



Inquiry into the Procurement of the Permissions Capability

Committee Secretary
Joint Committee of Public Accounts and Audit
PO Box 6021
Parliament House
Canberra ACT 2600

7 February 2024

Dear Committee,

As the union representing Department of Home Affairs (Home Affairs) employees, the Community and Public Sector Union - PSU Group (CPSU) welcomes the opportunity to make a submission to the *Inquiry into the Procurement of the Permissions Capability*.

The procurement process for the Permissions Capability platform is the latest in a series of costly, failed attempts to outsource the build of a visa platform by Home Affairs. In 2006, the Generic Visa System was outsourced to IBM at a cost of around \$450 million and subsequently decommissioned as it was not fit for purpose. In 2016, CPSU members raised significant issues with the approach to market to outsource the Global Digital Platform which was opaque and wasted around \$92 million before it was terminated.

Home Affairs engaged Accenture in September 2021 to build a new permissions capability platform that would initially cover a digital passenger declaration (DPD) and a simple digital visa product. This came at a cost of \$60.1 million, with no workable product delivered¹.

CPSU members have questioned whether Home Affairs considered doing this work in-house, given it had the internal capability, particularly in light of the failed attempts to use contractors to build a visa platform. Our submission will address the issues with the procurement process and share the perspective of our members working in Home Affairs, including:

- the affect on the Home Affairs Budget;
- risks associated with privatising Australia's visa system;
- failure to support in-house ICT capability; and
- the need to reform Commonwealth Government procurement to ensure integrity and prevent privatisation.

The CPSU strongly believes that privatisation of visa processing would undermine the purpose and integrity of the visa system, create data and national security risks and have far-reaching negative commercial impacts, delivering a public asset into private hands at the expense of thousands of public sector jobs.

This submission will focus on the cost, issues with the procurement process, and the impacts of outsourcing ICT work. For more detail and evidence on the significant risks associated with privatisation of Australia's visa system, see attached CPSU submission to the 2019 *Inquiry into the impact of changes to service delivery models on the administration and running of Government programs* (Appendix A).

The cost of multiple failed attempts at outsourcing major ICT projects

Australia's visa processing system is a crucial element of an immigration program that delivers social, cultural and economic benefits to the nation. Our nation's visa system assists Australia to attract tourists, students, workers and migrants in a competitive international market while also maintaining high security standards.

¹ "Permissions Denied: Home Affairs tech platform gets the hook." InnovationAus.Com, 11 July 2022, <https://www.innovationaus.com/permissions-denied-home-affairs-tech-platform-gets-the-hook/>

The initial proposal to privatise visa processing was made by the Abbott Government's National Commission of Audit in 2014² as a means of achieving cost savings in processing and related functions, and the avoidance of future capital outlays³. The Government later expanded its rationale to include the need to replace ageing ICT infrastructure that is no longer fit for purpose and has increasing limitations⁴.

Instead of using and building on in-house expertise, the Abbott and Morrison Governments proceeded with a plan to privatise the visa system.

The CPSU estimates Home Affairs has spent more than \$600 million on failed attempts to outsource the upgrade, or development, of visa systems.

2006 - \$450m+ to IBM

The first attempt starting in 2006, called the Generic Visa Platform (GVP) was outsourced to IBM as part of the Systems for People program at a cost of around \$450 million, as CPSU understands. The project was delivered years late and operated for less than 12 months before the decision was taken to decommission the platform because GVP was not fit for purpose.

2016 – \$90m+ to friends of friends and others

In 2016, Home Affairs commenced a procurement process for the Global Digital Platform (GDP) and this next attempt to privatise the visa system failed at a cost in excess of \$90 million. In response to questions on notice from Senate Estimates, Home Affairs revealed it had spent nearly AU\$65 million on external contracts related to the proposed GDP before deciding to drop the proposal in 2020, with the remaining funding allocated internally to undertake and support these activities⁵.

