

ASU Submission to the Australian Senate Select Committee of Inquiry into the Abbott Government's Commission of Audit

Table of Contents

About the Australian Services Union	1
Introduction.....	2
Public services for Australian communities	7
i. The Abbott Government's National Commission of Audit (NCA).....	7
ii. The role of the Australian Senate Select Committee into the Abbott Government's Commission of Audit.	8
iii. Alternate directions for policy implementation – Fairness Commissions.	9
Observations by APSE	9
iv. Impact to ASU members of Abbott's NCA.	10
Water and Local government.....	11
Electricity	12
Melbourne's privatised public transport system.....	14
Conclusion.....	15

About the Australian Services Union

The Australian Municipal, Administrative, Clerical and Services Union, trading as the Australian Services Union (ASU) is one of Australia's largest Unions, and represents approximately 120,000 employees. The ASU was created in 1993. It brought together three large unions – the Federated Clerks Union, the Municipal Officers Association and the Municipal Employees Union, as well as a number of smaller organisations representing social welfare, information technology workers and transport workers.

Today, the ASU's members work in a wide variety of industries and occupations and especially in the following industries and occupations:

- Local Government (both blue and white collar employment)
- Social and community services, including employment services
- Transport, including passenger air and rail transport, road, rail and air freight transport
- Clerical and administrative employees in commerce and industry generally
- Call centres
- Electricity generation, transmission and distribution
- Water industry
- Higher education (Queensland and South Australia).

The ASU has members in every State and Territory of Australia, as well as in most regional centres. Issues and areas of concern to be covered in this submission include:

- Public services for Australian communities;
- Systemic failure of markets to adequately serve Australian working people;
- Alternate directions for policy development and implementation;
- Role of the Australian Senate inquiry;
- Areas of concern of the NCA that will have a direct and indirect impact to our members;
- ASU submission to NCA.

Introduction

The following is the ASU submission to the Senate Select Committee of Inquiry into the Abbott Government's Commission of Audit (NCA).

Whilst the ASU lodged a submission to the NCA, it is noted that it is the first audit commission of its type to be undertaken in Australia by a Federal Government. The current Prime Minister, Tony Abbott has said:

Within a decade, the budget surplus will be 1 per cent of GDP, defence spending will be 2 per cent of GDP, the private health insurance rebate will be fully restored, and each year, government will be a smaller percentage of our economy.¹

Fulfilling that election promise, the audit commission has been given an implicit political agenda; further, that agenda can be evidenced by an anti-ALP principle outlined on the webpage of the Liberal Party of Australia, relating to the NCA². The political agenda of the NCA raises a question of legitimacy that lies not so much in the appointments to the audit commission or its structures but in questions as to the legitimacy of any arguments or issues that may be made by those appointees made by Abbott and his cabinet.

The ASU holds no difficulties with inquiries being undertaken by arms of Government as there are procedures in place for how such NCA consider their work, undertake issues, list issues for public scrutiny and resolve and/or make recommendations to Government. In fact, the ASU has served membership on a range of advice committees to the Government including, most recently, the 17 member expert panel of advice to the Government for constitutional recognition of Local Government. That Committee was made up of representatives across a number of political parties, as well as individual citizens with specific expertise in the areas who, in turn provided a recommendation to Government.

The ASU's concerns with an audit commission is the capacity, it is an unknown for the Australian community and in addition to that, raises issues about how such submissions can be lodged by the ASU and/or other community based organisations. Having a NCA taking the role of providing advice to Government, as opposed to the Government making considerations of what may well be Government policy supported by Government Departments to develop Government positions, is much more favoured by the ASU.

