 2016

1. Introduction

The Public Service Association of NSW (**PSA**) is an active, member-driven union. Our members have a long and proud tradition of improving the lives of the people of New South Wales through delivering a diverse range of services in the public sector and related entities, state owned corporations, TAFE NSW and universities. We proudly represent 37,000 members spread over almost 5,000 worksites.

The quality and affordability of public services is under threat in NSW from the Baird Government's extensive privatisation, commissioning and contestability agenda. Many of our members' jobs are at risk from these reforms. Those transferred to the private sector potentially face reduced wages and conditions and have been given virtually no say in their fate.

We welcome the opportunity to participate in this inquiry. The PSA is proud of the skill, professionalism and dedication of its members. We seek to promote the value of the work of our members and the particular risks posed by the privatisation agenda in NSW.

This submission has been developed drawing on member input and the PSA's extensive work to map the impacts of privatisation. We are currently campaigning to "Stop the Secret Sell Off" in NSW. Our efforts regarding specific privatisations and our overarching campaign dovetail with the People's Inquiry into Privatisation.

2. Why is the NSW Government so keen on privatisation?

The PSA understands that there are a number of factors driving the NSW Government's obsession with commissioning, contestability and privatisation. We hold that many of the claims about the benefits of these reforms are misleading or false. Of course, what the Government says publicly about the reasons for these reforms often masks the real economic rationalist agenda. This agenda has little regard for service quality or the rights of worker's providing public services, while at the same time opening up enormous profit making options for the private sector.

Annexure 1 provides a table outlines some actual and apparent NSW Government positions regarding privatisation, contestability and commissioning and PSA comments. Importantly, the NSW Treasurer, Gladys Berejiklian made a speech to the Sydney Institute on 29 February 2016 which focused on small government (see Annexure 2). A new Commissioning and Contestability Unit in NSW Treasury will also drive privatisation (see the press release on this at Annexure 3).

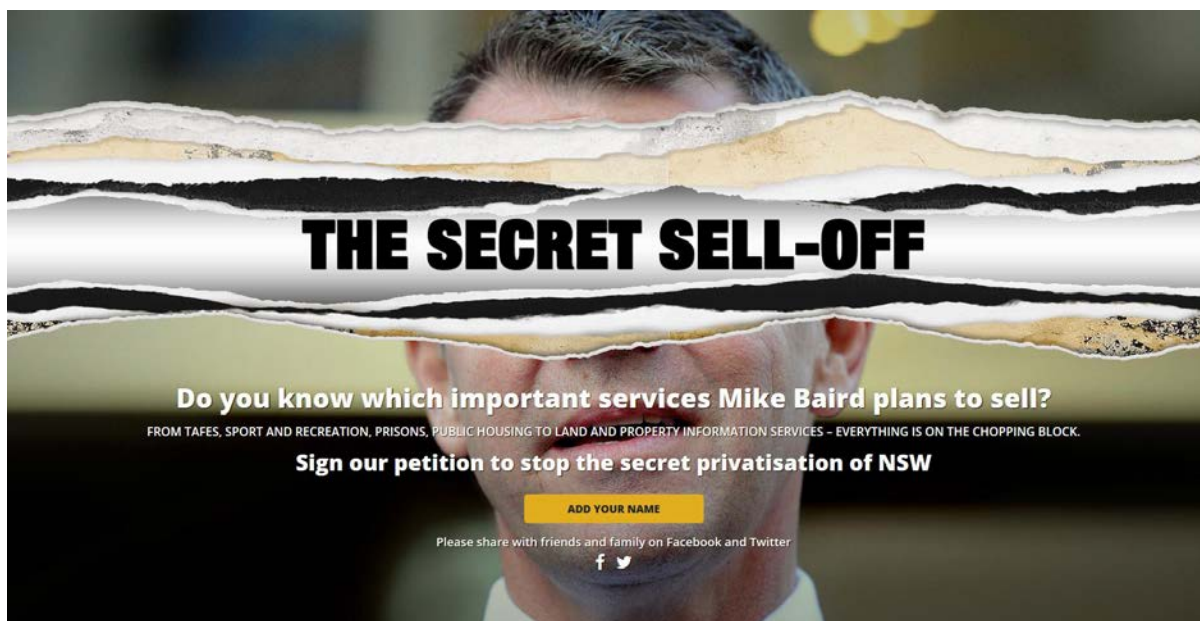
3. Our campaign against privatisation

The PSA has strongly opposed every privatisation and has worked with members to develop targeted action against each sell-off.

The PSA has consulted extensively with our members, advocated to management and Ministers, lobbied Members of Parliament, run grassroots campaigns, organised petitions, rallies and industrial action, taken matters to the Industrial Relations Commission, secured media against damaging reforms and worked with our members to organise as much resistance as possible to each privatisation.

Yet the Baird Government is still steaming ahead with its aggressive small government agenda. It is now time for the PSA to raise the profile of Baird's sell-off in the wider community to help galvanise public opinion against the threat of profit-driven takeovers of our public services.

On 5 September 2016 the PSA launched a major campaign: ***Stop the Secret Sell Off***. This Campaign shows how the Baird Government is obsessed with privatising as much of the public sector as they can get away with.



The **Stop the Sell Off** website is the central plank of the PSA's campaign to inform the public on Baird's privatisation agenda and move from passive to active opposition. Radio advertisements direct people to the website, on which they can find information on the various government services currently slated for privatisation by the state government. As well as this, people are encouraged to sign the petition calling on the Baird government to stop its privatisation agenda and to pass laws allowing the Auditor General to audit private providers who receive public monies. NSW is the only state in Australia that does not have this type of law.

Along with this, the PSA is fighting politically to push back against a new Regulation designed

to make it easier and cheaper for the government to transfer staff to private service operators. In *The Sydney Morning Herald* on June 23, the General Secretary of the PSA said¹:

"It's appalling that the biggest employer in the country would treat their workers like they are property and hand them over to the private sector without the employee having any say in the matter. These people are public servants, not public serfs, and the government should be the gold standard for employers."

The *Government Sector Employment Amendment (Transfers to Non-Government Sector) Regulation 2016*² stops any public servants transferred to a non-government service provider from receiving any severance or redundancy payment if the new employment is "comparable".

This draconian Regulation means staff can be transferred to the new private provider against their will and have no right to remain with the government. If they choose not to transfer to the new provider, where there is similar employment offered to them, they have no right to the normal redundancy provisions and lose that entitlement.

"Comparable employment" is a slippery term. What the government deems to be comparable employment may in fact not be due to the regulation only considering industrial provisions such as those in awards and not policies. In addition, there are risks with the new employment such as wages and conditions degrading over time. As necessary, the PSA will fight unreasonable application of this concept in the Industrial Relations Commission.

The PSA is also working hard to get the numbers in the NSW Legislative Council to overturn this regulation.

4. What is the damage from privatisation in NSW?

4.1 Ageing Disability and Home Care (ADHC)

Ageing, Disability and Home Care (ADHC) is the largest and most experienced provider of disability services in NSW, setting performance and employment standards across the sector. It employs over 14,000 people and delivers 40% of all disability services in NSW. It has unparalleled expertise in working with people with high and complex needs. ADHC staff currently care for people living in group homes and provide community care services, such as physical therapy and mental health support and provide respite care for families.