There were significant concerns relating to the tender process for the Global Digital Platform, which was narrow and lacked transparency. Home Affairs selected only two Shortlisted

² Australian Government (2014, February). The Report of the National Commission of Audit: Phase One. National Commission of Audit. Retrieved from <http://www.ncoa.gov.au/report/phase-one/recommendations.html>

³ Australian Government (2014, February). Appendices to the Report of the National Commission of Audit: Volume 2. National Commission of Audit. Retrieved from <http://www.ncoa.gov.au/report/appendix-vol-2/10-11-outsourcing-visaprocessing.html>

⁴ Department of Immigration and Border Protection (2017). Reforms to modernise Australia's visa system—Q&As. Retrieved from <https://www.border.gov.au/Trav/visa-reform/general-q-a>

⁵ Barbaschow, A. (18 May 2020), "Canberra spend AU\$92 million on the now-binned visa privatisation project", ZDNet.com, <<https://www.zdnet.com/article/canberra-spent-au92-million-on-the-now-binned-visa-privatisation-project/>>

Respondents to participate in a co-design and inviting them to participate in Phase One of the Request for Tender (RFT) as Tenderers⁶.

During the tender process it came to light that one of the tendering consortiums, Australian Visa Processing (APV) Consortium, was led by Scott Briggs who was a Liberal Party official, and close personal associate of then Prime Minister Scott Morrison and then Immigration Minister David Coleman. Subsequent to the exposure of this connection both the then Prime Minister and Immigration Minister were forced to recuse themselves from the process. Mr Briggs also eventually removed himself from the process.

The revelations this year regarding the personal relationship and communication between the then Secretary of the Department of Home Affairs, Mike Pezzulo and Mr Briggs⁷, raise further questions about the tender process.

The second bid was a joint venture by Accenture and Australia Post, whose board had numerous political appointees from the Coalition.

The limited and opaque tender process and the political connections of the shortlisted respondents drew significant attention to the extensive connections and shared interests of Mr Briggs, the Prime Minister, Secretary Pezzullo and others involved.

Permissions Capability Platform – another failed ICT outsourcing spend

In October 2020 the Department of Home Affairs and Digital Transformation Agency (DTA) partnered to release a new Request for Tender for the “Delivery of a Permissions Capability for government services”. This permissions capability requires the capacity to be scaled up to be used by the entire department and the rest of the APS, to be reused across government for other similar permissions-based services such as permits, accreditations, licenses and registrations.

⁶ Australian Government (20, February). Impact of changes to service delivery models on the administration and running of Government programs. Senate Legal and Constitutional Affairs Committee. Retrieved from <https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Legal_and_Constitutional_Affairs/Service_Delivery/Report/section?id=committees%2Freportsen%2F024365%2F7241>

⁷ The Age (24 September 2023), “Five years. A thousand messages. How a top public servant tried to influence governments”, < <https://www.theage.com.au/national/five-years-a-thousand-messages-how-a-top-public-servant-tried-to-influence-governments-20230919-p5e5ss.html>>

Home Affairs engaged Accenture in September 2021 to build the new permissions capability platform, that would initially cover a digital passenger declaration (DPD) and a simple digital visa product for \$60.1 million⁸. It was later revealed that the initial procurement did not cover the simple digital product and that an additional \$12.9m was spent on subsequent consultancies.

When Accenture did eventually launch an app for DPDs it was the subject of much public criticism, only working a quarter of the time and only having functionality in English⁹.

The app had such substantial defects that the Commonwealth abandoned it, with the Minister conceding the app “needs a lot more work.”¹⁰

The CPSU understands Home Affairs was forced to procure an alternative app developed by a company already engaged by the Department for other services, ‘Australian Travel Declaration’, due to delays with the DPD.

Since this time, in 2023, Home Affairs staff have created a new application to support new Government initiatives in-house on time and at a fraction of the cost of the aforementioned procurements. CPSU members have questioned why Home Affairs did not consider doing this work in-house from the get-go given there is in house capability, and there are legal obligations relating to the proper use of public money.

The experience with the DPD further highlight the importance of in-house ICT capability. There needs to be urgent investment to support an in-house upgrade to the Department’s ICT system, involving APS staff who know the current systems and are well placed to deliver a fit-for-purpose solution.

The financial case for visa privatisation is full of holes

At the time of the tender to outsource the Global Digital Platform, APS officers processed up to 9.5 million visa applications per year, generating around \$2 billion in annual revenue and delivering a

⁸ Brooks, J. (11 July 2022), “Permissions denied: Home Affairs tech platform gets the hook”, InnovationAus.com, <<https://www.innovationaus.com/permissions-denied-home-affairs-tech-platform-gets-the-hook/>>

⁹ Sadler, D. (12 April 2022), “Govt’s digital passenger app gets scathing reviews.” InnovationAus.com, <<https://www.innovationaus.com/govts-digital-passenger-app-gets-scathing-reviews/>>

¹⁰ Brooks, J. (3 July 2022), “Digital passenger card shelved after scathing reviews”, InnovationAus.com, <https://www.innovationaus.com/digital-passenger-card-shelved-after-scathing-reviews/>

substantial return to consolidated revenues¹¹. The total value in 2026-27 of the bundles of services the Department was looking to privatise was estimated to be up to \$8.8 billion¹².