It is therefore considered by the ASU that in this submission we will address two issues:

1. The role of the NCA and its recommendations; and

¹ <http://www.liberal.org.au/latest-news/2013/08/25/tony-abbott-address-2013-federal-coalition-campaign-launch>

² <http://www.liberal.org.au/latest-news/2013/10/22/coalition-commences-national-commission-audit>

2. The findings of the NCA and its recommendations to the Australian Government.

The Australian Senate has established an Inquiry into the role of the Abbott Government's Commission of Audit. This is most welcomed by the ASU as the Senate Committee should look to provide independent advice, as the Senate of Australia usually does, in the process of reviewing positions of Government to give consideration to the balance of change, community views and other matters.

It is considered that the establishment of a NCA may well raise a series of ongoing issues such as we have seen in Canada, the United Kingdom and other Commonwealth nations.

The Australian Parliament, both House of Representatives and Senate, is decidedly at a greater advantage than some of the other Commonwealth countries that do not have a House of Review, such as the Australian Senate, that should review the issues faced by their Australian Parliament and issues faced by way of the Australian Government, House of Representatives and its views on reform and/or changes to the fabric and/or expenses faced by Australia.

Australia is largely substantially quite lucky in respect of the financial crisis that is still being pursued globally because Australia largely has a well-mixed and balanced economy with opportunities to secure a range of activities for the Australian society.

This can be a range from commercial production, export and related services.

Investment in these areas is decidedly necessary by government to encourage the ongoing development, stable financial positions, and a range of other issues faced by our community that require a helping hand by Government.

The helping hand by Government also extends to providing services to the community that are necessary for the protection of Australian society and its security. We note that the NCA is examining a range of issues and we, at the ASU, believe that such examinations by external bodies will always find questions with Government actions and will always find questions with previous Governments' actions as not being appropriate and/or may have mixed views. Indeed, the makeup of a the Abbott Government's Commission of Audit may need to have a basis of social review, social responsibility and ensuring that those in society that need most help are assisted and that Government services are provided to Australian communities.

It is therefore a questionable issue as to how Governments or commissions of audits of Governments may find the best recommendations to outline to the Government of the day actions it may take. However, such Commissions of Audit need to well balance their considerations for the social fibre of Australia and, indeed, such

Committees can only ever be advisory committees to the elected role of Government and those parties that sit within the Australian Parliament.

That is, recommendations of a NCA can only ever be considered as guidelines to be discounted against the services that a community requires from Government, changes that may be necessary to the delivery of those services in our communities and, in fact, NCAs may not be fully aware, as they are not political party balanced, nor are they elected by the democratic structures of our society. It is with this in mind that we need to give grave consideration to what value we can place on such recommendations of the NCA, such as we give balance to other Committees of Inquiry established by Government and also ongoing Governmental Inquiries, such as the Australian Productivity Commission.

It is noted that in the case of the latter, Productivity Commission recommendations that it have been put forward have been rejected by Governments of all political persuasions in the past as not being considered appropriate, failing to meet the communities standards of ongoing community support and/or regional employment, regional jobs, and ensuring that Australian society has equitable sharing of its standards of living for all in the community. To apply a solely academic and financial institution position to Government actions such as has been reported in the media around the role of the NCA, such as has been speculated in the media as well as being speculated by community bodies, is not an appropriate mechanism for us to proceed forward. Indeed, recommendations from a NCA should be considered exactly that. Recommendations for consideration such as any organisation would consider but would most undoubtedly be discounted because they do not represent the best overall interests of the public, nor the citizens.

The ASU believes that the strength in our democratic institutions in Australia and the openness of Government must be continued and that Governments of all political persuasions must stand-up themselves to considerations of how society can be improved or reviewed and use, most notably, the Australian public service as well as the Australian arms of Government, being Local Government, State Governments and the National Government, including all political parties and all layers and areas of Government in service delivery to the community. The ASU believes that the Australian Senate has a unique and important role to undertake in the pursuit of recommendations that may come from any committee established by Government including the current NCA considerations as to ensure whether these are fair, balanced, and/or if the NCA has not considered matters, and/or the NCA findings should be reconsidered, discounted and/or rejected by the Australian Parliament as not being in the citizens' best interests if they are based solely on financial considerations, the removal of services to the community and any standards that decrease the amount of services required in our society, as well as how those services are delivered.