As the National Disability Insurance Scheme (NDIS) was rolled out, the Government decided to stop providing disability services and sell off ADHC. This deprives thousands of people with disability the choice of service and, in some cases in regional areas, removes the service completely.

¹ <http://www.smh.com.au/business/workplace-relations/government-regulation-will-terminate-redundancy-entitlements-of-public-servants-20160621-gpoc0z.html>

² <http://www.legislation.nsw.gov.au/regulations/2016-324.pdf>

People with disabilities and their families are anxious that they won't be able to access the same quality and variety of services, especially in regional centres where service providers could be limited. This may leave people, in particular those with high or complex needs, without much needed help and no safety net to catch them. Private and disjointed services will be based on cost and business models rather than the specialised needs of clients.

This privatisation also short-changes committed disability workers, who are being forced over to a private provider. Thousands of experienced care providers across the state will be lost. A recent PSA survey showed that up to 50% of staff will chose to leave the disability sector all together rather than work for a private provider and face significant cuts in pay and conditions.

The PSA has run an extensive campaign against this sell-off, under the banner of ***A Real Choice***. This has included rallies and highlighting specific concerns such as the Baird Government's disgraceful treatment of this female dominated workforce in terms of a sub-standard transfer package. Male dominated industries such as electricity and ferries received far more generous packages and greater certainty on their futures.

In 2014 the PSA collected 25,000 signatures on a petition against this privatisation. But parliamentary processes were used to prevent a parliamentary discussion of the petition. A motion will be introduced seeking discussion of the petition given that the lack of discussion is a key example of the NSW Government's secrecy around privatisation.

The PSA lobbied and campaigned extensively in the lead up to the NSW state election in 2015 resulting in 100 MPs and candidates signing our pledge against the ADHC privatisation. We undertook targeted doorknocking activities in the Port Stephens and Strathfield electorates and funded a Stop Disability Privatisation billboard in the Hunter region at a time when NSW voters could take meaningful action and vote to oppose privatisation.

The campaign has also included a YouTube video by the Friendly Jordies on the privatisation of ADHC by stealth³, and members have organised numerous rallies and protests over the last few years, most recently in March 2016 PSA members took to the streets of Manly to protest the privatisation of disability services at the Premier's electorate office.

4.2 Technical and Further Education (TAFE)

TAFE NSW has a long and proud history of preparing the people of NSW for work. For over 140 years, it has adapted to the changing needs of industry, the economy and the community. It currently takes over 500,000 enrolments for courses run at over 50 campuses throughout NSW and online. TAFE is one of the most important institutions for ensuring the quality of skills and knowledge in the NSW economy.

Since 2012, funding for TAFE has been slashed, forcing it to compete for funding against inferior private providers, many of which have sprung up almost overnight. This has resulted in significant fee increases and a dramatic drop in student numbers. Some of the people who

³ <https://www.youtube.com/watch?v=bcRk3DPjXc>

would have gone to TAFE have ended up with these private training providers, but many haven't enrolled at all. They have been put off by the huge fees and, especially in regional NSW, there just aren't that many alternatives to TAFE.

The PSA has campaigned extensively since 2012 against the dismantling of TAFE including a **Save Our TAFE** campaign tour in 2014. In 2015 the PSA made a submission to a parliamentary inquiry into the NSW Government's *smart and skilled* reform which is driving the TAFE cuts. In 2015 there were also doorknocking campaigns which further highlighted the impact of the cuts. We have engaged extensively with our TAFE members all over the state, highlighting the particular impacts of TAFE cuts on regional communities and on vulnerable young people.

4.3 Family and Community Services Out-of-Home Care

Out-of-Home Care is the range of services provided for children at risk of harm, who need to be removed from their homes and placed in a safe environment, such as with foster carers. In the past, Out-of-Home Care has been run by Community Services.

Since 2012, the NSW Government has been transferring funding for Out-of-Home Care services to Non-Government Organisations (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.

Private providers simply do not have the capacity or experience to cope, especially in providing the necessary expertise for children with complex needs. They have been unable to provide all Out-of-Home Care placements that are needed and children are being looked after by caseworkers in motels and caravan parks – sometimes even in offices in Community Services Centres. Often they are returned to the homes they were removed from because a safer alternative can't be found.

Billions of tax payer dollars have been transferred to the non-government sector. Yet the Auditor General has noted that "Non-government organisations (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"⁴.

The PSA has campaigned against the transfer of Out-of-Home Care services to NGOs since 2011 through the **Safe Hands** campaign. This campaign aims to ensure child protection services in NSW remain a responsibility of the Government, and that the Department is properly resourced, staffed and funded to provide high-quality care and support to vulnerable families and children in our community.

On the ground members have taken action over this issue with walk outs across the state in 2014 and 2015. These highlighted lack of funding for child protection and the transfer of services to the private sector with no safety net and little oversight. In many cases children at risk were sent back to Community Services despite the resources having been transferred to NGOs.

⁴ NSW Auditor General's Report, Financial Report 2014-15, Volume 8, Family and Community Services, page 27.

This year the PSA made an extensive, member-driven submission to a parliamentary inquiry into child protection. As a result, the *Daily Telegraph*⁵ reported in July 2016 that “young children rescued from abusive homes are sleeping overnight in government offices, with caseworkers having to bunk down with them, because of a crisis in the Baird government’s child protection services”. The PSA submission included a number of recommendations designed to ensure strong and responsive government-provided child protection and out-of-home care services.

4.4 Social Benefit Bonds in child protection

In 2013, the NSW Government created two social benefit bonds to reduce the reliance on Out-of-Home Care:⁶

Newpin Social Benefit Bond – this bond funds the expansion of a UnitingCare Burnside program that works intensively with families to either safely return children in care to their families, or prevent children from entering care.

Benevolent Society Bond – this bond funds services for up to 400 families over five years to help them deal with issues such as domestic violence, substance misuse, mental health, unstable housing and family functioning.

These bonds have had some success, but they are small scale and restorations have resulted in actual or projected ‘success’ payments to investors. But these programs do not require the Social Benefit Bond model to work. The service models were developed before the bonds. Success payments could be better invested in additional services, rather than having private investors profit from social disadvantage. There is no compelling evidence that use of the Social Benefit Bond model drives more innovative service models or better results than direct government provision of these types of service models or other evidence-based service models.

Following her speech to the Sydney Institute on 29 February 2016, NSW Treasurer Gladys Berejiklian, in answer to a question asked by a member of the audience about social benefit bonds, recounted the following story; “I said to one of the private investors once, “You must feel really great contributing to such a noble cause,” and they said, “No, we just like to make the money.””