The financial case for visa privatisation via the Global Digital Platform was full of holes:

- The initial privatisation proposal by the Abbott Government's National Commission of Audit (the Commission) cited cost savings in processing and related functions, and the avoidance of future capital outlays¹³. This claim was not evidenced and does not bear scrutiny.
- The Commission gave no consideration to other factors, and at no stage was a complete rationale or detailed business case made.
- Home Affairs argued privatisation would avoid Government incurring a capital cost for a new IT platform¹⁴, an argument that didn't hold given the visa system was returning \$500 million annually to revenue, which would easily justify the capital outlay.

As previously mentioned, when the procurement process for the Global Digital Platform was abandoned in 2020 it had already cost approximately \$92 million.

Impact on the Department of Home Affairs Budget

Significant departmental spending on failed attempts at ICT outsourcing is even more concerning considering the ongoing budget concerns of the Department, which is in significant budgetary deficit.

CPSU members working in Home Affairs are seriously concerned about the impact of the budget crisis and long-term funding pressures on the security of their jobs, workloads and conditions, the quality of the services they provide to the community and the safety of our borders.

¹¹ Community and Public Sector Union (2019, August), "Inquiry into the impact of changes to service delivery models on the administration and running of Government programs: Visa Privatisation."

¹² Department of Immigration and Border Protection (2017, June). Delivering visa services for Australia Market Consultation Paper.

¹³ Australian Government (2014, February). Appendices to the Report of the National Commission of Audit: Volume 2. National Commission of Audit. Retrieved from <http://www.ncoa.gov.au/report/appendix-vol-2/10-11-outsourcing-visaprocessing.html>

¹⁴ Australian Government (2018, 22 May). "Senate Estimates - Home Affairs Portfolio: Department of Home Affairs", Senate Legal and Constitutional Affairs Legislation Committee. Retrieved from: <https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;adv=yes;orderBy=customrank;page=0;query=Data%3A22%2F05%2F2018%20Dataset%3Aestimate;rec=2;resCount=Default>

A 2022 independent review of the Department of Home Affairs found pressures imposed by cumulative efficiency dividends and savings of \$2.1b in the period 2018-19 to 2024-25, combined with increased operational demands have seen significant activities underfunded and under resourced¹⁵.

The budgetary pressures on the Department of Home Affairs are only worsening. In September 2023, Home Affairs informed the CPSU that the department has a 2023-24 forecast overspend of \$300 million, 2.5 times greater than the 2022-23 overspend. Further, the Department stated this deficit will result in the Department exhausting its operating cash reserves by May 2024. The Department is already instituting interim measures such as a partial recruitment freezes, caps on overtime, and cuts to non-critical travel and learning and development.

The CPSU is already aware of serious impacts on border security operations and service delivery. CPSU members are reporting high workloads, the degradation of their mental health and there are increasing reports of staff that are close to burn out.

Members report understaffing in district offices, limits on outreach programs, delays in work getting done due to overtime bans, lost revenue at airports and decreased security of our borders. The issues with resourcing extend to difficulties in maintaining an appropriate maritime posture whether through the availability of vessels or marine unit staff to operate, the balancing of pressures of day-to-day functions and surge workforces and training and recruitment capabilities to maintain staffing levels and provide ongoing training and skills for existing staff.

The CPSU is not only concerned about the impact this has on the ability of the Department to perform its functions, but the significant health and safety risks this poses to workers. CPSU members report that workloads continue to increase as does the pressure to meet them, and there are not enough staff to do so.

The over \$600 million spent in recent years on failed attempts at ICT outsourcing is a shocking waste of money that will have contributed to the Department's budget crisis. It is crucial that Government reinforce its commitment to invest in APS capability.

¹⁵ Proximity (2022, February), "Independent Review Home Affairs budget outcomes."

‘Outsource first’ mentality disregards internal expertise and capability

There is a clear need for the government to invest in an upgraded or a new publicly owned visa IT platform, but the continued attempts to outsource this work ignore the skills, talents, and career development of Home Affairs’ own ICT staff.