Such arguments may well be in the areas of Local Government. If the NCA was to recommend certain activities of councils be contracted out, particularly in regional

areas, this would see a significant amount of business move from the local townships to outer suburbs of cities and in addition to that, would see jobs and employment opportunities move with them. Whilst it may look attractive on the surface, we would suggest that this may well not be in the communities' interest as it would carry with it a penalty of reduction in services to the communities, as both the monies to undertake the tasks would move to other communities, as well as long-term employment growth jobs would disappear.

We would recommend, however, a reverse position of this based upon the UK "Fairness Commissions" where a Government looks at the services that are provided by and/or are required by the community with a view to ensuring Government delivery of those services as opposed to any other mechanism that may be looked at as a slash and burn exercise – service slashing and financial slashing.

We raise the issue of Fairness Commissions as they are used widely in the UK at the second tier level Government; which, in Australia would involve a combination of State and Local Government authorities based upon the services provided by the community by respective layers of Government. In other words, we look at these areas of Government of State and Local Government based upon the services they provide to the community, as opposed to simply the same State or Local Government. For example, UK Local Government provides education, medical services, to some degree a range of Local Government community services and also, however, both police and also hospital services are provided by other mechanisms across the country.

The ASU notes that with the establishment of a NCA, more far reaching than commissions of audit we have seen in other Commonwealth countries, that there seems commissions of audit may in fact become ongoing mechanisms to undertake regular reviews and/or reviews based upon timetables.

This raises the issue of the ongoing role of the Senate in ensuring fairness, justice, equity for all Australians and ensuring a solid review of Government policies before just simply ticking the box and signing off on legislation.

We would then highly recommend that the Australian Senate should establish an ongoing committee to review all decisions of the Commission of Audit, and future commissions of audit of the Australian Government, with a view to ensuring that the recommendations put forward by the NCA are given individual, solid and well founded considerations by the Australian community. This would have the effect that any decisions that came by way of the NCA would then be reconsidered by the Senate Committee and given weight as to whether or not such legislation to bring about such changes should be considered or in fact the Government of the day should act to stop departmental and/or ministerial recommendations that may come out of the NCA, thus ensuring full transparency of Government actions and considerations.

The Australian Government, both under Labor, Liberal and all Governments, give a pretty open consideration to issues that face the community. Indeed, the Australian Government policies are largely areas we can argue on; however, the issues of community consultation and the role of the Australian public service in ensuring consultation around issues such as trade agreements, climate change debates and other policy areas that are on the international stage, are usually in the higher area of calibre of openness and consideration and providing open, clear Government for greater transparency and clearly lack of corruption.

Australia is quite lucky in this respect, that whilst we often may hear of corruption taking place in some areas of Government and/or in some areas of the business community, it is largely far less than what takes place in other countries based upon our openness, transparency and commitments to a range of international obligations, from the United Nations International Labor Organisation considerations, UNESCO's recommendations, the OECD recommendations and outcomes of the G20 at other financial institutions and/or global organisations. Indeed, a Government such as Australia must note its openness and transparency of Government actions and acting as a world leader when it secures positions such as it currently has on the United Nations Security Council.

Please note that these considerations for the United Nations Security Council were achieved by the Australian Government in negotiations with a plethora of small, international countries who are willing to support Australia and its objectives.

The Senate's ongoing role in monitoring and coming forward with recommendations around the NCA, Commission of Audit, is an important role and one that should be considered by the Senate as its ongoing operations and advice from independent panels to Government, such as the NCA; or, in the future, any other committees of non-Parliamentary makeup established by a Government, should be well and truly open to the Senate to inquiry on behalf of all citizens and all States; how such decisions and legislation would affect the community and Australian citizens. The makeup of the Senate is based upon an issue of fairness and equity for all States of Australia with the numbers reflecting such, as opposed to the lower House and its representation based upon geographical numbers and areas that reflect population numbers which can often create a skewed affect to major city areas and/or significantly in favour of some of the larger States.