4.5 Corrective Services (Prisons)

The PSA maintains that the NSW Government must operate prisons not the private sector given the primacy of the objective of achieving genuine rehabilitation for as many prisoners as possible. Private operators will always be driven by profit and cost control which is at odds with giving prisoners a real chance for a better life after prison. Incentives to invest in quality rehabilitation programs are limited under private provision, especially when more prisoners can mean higher profits. Public provision of prisons is the only way to ensure transparency of operations and outcomes. It is too easy for private operators to manipulate

⁵ <http://www.dailytelegraph.com.au/news/nsw/exclusive-atrisk-kids-forced-to-sleep-on-office-floors/news-story/ada9fdc740d97548b03e0788c45c1edd>

⁶ Office of Social Impact Investment, *Social Benefit Bonds*, <http://www.osii.nsw.gov.au/initiatives/social-benefit-bonds/>

reporting on violent incidents in prisons and other matters. Private operators have an incentive to meet targets in their contracts in any way they can so that they retain their contracts long term.

Yet despite this, the NSW Government has called for tenders for private companies to run the John Moroney Correctional Centre at Windsor on the north-west outskirts of Sydney. Corrective Services can also submit a tender to compete with the private bids. However, private sector bids will be “commercial in confidence” so transparent comparison with publicly run prisons is not possible.

There is also a proposal to sell off Long Bay Correctional Centre to property developers, to be replaced elsewhere in outer Sydney with a private mega jail, housing up to 5000 inmates.

This is all happening at a time when the prison population in NSW is at record high levels. There are over 30 prisons in NSW, many in regional locations. Private operation of prisons will reduce fair outcomes for prisoners and will lead to jobs being cut and/or slashing of pay and conditions. Such outcomes will be disastrous for those communities that rely on their local prisons to keep them safe and to keep their local economies moving.

The PSA has campaigned hard against private prisons for years and has been successful in drawing media attention to this regressive set of reforms.⁷ The PSA is supporting an in-house bid which would enable continued public sector operation of the John Moroney Correctional Centre.

There are often claims, with use of data from here and overseas, that privately operated prisons are cheaper. While this may be possible with significantly reduced staffing ratios, lower wages and conditions and lower quality services for prisoners such as food and rehabilitation, the need for a profit still has to be factored in. Further, in cases where there are public and private operators, the public prison may have more complex (and therefore costly) prisoners which distorts the comparison.

4.6 Sport and Recreation

Sport and Recreation operates 11 centres throughout the state that have an impressive track record of providing quality outdoor activity programs and kids school and holiday camps. Generations of children in NSW have taken advantage of the affordable and experienced services that these centres have offered.

The NSW Government has quietly been looking at having private operators take over the running of the centres. They are spread throughout the state, from the Hawkesbury and the Hunter, the Snowy Mountains and far north coast, to the far west and north-west NSW. They have strong links to their local communities and are stable source of employment. The centres promote tourism and school and community groups travel from throughout the state to visit. Any move to have these centres generate private profits puts all this at risk. The centres are situated on magnificent sites that, while they are in public hands, are there for the enjoyment of all residents of NSW.

⁷ <http://psa.asn.au/the-psas-steve-mcmahon-responds-to-plans-to-open-nsw-prisons-to-more-private-operators-the-sydney-morning-herald/>

In August 2016 the General Secretary of the PSA wrote to the relevant Minister opposing this privatisation and raising the lack of consultation with members and other stakeholders. The PSA has set up a petition against the privatisation of these valuable centres⁸. The PSA has highlighted the community impacts of the plans reported in the Sydney Morning Herald⁹.

4.7 Powerhouse Museum

The Powerhouse Museum is a major tourist and educational institution in the heart of Sydney. Although often described as a science museum, the Powerhouse has a diverse collection encompassing all sorts of technology. It has existed in various guises for over 125 years and has occupied the Ultimo site since 1988.

In November 2014, the Premier announced the Powerhouse Museum would move from Ultimo to Parramatta. Then in February 2016, expected sale proceeds from the Ultimo site of between \$150 and \$200 million were announced, with apartments anticipated for the site. In April 2016, the new Parramatta location was announced.

The Powerhouse is on a unique and strategic site, close to public transport links and other attractions. It remains a popular destination for locals and tourists alike. No other government anywhere in the world has ever sold off a major state museum less than thirty years after opening in an award winning, fit for purpose building, only to move the museum out of the city to create a smaller museum.

There has been a lack of transparency in the decision, and a lack of clarity as to whether all options and impacts have been properly assessed. There is enough demand for a museum of this type and size both at the present location and in Western Sydney.

When the move was first announced, the PSA promoted local community action to resist the sell-off, and consulted affected members. The PSA highlighted our members rights to stay at the Ultimo site. This is particularly fair given a 12 per cent increase in visitors in 2015 compared to 2014, although the Government had argued that patronage was in decline¹⁰.

In July 2016, the PSA made a submission to a parliamentary inquiry into museums and galleries that included investigation of the plans for the Powerhouse Museum. Based on member input, the PSA recommended retaining the Powerhouse Museum and examining a new museum for Western Sydney given the demand for such important cultural institutions.

4.8 Land & Property Information (LPI)

For most people, the biggest investment they will ever make is buying a home. To protect that ownership in NSW, Land and Property Information keeps, safeguards and updates records of every property in NSW. Everyone involved relies on the accuracy of these records – buyers, sellers, agents, solicitors and banks.

⁸ <http://psa.asn.au/psa-petition-against-the-privatisation-of-sport-and-recreation-centres/>

⁹ <http://www.smh.com.au/nsw/nsw-government-admits-looking-at-changing-operators-for-70-years-of-school-camps-20160831-gr5s1j.html>

¹⁰ <http://psa.asn.au/children-flock-to-powerhouse-museum-before-baird-government-sell-off-the-sydney-morning-herald/>

The Government is planning to sell the part of the Land and Property Information office responsible for defining land boundaries and keeping property records. This will be the biggest change in the NSW property system for over 150 years when the records system was introduced.

The Government has just increased fees to make Land and Property Information more attractive for sale. The purchaser will be looking to further maximise profits, which it can do easily as it will have a monopoly.

Right now, Land and Property Information brings about \$70 million a year into government coffers. This is a huge sum of money that pays for valuable public services. When sold, this money will be lost to the people of NSW.

The property system in NSW is supported by a guarantee from the NSW government by way of the Assurance Fund. This guarantee is at risk if records are being kept by a third party. In the US, people have to take out expensive insurance to protect themselves against fraud and mistakes in property title. If this happens in NSW, that cost will be borne by the consumer.

Property is one of the cornerstones of the NSW economy. Any move that will undermine confidence in the property system will jeopardise the NSW economy and should be avoided at all costs.

The PSA issued a media release against the privatisation in May 2016 and has also highlighted other commentary against this privatisation such as by Gary Ulman, the President of the Law Society of NSW who stated, '...there are some state-owned assets that should remain in public hands and this is one of them.'

A stop work rally was held in June 2016. The PSA organised a strike by LPI workers in July 2016, with the Assistant General Secretary leading another rally. Legislation has now been introduced to lease LPI and the PSA is lobbying hard against this.

4.9 Public Works

NSW Public Works has a long and impressive history of making a significant contribution to the built environment in NSW. It conserves the state's historic buildings and maintains and upgrades important community infrastructure. Its architects, landscape architects, urban designers and heritage specialists design public buildings and spaces, and in the past has played a major role in constructing these – most notably the Sydney Harbor Bridge.