It is therefore considered necessary that the Senate establish an ongoing mechanism to view recommendations from the NCA and/or any other committees established by any Government, current or future, to ensure that true democracy takes place in Australia and the Senate undertakes its significant and most important role as a house of review in balancing both the agenda of the Government of the day and also the needs for the Australian community in the future, both in the provisions of service and carriage of service, and ensuring that fundamental principles are considered in all Government actions and expenditure that would include matters of skills and training, fairness and equity, collective bargaining

outcomes, and other social and financial programs that are strengthened or depend by our international obligations such as UN charters, UNESCO, OECD, G20, etc., as above.

Public services for Australian communities

i. The Abbott Government's National Commission of Audit (NCA)

The ASU holds great concern for the Federal Government's use of an external non-Government Commission of Audit, with limited time to report, "to review and report on the performance, functions and roles of the Commonwealth government", "ensure taxpayers are receiving value-for-money from each dollar spent", and "to examine the scope for efficiency and productivity improvements across all areas of Commonwealth expenditure".³

The terms of reference of the NCA are broad; however, the procedure for consultation with the Commission as well as the reduced timeframe to acknowledge stakeholder positions both lack many of the hallmarks of open government. Little accessible information has been allowed to all stakeholders that provides substantive detail about the mission and role of the Commission. Likewise, information about and publication of submissions made to the Commission is missing and a thorough explanation of the rigour the Commission is to lend in its consideration of submissions and availability for avenues of complaint about the process are absent.

Similarly, the consultation period was constrained to 1 month (22nd October to 26th November 2013) with an expectation to provide guidance on reform of the running of our executive government within 2 months of the closing date for submissions. The timeframe for recommendations is unprecedentedly narrow in an open, democratic society and any report handed down this week faces significant questions of legitimacy. The previous, 1996 audit commission of the Howard government reported back with a similar concern at that time:

In the three months available to prepare the Report, the Commission has not been able to comprehensively evaluate all areas where improvements might be made. Its approach has been to set out a framework of principles that can be used to assess particular government activities covered by the terms of reference, and then to illustrate how these principles might be applied using particular examples of current government activities. The Commission believes that the Government can use the proposed framework to evaluate public sector activities in its drive to improve the Commonwealth's finances in a medium and long term context.⁴

³ <http://www.ncoa.gov.au/>

⁴ <http://www.finance.gov.au/archive/archive-of-publications/ncoa/letter.htm>

A question arises as to the nature of involvement of existing taxpayer funder resources. Is it not the role of relevant government departments to contribute to the decisions of executive government? What government departments have contributed? How have they been guided by their ministers to report?

The ASU shares the view of other affiliates and unions, that there is a most urgent argument to clarify the compressed timeframe for recommendations from the Commission and the decision limit involvement of stakeholder contributions. An evidence-based approach to budget reform is of importance to all Australians and necessitates an attitude of consultation respectful of all stakeholder expertise. The effective impact of current timeframes to address the Terms of Reference of the National Commission of Audit will lead to decisions made in haste and poor outcomes for all Australians.

ii. The role of the Australian Senate Select Committee into the Abbott Government's Commission of Audit.

The establishment of the National Commission of Audit is shaping-up to be an unprecedented experiment with the power of executive government. The federal Abbott Government has created a NCA consisting of 2 members of the business community and a former MP. The credentials of its members are well known to the community; however, no legal or democratic premise exists to recognise the appointments by the Abbott Government. In other common law nations the strategic management of the central budget by executive government, through the utilisation of audit commissions is usually governed by acts of parliament. In the case of Abbott's NCA, such a feature of common law does not exist to establish procedural fairness to executive government decisions.

Other central governments often establish audit commissions to operate as independent bodies of review for specific government departments. For example, during 1983 *The Local Government Finance Act 1982* (UK) established the Audit Commission for Local Authorities in England and Wales. That audit commission's role has been to protect the public purse by using information from auditors and publishing data to provide authoritative, evidence-based financial analysis helping public services manage cost effectiveness⁵.

In a similar demonstration of unprecedented approach, by establishing the NCA for the whole of government, the mechanisms for accountability of government departments have been by-passed. The NCA is an external body with no relationship to Parliament. The ASU upholds the Australian Senate as the natural house of parliamentary review. In the interests of democratic process, openness and transparency, the Australian Senate needs to create a mechanism that reviews the recommendations of the NCA because it is the true house of review and should govern issues that have legislative

⁵ <http://www.audit-commission.gov.uk/about-us/>

implications and will shape the direction of future government. If the Australian Senate cannot review the establishment of the NCA it can review government decisions that arise out of the audit.

The ASU calls for an ongoing Senate review committee to be established with full power to examine the recommendations of the NCA. The committee should examine the recommendations of the Abbott government appointed committee so the people of Australia can have their say. An ongoing committee to review the recommendations of the NCA creates procedural fairness and supports Australian communities.

iii. Alternate directions for policy implementation – Fairness Commissions.

The ASU strongly contends that a political agenda for the provision of Government services and Government funding of the NCA will not be in the national interest and the audit should not be used as a tool to reduce Government funding and push a privatisation agenda at any level of government; for example, state, national or local government. The ASU most recently worked with the Association for Public Service Excellence (APSE)⁶ to consider alternatives to the free-market agenda of reduced government. Rather than looking at how to cut funding, the ASU offers an alternative process for efficient government decisions: establish “Fairness Commissions” in consultation with Australian communities. In the UK, “Fairness Commissions” enable government to roll-out recommendations based on what communities need.

Policies that prioritise funding of community services through procurement policies are very much an issue for Australians and they must adequately address real needs. Contracting out of service provision and privatisation leads to reduced control of service delivery.

Observations by APSE

- Markets don't work in the provision of public services.
- The UK has now seen its public services moved to six large providers.
- PricewaterhouseCoopers has advised it supports a seller's market versus a buyer's market.
- Failure to provide public sector evidence of benefits in contracted out services.
- Public don't trust the private sector, they trust the public sector.
- Problems in contracting out include:
 - Overcharging, hidden charges
 - TUPE: Transfer of Undertakings (Protection of Employment) Regulations
 - Ignorance of trends and limits in service provision, by contractors
 - Best results are by way of a holistic approach to community services

⁶ <http://www.apse.org.uk/>

- Contracts don't allow you to change.
- Community rights to be able to run their services.
- Trojan horse bids, to enable securing contract at cheap level and seek to recover costs through hidden charges, additional contracts etc.
- The Community learned during the Blair/Brown era of the need for political leverage to bring about contracting out of services and positive outcomes for the community.

Members of the ASU executive recently visited York and Islington "Fairness Commissions"; which were established to return a community voice to decisions of the Audit Commission for Local Authorities in England and Wales⁷. Post the Manchester meeting comment has been provided to ASU on the NSW Government's recent Finance and Performance Position paper:

Looks like the New Labour approach on procedural use of the Best Value regulations which brought about compliance with sets of national performance indicators and a requirement for a set percentage of year on year reductions. Started off as 2% per service but nudged up at every budget round.⁸

Research that supports pro-privatisation agendas has largely been funded if not exclusively by the private sector in their own interests. ASU further expresses concern that the Commission may well be used by the Abbott Government to set an agenda and in turn use such legitimacy to bring a political agenda to the provision of Government services and Government funding through reduced funding and privatisation. In the interests of Australian communities, the ASU supports the Australian Senate to investigate and publish what instructions the Abbott Federal Government ministers have given to the NCA.

iv. Impact to ASU members of Abbott's NCA.