This year, as part of a 'repositioning' of Public Works, the government sold off the last of its construction groups to a private company. Some long-standing employees were offered a job with the buyer, but many were made redundant.

The government has now lost its construction expertise at a time when it is embarking on a major program of building infrastructure. This makes it vulnerable to large construction corporations who can exploit that lack of knowledge when taking on government contracts. From June 2105 when it was announced, the PSA has opposed this privatisation and has

worked closely with affected members. The PSA pushed for a provision to allow affected staff to negotiate job swaps with employees in other public sector agencies who wish to access a voluntary redundancy package. Although public works management did not agree, it did say it would be willing to entertain potential job swaps where they were deemed appropriate.

4.10 Government Records

The Government Records Repository manages and stores records created by NSW public sector agencies, such as hospitals, local councils and public schools. It has over 60 years' experience in keeping sensitive government records safe and secure. Government Records Repository operates a world-class storage facility in the western suburbs of Sydney that is a valuable employer in the area and a contributor to the local economy.

In February 2016, staff were told that the Government had "*commenced initial discussions with the market to sound out potential options for the future.*" This was a roundabout way of saying it, but workers were certain what it meant – the Government Records Repository is going to be privatised.

The risk in this move cannot be understated – it is a risk both to good government and to the privacy of the residents of NSW. There is just too much that can go wrong if private and sensitive records are put in the hands of a private provider.

The PSA has strongly advocated against this privatisation, highlighting the risks to the Director of the State Records Authority in March 2016. The PSA also raised the potential impacts on our members. The Director acknowledged that the Kingswood head office facility will remain in government hands, the PSA will be informed of the outcome of market sounding and any shift of records to the private sector will exclude material that is more than 25 years old and any public documents of historical value.

4.11 Housing NSW

Housing NSW provides homes to those most at need. Housing NSW workers also support their tenants with access to a wide range of disability and other services.

In NSW, access to affordable and secure housing is a huge problem. There is a long waiting list for public housing, and the Government is currently selling off dwellings and transferring others to community housing.

In 2016, the Government released a policy on social housing¹¹ that expands the role for community housing and the private sector. However, this will not meet demand for housing now or in the future. The only winners will be investors and developers, and not the people of NSW.

The Government is shirking its obligations to the most disadvantaged members of society and is sending them away far from areas that have opportunities for work and services.

¹¹ <http://www.socialhousing.nsw.gov.au/?a=348442>

Social housing will not be spread evenly over NSW, but will be concentrated in those areas that property is cheapest – on the outskirts of Sydney and in regional locations.

The problems for public housing in NSW are large and complex. However, only the Government has the resources and access to services required to provide our most disadvantaged with a home and services to keep them secure in their housing. Social housing experiments in the UK involving the private sector have been disastrous, and it is puzzling that the NSW government would consider repeating them.

The PSA has met with the relevant Minister about public housing reform on a number of occasions and responded to a Department of Family and Community Services discussion paper on proposed public housing reforms in 2015. After release of the new policy, the PSA consulted with FACS management and members on the implications of the reforms, keeping members informed through bulletins. The PSA will continue to resist the reduction in public housing especially once the target locations for transfers to community housing are known and mechanisms to involve new, for-profit players are revealed.

4.12 *ServiceFirst*

ServiceFirst was created in 2008 to provide central support to a number of other government agencies providing critical human resources, finance, payroll, IT and other support functions. At one stage, over 600 people were employed by ServiceFirst.

To cut costs, the Government had planned to send 95% of the services provided by ServiceFirst to a private company that would do the work overseas. This would also mean that a lot of sensitive and personal data would be stored outside of NSW. This was hugely unpopular, and following pressure from the union and reports in the media, the Government backed down and reduced this figure to 30% of the services provided.

Approximately 30,000 other public sector workers perform similar roles to the ServiceFirst positions, and these must also be at risk.

The PSA has fought against this privatisation. The PSA also ensured that members who worked in other government departments and benefitted from Service First were involved in the fight. A PSA petition against the privatisation was handed to Labour MPs in March 2015 and in the same month 150 Service First workers walked off the job.

4.13 *NSW Trustee & Guardian*

The NSW Trustee and Guardian does much more than simply draft wills and look after deceased estates. It also manages money for people who are unable to look after their own finances, such as those with dementia, a brain injury, or an intellectual or psychiatric disability. It currently operates 19 offices throughout the state, delivering local services to our most vulnerable.

In 2015, the Government announced that it was going to slash a third of all jobs in Trustee and Guardian, resulting in the closure of 14 offices and the down-sizing of others. This announcement was made without any proper assessment of the impact of the changes or a

plan to cope. The PSA successfully secured a guarantee that some of the threatened regional offices will remain open, and that any changes will be delayed until a pilot into the proposed service changes has been evaluated.

This is privatisation by stealth. As our population gets older and demands for these services grows, the NSW Trustee and Guardian will be an empty shell, providing only very basic assistance. To get the quality local service now offered by NSW Trustee and Guardian, people will be forced to pay for it in the private market.

The PSA has organised a number of rallies against these reforms and a stop-work meeting was held on 8 September 2016. The stop work meeting recognised, that despite numerous appearances by the PSA at the Industrial Relations Commission, management has failed to ensure that the best interests of members and the community are upheld. Key issues include the work, health and safety impacts of the proposed future operating model and the long-term impact of a lack of necessary client services.

4.14 Pillar

Pillar is a government company that administers superannuation for a number of funds, including First State Super, the fund for NSW government employees. Pillar employs over 700 staff, mostly in Wollongong, where Pillar has been a long-term employer. Estimates are that it injects about \$290 million into the economy every year, and that every new job at Pillar creates another 1.5 jobs in the local community.

The PSA has opposed this privatisation. Along with Unions NSW, the PSA lobbied members of Parliament to vote against the legislation. But in May 2016, the Government passed the legislation to sell Pillar¹². This puts its longstanding links with the Illawarra region at risk. The Government says that any new buyer must keep Pillar in Wollongong, but that only applies to 'member services'. This could be as few as 30 workers.

The PSA is concerned about the transfer conditions for any members forced to move to the private sector. These members could be adversely impacted by the new regulation to prevent transfer payments in the case of 'comparable' work. Nevertheless, the PSA has raised protection of job security and entitlements for 5 years and a transfer payment of 30 weeks in line with the arrangements for electricity workers.

Pillar is a well-run and profitable government company that brings in about \$100 million in revenue for the people of NSW every year. This income stream will be lost forever after the sale. There's also no way that the Government can make sure that Pillar remains an important driver of the economy in the Illawarra.

4.15 Court Reporters

Court reporters transcribe legal proceedings as they happen. They have specialist skills and are valued by all users of the justice system. The court transcripts they produce need to be accurate and available quickly and cheaply.

¹² <http://www.legislation.nsw.gov.au/#/view/act/2016/19>

The Government proposed to replace its high quality and expert in-house court reporting service with a user-pays private service for civil proceedings in the Supreme Court. This private service would only produce sound recordings which would then need to be transcribed by a typist. The new service would be more expensive to users, less efficient with lengthy delays, and produce inferior-quality transcripts. It would also have an unfair impact on women, as the vast majority of court reporters who would lose their jobs are female.