Firstly, the ASU is the largest union of workers in the social and community services (SACS) sector. The ASU covers workers in what is commonly termed the "non-government social and community services industry". The term non-government can be misleading as most organisations or services receive funding from the government; however, workers are not employed by the government. The NCA should not consider a reduction in funding that will have an impact on non-government and not-for profit sector services to Australian communities. The federal government should follow the advice of the OECD and oppose further budget cuts "above those already factored in".⁹

⁷ <http://www.yorkfairnesscommission.org.uk/> AND <http://www.islington.gov.uk/about/fairness-commission/Pages/default.aspx>

⁸ <http://www.publications.parliament.uk/pa/ld201011/ldhansrd/lhan118.pdf>

⁹ OECD (2013), *OECD Economic Outlook*, Vol. 2013/1, OECD Publishing.
doi: [10.1787/eco_outlook-v2013-1-en](https://doi.org/10.1787/eco_outlook-v2013-1-en)

Full privatisation of public assets will exacerbate the strain on all existing services to the public and exacerbate poor outcomes for society that have eventuated from such agendas. To date, state governments who have placed sources of revenue into private ownership have increased pressure on the capacity of governments at all levels by draining revenues to prop-up private sector service provision for their angry constituencies.

Water and Local government

The ASU is Australia's largest Local Government union representing employees of Local Government across the whole country from small rural townships through to large metropolitan Councils. On behalf of our extensive membership, the ASU is significantly concerned about effects on communities of any financial restructuring the Commission will recommend that will trickle down to Local Government projects across the country. We are a community-based organisation and take a strong view about the success of Local Government, on behalf of those who live in rural Australia. Our members tend to live in the communities where they work:

In both urban and regional areas, the local council is often the largest single employer; therefore, uncertainty has significant economic impacts locally. The economic interests of Australian urban, rural and remote communities need a resolution.¹⁰

Therefore, ASU advocacy extends beyond negotiated industrial outcomes for members. The ASU has a true commitment to the Local Government industry with a proud history; since 1871, of representing employees and that has a far-reaching effect on the sustainability of all communities. The ASU is a significant advocate and our issues are representative of all Australians.

Local government manages large non-user pay sections of infrastructure, is a community governance and provides a wide range of equitably accessible services for which there is no other adequate provider in a market approach. Infrastructure services provided by local government includes but is not limited to, roads, cattle sales; roads; sport and recreation facilities; parks and gardens; libraries and galleries; early childhood education and care; community health services and so on. Local Government investment alone for infrastructure that supports sport and recreation is of significant importance to communities and without limits to outcomes, most local government infrastructure supports robust communities.

¹⁰ Joint Select Committee on Constitutional Recognition of Local Government (2013), *Final report on the majority finding of the Expert Panel on Constitutional Recognition of Local Government: the case for financial recognition, the likelihood of success and lessons from the history of constitutional referenda*, The Parliament of the Commonwealth of Australia, p. vi, [aph.gov.au](http://www.aph.gov.au/parliamentary_business/committees/house_of_representatives_committees?url=jscg/localgovt/finalreport/fullreport.pdf), http://www.aph.gov.au/parliamentary_business/committees/house_of_representatives_committees?url=jscg/localgovt/finalreport/fullreport.pdf [Accessed: 26 Nov 2013]

Investment in local government puts the industry in a position to provide a large amount of infrastructure for utilisation by the community, but there is a maintenance requirement. Local government is largely constrained in its ability to gain capital by means other than government grants and rates. However, there are some examples where local government has been able to sufficiently plan for the future through construction of infrastructure delivering on time, significant regional spend, local employment and significantly less debt to the community, and no ongoing payments.