The PSA intervened to ensure that no court reporters lost their jobs. However, court reporters who retire or leave are not being replaced, and their work is being done by outsourced sound recorders. Privatisation, and the erosion of the quality of legal proceedings in NSW, is still happening but at a slower rate.

5. Could the privatisation threat get any worse?

The new NSW Government Commissioning and Contestability Unit is one of the key pathways to a ramp up of privatisation in NSW. This unit is likely to be quite creative and far-reaching in its analysis. Its placement in NSW Treasury gives it access to budget and performance data for every NSW Government agency making it easy for it to pick off new targets for privatisation. The unit will have a strong economic policy team and is likely to examine contestability, commissioning and privatisation trends across the globe for ideas.

Already there are worrying signs that privatisation in NSW could be very far reaching. New models of provision, with a greater reliance on the private sector are clearly well advanced. One example is NSW Social Impact Bonds¹³ which commenced in the area of Out-of-Home Care.

The new Northern Beaches Hospital in Sydney¹⁴, which will divide patients into separate economy (public) and business-class (private health insurance) type service models within the same hospital, is designed to drive greater use of private health services. The Government has just announced it will outsource five public hospitals to private operators. There is a particular risk in these types of scenarios that public services that were once free or low cost simply become a safety net, with increasing numbers of consumers shifted to higher-cost private services.

There is scope for this type of thinking to be expanded into sectors such as schools. New public school models could be developed based on a more privatised form of control such as the Academy Schools¹⁵ in the United Kingdom or Charter Schools in the United States. This could lead to reduced accountability, profit motives and deregulation of wages and conditions for school staff. The stated driver may be enhanced student performance but this is often not delivered by these models.

The NSW Government also seems to be intent on finding ways for foreign investors to capture value from public assets, rather than examining ways for publicly owned assets to enhance outcomes for all the people in NSW. According to media reports, the Baird

¹³ <http://www.osii.nsw.gov.au/initiatives/social-benefit-bonds/>

¹⁴ <http://www.northernbeacheshospital.com.au/faq>

¹⁵ <http://www.bbc.com/news/education-13274090>

Government has had discussions about developing the airspace over rail lines with MTR, the Hong Kong-based multinational it has already contracted MTR to run the North West Rail Link.^{16,17} Trains and remaining publicly operated buses remain at risk of privatisation.

Sappington and Stiglitz¹⁰ have a fundamental theorem of privatisation—that privatisation should only occur when the market would perform as well as a benevolent government. It is not clear that the NSW Government has considered this very limited test nor even if it is a benevolent government.

6. Recommendations

Recommendation 1

The NSW Government should more thoroughly and democratically assess the impacts of proposed commissioning, contestability and privatisation reforms through:

- (a) Publically available, clear and comprehensive cost and benefit analyses which include the distributional impacts of proposed reforms such as changes in overall job numbers, reductions in wages and conditions, the impacts on regional areas, and the impacts on service quality, prices and fair access, especially those who are more vulnerable.
- (b) Fair and comprehensive transition and transfer arrangements, developed in consultation with relevant unions.
- (c) Withdrawal of the Government Sector Employment Amendment (Transfers to Non-Government Sector) Regulation 2016.
- (d) Establishing a standing Parliamentary Committee to review the outcome of privatisation, commissioning and contestability including compliance with transfer provisions and the socio-economic impacts of these reforms.

Recommendation 2

The NSW Government should further ensure transparency on the impacts of contestability, commissioning and privatisation by passing laws allowing the Auditor General to audit private providers who receive public monies.

Recommendation 3

The NSW Government should reverse its damaging contestability, commissioning and privatisation agenda and mitigate the impacts of this through actions including:

- (a) Ensuring that privatisations that have commenced or are being planned comply with recommendation 1 including Pillar, the NSW Trustee and Guardian, Land and Property Information, Government Records, Sport and Recreation etc.
- (b) Reversing the decision for no NSW Government provision of disability services in NSW after a full analysis of future demand for services under the National Disability Insurance Scheme and the circumstances where the choice of a public provider is warranted, including in regional areas.

¹⁶ <http://www.smh.com.au/national/hong-kong-metro-system-operators-mtr-spread-value-capture-message-to-australia-20151215-glo0wq.html>

¹⁷ http://www.ryanpark.com.au/baird_to_come_clean_on_train_privatisation

- (c) Restoring TAFE as the fundamental provider of vocational education and training in NSW, ensuring that it is funded and supported to deliver quality training aligned to the needs of NSW citizens and employers.
- (d) Affirming the merits of public provision of prisons and committing to no privatisation of prisons, especially noting the risks of increased recidivism, reduced prisoner human rights outcomes, negative impacts on workers in prisons and reduced safety and economic outcomes for local communities in which prisons are located.
- (e) Adjusting the Future Directions for Social Housing in NSW policy that was released in January 2016 to enhance investment in public (not social) housing to mitigate the long waiting list and ensure that public housing remains the principal safety net for vulnerable people unable to access the private housing market.
- (f) Identifying areas in which the NGO sector cannot meet demand in Out-of-Home Care and rebuild capacity for Family and Community Services to deliver specific services where there are identified gaps in service provision.

What do people want?

The NSW Government’s new Commissioning and Contestability Unit (CCU), announced in June 2016, “will put government service delivery under the microscope to identify innovative opportunities to improve quality, efficiency and value for citizens”. “NSW citizens want quality services delivered at an efficient cost, regardless of who is providing them” Mr Perrottet said¹.

The NSW Treasurer, in her speech to the Sydney Institute² said that, “Citizens are increasingly placing a higher value on the quality of service they receive and are becoming less concerned about the source of the service”.

PSA COMMENT

Privatisation is not in fact popular

In the recent Federal Election, of those polled 81 per cent said the privatisation of Medicare, as well as changes to it in its current form, were cause for concern⁴.

In Victoria, 66.7 per cent of people polled said people in the state were worse off as a result of electricity privatisation⁵. British polling suggests majority support for public provision of services e.g. 62 per cent want public operation of prisons⁶.

Which of the following statements is closest to your view?				
	Total	Vote ALP	Vote LNP	Vote Green
An active Government is necessary to provide important public services, and to protect ordinary Australians from unfair policies and practices on the part of large financial and/or industrial groups.	67%	82%	59%	82%
We don't need big government and extensive regulation of business and finance to take care of these matters: the market itself can deal with many of these issues on their own.	20%	10%	28%	11%
Don't know	13%	8%	13%	8%

April 2nd 2012, Essential Media

Source³

¹<https://www.finance.nsw.gov.au/about-us/media-releases/nsw-budget-new-unit-improve-service-delivery>

²The Hon. G Berejiklian, NSW Treasurer, Speech to the Sydney Institute: “Modern Government: less can be more”, 29 February 2016

³<https://blogs.crikey.com.au/pollytics/2012/06/11/what-australians-believe/>

⁴<http://www.sbs.com.au/news/article/2016/06/20/vote-2016-majority-voters-concerned-about-privatisation-medicare-poll>

⁵<http://www.smh.com.au/nsw/poll-says-voters-feel-privatised-electricity-networks-leave-them-worse-off-20150201-1338s6.html>

⁶<https://yougov.co.uk/news/2015/03/12/nationalisation-ideology-beats-pragmatism/>

Economic theory which favours the market should prevail

In her Sydney Institute speech, the NSW Treasurer outlined her three principles of modern government. In summary these cover:

1. "Regulating with a light touch".
2. "Governments should be agnostic as to who provides the service within the operating environment they regulate while still supporting growth in those markets".
3. "Governments should be as efficient as possible".

PSA COMMENT

But this omits some of the realities of human and market behaviours

Any set of principles can sound reasonable in the absence of a full identification of all the factors that should be involved in decisions on the operation of public services. The Treasurer's principles ignore factors such as that private companies may not behave ethically or in the interests of national security, efficient outcomes may coexist with reduced service quality, price outcomes may reduce access to services, and private sector provision can adversely impact wages and conditions and thus social cohesion and equity.

And, the market is more efficient

The NSW Treasurer said in her Sydney Institute speech that *"the service provider should be the entity that provides the best quality and the best value for money... Increasingly it will be the private sector. To put it simply, if the private or non-government sector can do something better, then government needs to step back"*.

PSA COMMENT

In fact, it depends on many factors

There are many counter-arguments to this simplistic analysis. For instance, public ownership can be cheaper because there is no need to pass on profits to shareholders, and because governments can borrow more cheaply than private companies to raise money for investment⁷.

Public provision can be particularly important for pursuing social objectives such as employing minorities or undertaking investment in remote areas. Governments can overcome principal-agent problems by better controlling management than diverse and dispersed shareholders. High wages and profits flow to senior management and shareholders in private firms but the general providers of the services are often exposed to lower wages and conditions compared to public servants.

This can contribute to a widening gap in the income distribution and an undermining of civil society.

⁷<https://weownit.org.uk/evidence>

NSW GOVERNMENT ACTUAL OR APPARENT POSITION

“The State’s total sector balance sheet is in the order of \$300 billion. We believe there are big opportunities to better manage this.”

“The CCU will offer expertise for Government agencies to draw on at each stage of a project, from scoping to execution, building on the example of similar initiatives overseas, such as in the UK where the government has adopted a widespread and successful commissioning market for a range of government services.”

PSA COMMENT

There are significant risks in depending on market solutions

We have seen the impacts of a greater reliance on private vocational education providers with some unethical and fraudulent operators.

UK privatisations cannot be termed “successful” – there are many problems. Polling shows only 21% of the public trust outsourcing companies- the lowest level of trust compared to other organisations like the NHS (79%), the police (65%) and the armed forces (79%)⁸. Only 16% think there is adequate regulation of private companies running public services, compared to 59% who think more regulation is needed. Prices rose significantly in the UK under the privatisation of trains, electricity and water⁹.

It remains to be seen what the privatised disability sector in NSW will mean for people with a disability, especially the highest need clients with care models and costs that may be unattractive for many private operators.

NSW GOVERNMENT ACTUAL OR APPARENT POSITION

Governments should be the last resort for the operation of public services unless there is significant market failure

In line with above positions, fundamentally, the CCU is likely to draw on economic rationalist theory that Government operation of public services is only warranted when there is a “market failure” that justifies this government operation.

PSA COMMENT

How many private provision failures will the people of NSW have to endure?

In this scenario the failings of the laissez-faire free market are often not properly considered. In many cases privatisation is about contracting out so the claimed benefits of choice and efficiency from competition only really come into play at the time of a new tender. In between operators can behave more like monopoly providers which can give them leverage to reduce service quality, increase prices and enhance profits. Then there are problems of lack of accountability e.g. the contestable vocational education and training market and problems that have occurred with NGO care providers. Private providers have incentives to fake performance data such as on the numbers of violent incidents in jails in order to meet their contractual obligations.

It is frightening that Infrastructure Australia estimates there are about \$100 billion worth of state government assets that could be privatised¹⁰.

⁸<https://weownit.org.uk/privatisation-doesn%E2%80%99t-work/whats-problem-outsourcing-companies> ⁹ibid at privatisation-failing/cost-privatised-living

¹⁰<https://www.cis.org.au/app/uploads/2015/04/images/stories/policy-magazine/2014-autumn/30-1-14-davidson-sinclair.pdf>

Privatisation helps keep the AAA rating

The NSW Government is highly focused on retaining the AAA credit rating. This requires meeting specific metrics such as those relating to expenditure being below revenue. The belief that privatised services are cheaper drives much privatisation.

In addition, privatisation can be linked to use of actual or implied voucher systems (where individuals have a specific amount of funding which they can choose how to spend). Voucher systems are often favoured by economists as they offer both consumer choice (believed to drive efficiency) and because they can cap the amount of government funding (like the capped child care rebate). Capping of government expenditure is a key tool to balance budgets.

Budget outcomes can also be used to justify sells offs of infrastructure and revenue generating businesses such as in electricity and water.

PSA COMMENT

Privatisation can be false economy

The efficiency and overall costs of private operation compared to public operation is a complex analysis. For-profit providers strip out profits potentially impacting service quality and cost. If consumers pay more for a privatised service, this can be akin to a regressive tax, and one which may reduce access to services. Voucher systems that may co-exist with commissioning and privatisation can leave vulnerable people exposed to large gap payments also reducing access. The National Disability Insurance Scheme operates on the principals of a voucher system.

Cost can be a fairly blind driver of privatisation. In Budget estimates on 31 August 2016, the NSW Minister for Sport said¹¹ about the forthcoming privatisation of Sport and Recreation Camps that *“Over the last four years we have taken the net cost of service down from in excess of \$7 million...We have been able to reduce that to around \$4.6 million.... we would love to be able to get to a point where we are not running those centres at a loss, because that loss means those funds are not being directed into other forms of sport and recreation.”* This will likely drive up costs for families using these services. It is not clear that the social outcomes will increase due to the alternative use of the funds.

Costs under privatisation can be driven down by reduced wages and conditions with adverse impacts on workers and society as a whole. The NSW Government has moved to contain the costs of privatisation by introducing a regulation barring workers transferred to ‘comparable’ employment with a non-government provider from accessing redundancy or transfer payments. The PSA is fighting this unfair regulation.

The option for “asset recycling” is often a factor in privatising infrastructure such as leasing the poles and wires. The argument made is that capital funds released can be reinvested more efficiently in new infrastructure often under new models relying on the private sector. An example is the NorthWest Metro that will be run by MTR with driverless trains.

But the revenue generating government businesses can be an important source of funds for the NSW Government and it is not clear that sell offs deliver the best overall budget result over the medium and longer term.

There are separate issues with the impacts on consumers and the risks of foreign control of essential infrastructure such as Transgrid (the NSW high voltage network which was leased for 99 years). The ACCC has been concerned that the Federal government’s asset recycling program will result in anti-competitive outcomes.¹² And of course the Federal Government recently blocked the sale of NSW Ausgrid to Chinese investors on national security grounds.