A good example of an Australian community that successfully self-funded a project necessary for the community, is a project that was implemented by Coffs Harbour Council and will be described in more detail in our following section on the Water Industry. The council levied the community over a five year period: for five years a levy was collected in addition to rates contributions that in turn were placed in a fund for the development of a new dam, water recycling and fresh water treatment plants. The scheme resulted in significant community spend by the council, who managed the project and were thus able to engage local community businesses in the supply of materials and assistance in the construction, as well as ensuring that significant monies were spent through local participants and council staff in local and community jobs. The project kept money, jobs and long term expertise, in the local community and created greater spending power for the council; in turn creating additional jobs that continued to further boost the local economy. These are significant points and need to be considered at a time when scrutiny of investment is focussed on ensuring that the long term benefit to the community is in the operation of the infrastructure and not unnecessarily seen as an ongoing cost. Investment must ensure community access to infrastructure.

Benefits of the Coffs Harbour Model include¹¹:

- Community retains ownership of assets;
- Parity achieved in regards to charging and service delivery and quality of service;
- Councils remain viable, as economies of scale benefit local communities directly;
- Skills development through knowledge sharing;
- Reduced costs through resource sharing;
- Existing systems and future expansion continue to meet future demands;
- Maintains existing levels of local employment in water and sewerage services;
- Best socio-economic outcomes for local communities.

Electricity

¹¹ Local Government Focus (2009), *Delivering state of the art infrastructure* <http://www.lgfocus.com.au/editions/index.php?view=editions/2009/october/creek.php> [Accessed: 31 Jan 2014].

A paper published in October 2012 by Dr Phillip Toner from the University of Sydney¹² shows that it's not only service, jobs and regional employment that are affected, but it's financially more beneficial for the community and state governments not to privatise. Highlights of Dr Phillip Toner's paper include:

- Supports the view that financially it's better for state governments to keep public assets.
- The rationale for government ownership and provision of electricity infrastructure remains strong.
- Retention value of electricity assets in government ownership greatly exceeds sale value.
- The fallacies of electricity privatisation.
- Privatisation results in a major reduction in training of trades and gives rise to skill shortages.
- Privatisation adversely affects the level and type of R&D.
- The electricity regulatory system exposes abuse of market power but also creates perverse incentives for private investors that undermine efficiency, reliability and equity.
- Foreign ownership of an essential community service.

Privatisation of sections of the Australian electricity market is a case in point where the experiment has shown that it is not the public sector that struggles with efficiency and value, it is the private sector:

In the context of continued support for privatisation it is important to ask why, despite the promise of lower prices, electricity costs have risen since the reforms began. ...far from privatisation reducing costs it is likely it has contributed to price increases.

A major factor that appears to be involved in the increase in electricity prices is the productivity slump that has occurred in the sector since privatisation. Output per worker has fallen markedly in electricity while it has increased in the rest of the economy. Over the period June 1995 to the present, productivity across all workers increased by 33.6 per cent, while in the electricity sector it declined by 24.9 per cent.

One explanation for this dramatic fall in output per worker is the rapid increase in staff numbers in occupations that do not have a direct role in actually generating electricity. For example, the number of managers in the sector has grown from 6,000 to 19,000 from 1997 to 2012, a rise of 217 per cent. This has seen the ratio of managers to workers change from one manager to every 13 workers in 1997 to one manager for every nine workers in 2012.¹³

¹² Philip Toner, *Electricity Privatisation in Australia A Briefing Note* (2012), University of Sydney, [asu.asn.au](http://www.asu.asn.au), http://www.asu.asn.au/documents/doc_download/11-electricity-privatisation-in-australia-a-briefing-note-2012 [Accessed: 31 Jan 2014].

¹³ David Richardson, p. 1, *Electricity and privatisation: What happened to those promises?*, TAI, <http://www.tai.org.au/sites/default/files/research/TB%2022%20Electricity%20and%20privatisation.pdf> [Accessed: 31 Jan 2014].

Is the evidence that privatisation of electricity networks has poorly served Australians to continue to be ignored? The ASU has always represented our member concerns about electricity privatisation and raised these concerns at every step in consultation with government and will continue to do so.¹⁴

Melbourne's privatised public transport system

Similarly, privatisation of state owned public transport has failed. For example, the Kennett Liberal Government decision to privatise Melbourne's trains and trams in 1999 after decades of public ownership of Melbourne's transport system. Multinationals Connex (Veolia) and National Express would come to run; respectively, Melbourne's Hillside and Bayside Trains (M-train). In just over 2 years after privatisation, the National Express parent company withdrew funding in 2002 and Bayside Trains collapsed. To delay collapse, the Bracks Labor gave the private operators a financial "rescue package" worth \$110 million, but National Express found they had no choice but to place Bayside Trains into receivership. The other private provider, Connex came to run trains for metropolitan Melbourne as a single operator. The new contract ran for 5 years (2004-2009); however, the Victorian Government had already paid \$1.2 billion in extra subsidies to the private operators and the figure increased to \$2.3 billion by 2010. By 2006 four leading academics in the transport field concluded that privatisation failed Victorians:

Melbourne has conducted an expensive experiment to test whether privatisation makes urban public transport more efficient and the results are clear. The experiment has failed spectacularly and unambiguously: subsidies have increased, services have not improved, in appropriate rolling stock has been purchased, accountability and transparency have disappeared, the regulator has been "captured" by those he is supposed to be regulating, there is no real planning for the future. The public interest has not been served.

Significantly, no other first-world city has followed Melbourne's lead: we have become the salutary example of why privatised urban public transport does not work. All the best public transport systems – across Europe, North America and even in Perth – remain under the control of public agencies"¹⁵

Privatisation failed to deliver 3 major promises to the Victorian public: cheaper fares, a more reliable service, and cost savings for the State Government and taxpayers. The effect of privatisation was to devastate jobs; therefore and as is the case for electricity privatisation, maintaining labour market productivity failed as well:

Why did privatisation fail? The simple answer is that principal assumption underlying privatisation – that superior private management would rapidly bring about a substantial rise in patronage and revenue – has been proven wrong, even after only 4 years. The

¹⁴ <http://www.asu.asn.au/resources/submissions>

¹⁵ *Putting the Public Interest Back into Public Transport*, A report to the Victorian Community by Dr Paul Mees, University of Melbourne, Dr Patrick Moriarty, Monash University, Associate Professor Michael Buxton, RMIT University, Dr John Stone, University of Melbourne April 2006

private franchisees have not significantly improved service quality, and the mooted improved marketing appears to be confined largely to the circulation of exaggerated claims about the operators' performance. While these claims have been eagerly adopted by the regulator, politicians, bureaucrats and the media, they apparently failed to convince the travelling public.¹⁶

The Victorian public voted accordingly in 2010.

Conclusion

Australians do not like essential services like electricity, gas, water and public transport being sold off. Voters blame the Government of the day if the private service is not being delivered. The ASU believes the NCA has a privatisation agenda. The ASU intends to be educated by all member concerns about the potential for savage cuts to public services and will campaign accordingly. The committee must seek to fully investigate the existence of any rationale to privatise Australia's public assets and distinguish public policy from free-market ideology.

The Australian Senate Select Committee of Inquiry into the Abbott Government's Commission of Audit should focus on 4 issues: maintain the democratic position of the Senate; oppose privatisation because it has proven time and time again privatisation fails to reduce government expenditure; protect financial support from government for those that need it most (including federal government funding for programs for community services – whether they be undertaken by the public or not-for-profit sector); finally, address opposition from overseas to international and domestic issues – Now is not the time for Australia to reduce spending.

The ASU has been a significant contributor to a range of reforms and Federal Government initiatives such as cost-shifting inquiries undertaken by previous national Governments as well as issues undertaken by recent Federal Governments. Accordingly, the ASU sees the role of the Australian Senate Select Committee of Inquiry into the Abbott Government's Commission of Audit as an important opportunity to continue to make these contributions. The ASU will commission our own research into the governance and merits of commissions of audit and seeks an opportunity for our representative to appear before the committee, to raise all issues of concern.

¹⁶ *Privatisation of Rail & Tram Services in Melbourne: what went wrong?* Dr Paul Mees July 2005 p.444.