¹¹Parliament of NSW, Hansard, General Purpose Standing Committee No. 4, Budget Estimates Hearing, Examination of proposed expenditure for the portfolio area Trade, Tourism, Major Events and Sport, 31 August 2016

¹²<http://www.afr.com/news/politics/acc-warns-on-asset-recycling-20150209-13aex7>

Annexure 2

Gladys Berejiklian, NSW Treasurer

Modern Government: Less Can Be More

Speech to the Sydney Institute, 29 February 2016

Good evening everybody, to Gerard and ladies and gentlemen it is always an honour to address the Sydney Institute, as this is a unique forum where elected representatives such as myself are able to flesh out the vision behind our decision-making.

This evening, as Gerard has outlined, I want to argue the case for smaller government; governments that are more efficient and maintain their focus on the core business. The greatest challenge facing governments is that resources are limited. This makes it impossible to meet each and every one of the community's demands and expectations even though we would like to. Therefore governments need to be efficient, innovative and flexible to ensure the very best outcomes for our citizens.

I will argue that in the era of ever advancing technological development, less can be more. Governments can and should work smarter to maximise community benefits and return on every dollar that we spend. And I want to say very clearly, this is not code for reducing the services or infrastructure that governments provide or generate, quite the contrary. I will argue that it is an opportunity for governments to generate more services and more infrastructure from the limited resources that we have.

To provide context to this discussion we need to consider the purpose and core business of government in the modern era. We must constantly ask ourselves, why do governments exist?

As many of you would recall or have read about, in 1776 Adam Smith, regarded as the father of modern economics, wrote about what he saw as the three legitimate functions of government – the defence of the nation, the administration and enforcement of legal rights and the delivery of certain public works and institutions. Two and a half centuries on, and the importance of these functions remain paramount. The question for modern governments becomes one of scope and method. Where do the responsibilities of government start and end and how should government exercise its functions?

To answer this, I refer to John Stuart Mills' view of liberalism; that governments should allow individuals to live freely as long as they do not impinge on the freedom

of others and that government should provide equality of opportunity for individuals and communities to be their best.

I believe that Smith's basic but important scope, coupled with Mills' view on equality of opportunity and individual rights, provides a sound context to determining the role of a modern government. Within this framework I want to outline what I believe are three principles of modern government.

These are:

1. Regulating with a light touch. Governments should regulate without feeling the work of Smith's invisible hand.
2. Governments should ensure the delivery of services and infrastructure. Governments should be agnostic as to who provides the service within the operating environment they regulate while still supporting growth in those markets. In the delivery of infrastructure we should adopt global best practice using varied funding models and sources and never adopt a one-size-fits-all approach.
3. Enabling and growing opportunity. Governments should be as efficient as possible so that resources can be dedicated to supporting the infrastructure and service requirements of the community and to boosting economic growth. This ensures that governments can also allocate resources compassionately to ensure that every citizen maintains the right of equality of opportunity.

Allow me now to expand on these points and demonstrate that at the core of each of the concepts is that less can be more. That smaller government is in fact good government.

First – regulation with a light touch – Governments should be as small as possible to ensure innovation can flourish and not be thwarted by onerous regulatory regimes. Governments should regulate and generate growth but in the modern era regulation definitely needs to be light touch. This allows the nimbleness and flexibility when coping with rapidly advanced technology in an ever-changing environment. To use a recent example, the entry of Uber has caused government to shift the regulatory environment of point-to-point transport services. If governments are serious about driving innovation, they must ensure there are no competitive disadvantages for any new entrance in a given market.

Future regulation needs to consider flexible systems to allow for the adoption and entry of new technologies and industries that may not even exist yet. For instance, the Opal electronic ticketing system is an open system which means one day it could

be scaled up to allow customers to use credit cards or mobile phones. Driverless cars are another example. Clearly governments could not have anticipated when drafting the road rules that one day it would be safe for people to travel around at high speed in a car without a driver. Yet we might find in a few years' time that travelling in a driverless car is actually safer as it eliminates the risk of human error. As governments we need to be nimble in making sure we enhance, not inhibit, and embrace technological change.

The need to be nimble and flexible brings me to my next example of reform we are undertaking in financial management across government. The financial management transformation, or I'll use the acronym FMT, will deliver a world class financial management framework for NSW. It involves a change in the structure of the budget and financial practices across the NSW public sector. This will eventually allow monitoring of the State's financial position in real time. Transformation of government financial practices is long overdue. Currently financial modelling forecasting and analysis are captured in IT systems that are some 20 years old and this is clearly inefficient. Having cleaner, clearer information at our fingertips will enable governments to make the best use of public resources in a sustainable way. The FMT program will also provide greater insights into the results being delivered by government, not just the expenses of the government, but also balance sheet management. We are working hard to have Treasury's new IT system ready in time for the 2017-2018 budget.

The second point - ensuring the delivery of services and infrastructure. Governments, I believe should be agnostic as to who provides a service within a regulated environment. Citizens are increasingly placing a higher value on the quality of service they receive and are becoming less concerned about the source of the service. Government will always regulate the provision of the core service, but the service provider should be the entity that provides the best quality and the best value for money. In some instances this may be government or the community sector. Increasingly it will be the private sector. To put it simply, if the private or non-government sector can do something better, then government needs to step back.

A good example of this concept is the franchising of Sydney Ferries which has resulted in services that are more frequent and higher quality. Government continues to regulate the service through fares and route selection and it is unlikely that passengers care on a day-to-day basis that the actual provider or service provider is a private company. Customers are happier the taxpayer is protected through provision of a fixed contract which costs less than the public sector comparator and the private sector gets involved in a public activity from which it was previously excluded.

Another innovative way we are involving private and non-government sectors is service delivery through social impact investment. Very proudly the NSW government is the first government in Australia to implement social benefit bonds. This concept is about generating positive outcomes for the community alongside financial return for investors and for government. Social impact investments bring together capital and expertise from the public, private and not-for-profit sectors to tackle a range of social issues, a great example of collaboration. By harnessing the innovation and capital of the non-government sectors we can deliver better outcomes for the most vulnerable people in our communities. This is a big shift from how governments traditionally fund services and we can be sure that taxpayers' money is put towards programs that make a positive and meaningful difference to people's lives.

And I want to outline the example or the case study of the Newpin program, which is a great case study in social impact investment. The Newpin program aims to restore children in out-of-home care to their families and the results to date have been amazing. The NGO running the support service has had a success rate of 65% in restoring families. This compares to about 25% of the success rate of governments. Private sector investors have received returns of 7.5% and 8.9% in the first two years of the program. As well as this, taxpayers got a better deal as less was spent to achieve a greater outcome. Higher success rates for less dollars spent. Most importantly, government was able to better support those most vulnerable in our community. We have committed to two new areas of social impact investment every year and the opportunities are endless. This is opening up the frontier in areas which were previously regarded as the sole domain of government.

The digital age as we know also provides enormous opportunities for innovative service delivery as well as smaller, more effective government. You can already experience how the NSW government is embracing technology simply by walking into any Service NSW Centre. Service NSW is an excellent example of how cutting-edge technology can be used to deliver better services while making the taxpayer dollar go further. Customers have a one-stop shop where they can conduct more than 800 different types of transactions. Taxpayers get a better deal with huge savings made in back-office processing and by 2019, the NSW government wants to see 70% of all transactions conducted digitally.

Now to infrastructure delivery, where the aim should always be global best practice and never a one-size-fits-all approach. To illustrate this I will use the example of the Northwest Metro, the NorthWest Rail Link, the Northern Beaches Hospital and WestConnex. Three very different projects with three very non-traditional funding models. The Northwest Metro comprises of three major contracts, the first two being traditional design and construct contracts and the third being the operations, train and rail systems contract which was procured as a public-private partnership with an

availability payment mechanism. The successful tenderer, MTR, which runs the Hong Kong Metro Network, will operate the new line, which incidentally will have driverless trains, a first for Australia. The government sets the fares and makes payments to the private sector which takes risk on the operational performance.

Similarly innovative is the WestConnex finance strategy which involves a mix of public and private finance. For the initial WestConnex stages, State Equity is co-investing alongside private debt. The State's equity investment in these initial stages will be sold and recycled to be part of investment in the latter WestConnex stages. Incidentally, the NorthWest Metro is Australia's largest public transport project and WestConnex is Australia's largest roads project.

For the Northern Beaches Hospital the State has included an operator-led delivery model. The operator is responsible for building and operating the facility and will receive ongoing performance based payments. This unique funding model reduces the upfront capital burden on the State with a total State capital contribution of approximately \$360 million for the \$600 million facility.

These three examples demonstrate that governments need to be flexible when it comes to funding essential infrastructure the community desperately needs. In NSW record spending in infrastructure is occurring, not only because we have been open to new and emerging funding models, but also because asset recycling has freed up billions in up-front capital to reinvest in productive infrastructure.

While understandably so much focus of the government's economic management is on the general government sector, that is the State Budget, which is in the order of \$70 billion a year, the State's total sector balance sheet is in the order of \$300 billion. We believe there are big opportunities to better manage this.

And the third and last of the points I wanted to outline is government enabling and growing opportunity. Governments should be as small and as efficient as possible to ensure resources are dedicated where they are needed most. This allows for governments to focus on their core business and do that well rather than venture into areas best left to others. A case in point is job creation. Good governments stimulating the economy to grow jobs not just on growing the public service. To use an example from my former portfolio, one of my priorities was reforming the bureaucracy which delivers transport in NSW. When we came to government there were 10 disparate, silent transport agencies that were all doing their own separate planning and policy work. This was reduced to one main agency responsible for planning and policy functions in the state which could deliver instructions to those delivery agencies. This meant the operators could focus on their core business of providing world class transport services.

When I left the Transport portfolio there were 2,000 fewer back-office staff in Sydney Trains and NSW Trains than there were in RailCorp when I arrived. At the same time, very proudly, there were well over 1100 extra services and customer satisfaction had increased.

It is not necessary to grow the public service in order to stimulate employment growth. I am proud that NSW is creating more than half the jobs in the nation and has done so for more than a year and we haven't done this by growing the public service, far from it. We have achieved this through economic growth, stimulating both business and consumer confidence and taking the advantage of the opportunities that a diverse economy such as ours in NSW has during a commodities market downturn.

No doubt growth in the housing market and our infrastructure spend has been a part of this story. But there is still more to do in increasing efficiency in reducing duplication across government. You may be as surprised to learn as I was that currently there are about 870 NSW government entities including Departments, Agencies, State-owned Corporations, Boards, Committees and Trusts. I know this because I recently asked an expert panel of all of the structures within our government to present recommendations on how our processes can be leaner and more efficient. Many of these identified bodies overlap in terms of the functions they perform. There is opportunity here to reduce this number, not for the sake of it but because it will reduce waste, streamline decision making and make government work better.

To give you an example of some of these bodies, there are 76 Crown Land Trusts managing assets on behalf of local communities. One of them manages a tennis court in Newcastle; another manages a small historic pumping station in Maitland. While the government is yet to decide its exact course of action, the panel has recommended that these should not be separate Trusts and should be merged into one.

Over decades these bodies may have been established for a specific purpose which no longer exists or is no longer regarded as important, yet they have remained as part of the machinery of government either because they were established without sunset clauses or they were simply overlooked, something we will rectify for new bodies established into the future.

The intention of this reform is to streamline administration and government's arrangements and consolidate government agencies, bodies, boards and committees. This process could deliver significant savings which could be poured back into essential services. But this is more than just about simply saving money. It is about improving the delivery of services and infrastructures of the people of NSW

by reducing regulatory burdens and strengthening lines of accountability. It is about ensuring the government focusses on its core business.

In conclusion, in NSW our government has come a long way in getting back to the core business of good government and focussing our energies and resources on what is most important. By managing our resources better we have generated economic growth, supported the most vulnerable and worked collaboratively with the community and private sector to make this happen. Much reform has been achieved but there is much more to come. We will continue to be an enabler for economic growth, a good and responsible regulator and a compassionate and efficient provider of quality services and infrastructure.

I hope that tonight I have effectively illustrated to you that when it comes to modern government, less can be more. Governments are nothing if they do not protect, deliver and build. It is not the size of government that determines success in achieving these noble objectives, but the way government collaborates and operates. Thank you for your time this evening.

Transcribed by the Public Service Association of NSW, 1 September 2016



Dominic Perrottet

Minsiter for Finance, Services & Property

MEDIA RELEASE

10 June 2016

NSW Budget: New Unit To Improve Service Delivery

The NSW Government will establish a new Commissioning and Contestability Unit (CCU) to improve government services by exploring delivery models that include a mix of government, NGO and private sector providers, Treasurer Gladys Berejiklian and Minister for Finance Dominic Perrottet announced today.

Delivering on the Government's State Priority to improve services, the unit will put government service delivery under the microscope to identify innovative opportunities to improve quality, efficiency and value for citizens and is backed by a \$2.9 million investment, to be included in the June 21 NSW Budget.

Drawing on world's best practice, the CCU will work with Government agencies to test the efficiency and effectiveness of current and proposed government programs, exploring delivery models that include a mix of government, private and not-for-profit service providers to improve competition and value for money, while delivering better services.

"Our principle in Government has always been to deliver quality services to the people of NSW, no matter who is providing the service," Ms Berejiklian said. "The CCU will look for innovative ways of providing better services for our customers, right across government."

The CCU will offer expertise for Government agencies to draw on at each stage of a project, from scoping to execution, building on the example of similar initiatives overseas, such as in the UK where the government has adopted a widespread and successful commissioning market for a range of government services.

Mr Perrottet said the CCU would take the same approach the Government had taken in a range of recent reforms, applying those principles across government to deliver quality services and make better use of public funds.

"NSW citizens want quality services delivered at an efficient cost, regardless of who is providing them," Mr Perrottet said. "A great example of the Government re-imagining services around what customers want is Service NSW, and that is the kind of transformative innovation the CCU will deliver," he said.

"What matters is that citizens are put at the centre, and whether that means government providing its services better, or partnering with the best of the private sector, the CCU will be a powerful tool to make that happen".

The CCU sits within NSW Treasury, reporting to the Treasurer and the Minister for Finance.

MEDIA: Ehssan Veiszadeh | Treasurer | 0418 986 206