CPSU members say the agency has an “outsource first” mentality, and this results in Home Affairs’ highly skilled staff not being given opportunities to develop new systems and products in house.

This failure to involve ICT staff in the design, build and execution of major new projects is a missed opportunity to build skills and capability for Home Affairs and the wider APS, and is corrosive to staff morale and engagement.

The failed visa privatisation projects could and should have been done in-house. APS employees have the knowledge and capability to build a world class system that exceeds the quality, reliability and suitability of what a private tenderer would propose and cost a fraction of the price. Further, building the capability in-house would mean valuing the staff already employed and providing opportunities to better the department and the wider public service.

Home Affairs ICT workers are experienced in developing systems and tools that align with legislation and government directives including safeguarding the border. Their service provision requires a significant security infrastructure to assure against cyber-attacks, ensure personal privacy and protect sensitive government information.

The vast majority of applications for visas and citizenship are lodged via a platform built by public servants in-house. Since 2011, various sections have expertly upscaled and enhanced these client-facing systems to meet the needs of clients and internal decision makers quickly and adeptly. These same sections have built a new platform in 2023. The platform is scalable and has potential for reuse for other services offered by Home Affairs or the APS.

Home Affairs now has over a decade of corporate knowledge and experience of the pros and cons of reuse models and in the successful implementation of large-scale systems to the global public, and APS staff have been moving visa and citizenship ICT capabilities forward for over 20 years using legacy and new systems.

For further detail on in-house ICT capability, see the attached CPSU proposal for in-house bid, which was written by Home Affairs CPSU members in response to Home Affairs and DTA’s Request for Tender for the Delivery of a Permissions Capability for government services (Appendix B).

For successful ICT projects it is vital business areas and ICT teams work together to project manage any new IT platforms. This can only be successful where the ICT teams have a comprehensive understanding of the department's work and can successfully communicate with business areas and understand their needs. Home Affairs ICT staff already understand the exact business context in which these requirements exist and understand how systems currently integrate with each other and how best to integrate them with a new platform. They have the knowledge to dismantle and decommission systems and provide transition of caseloads and processes in alignment with Commonwealth record keeping and privacy requirements.

If government continues to grow this capacity the options for a stronger, better more capable public service are endless.

Home Affairs is not the only agency with issues with ICT capability, the 2021 Digital Review finding close to half (45%) of participating agencies identified a lack of time, resources, and budget among the top five barriers to adopting new digital and ICT capability¹⁶.

Substandard ICT was also clearly identified as a problem by the APS Review, which found the APS lags behind the private sector when it comes to ICT investment, spending 12% more on running old systems than the private sector. The Review estimated at least \$1 billion of investment would be needed to overcome the gap with the private sector¹⁷.

Public service should commit to establishing a system of people and technology that supports the best outcomes for the Australian community, is responsive globally and looks to the future to ensure the new system is both outcomes and cost effective.

Finally, it is critical the Government sustains its commitment to being a model employer and continues to invest in and drive improvement across the APS, particularly in areas such as ICT capability. The APS is a knowledge-based institution, and its most valuable asset is its workers. Attracting and retaining the best and brightest through competitive wages and conditions is key to ensuring a strong and resilient APS with the ability to support Australians and respond to challenges in a timely and effective manner.

¹⁶ Digital Transformation Agency (2021), "2021 Digital Review."

¹⁷ Department of Prime Minister and Cabinet (2019, 13 December). 'Our Public Service, Our Future. Independent Review of the Australian Public Service.' Commonwealth of Australia. Retrieved from <https://pmc.gov.au/resource-centre/government/independent-review-australian-public-service>

Ensuring the Commonwealth's ability to attract and retain a highly skilled workforce that reflects Australia's diversity is crucial to the success of our public service, particularly in light of the increased workforce competition from the private and state public sectors.

Improving and modernising the conditions package for APS employees will be crucial to ensuring the APS is a model employer and employer of choice into the future. Pay continues to be a crucial factor in employee attraction and retention, particularly with current cost of living pressures. Commonwealth public sector wages must be competitive and commensurate with the rising cost of living. Future efforts must ensure the APS can attract and retain employees with skills in high demand, which includes critical data and digital workforce.

Conclusion and recommendations

There is a clear need for government to invest in an upgraded or a new publicly owned visa IT platform. It is in the interest of Government, the Australian community and Home Affairs employees to keep this work in-house, involving APS staff who know about the system currently in place for visa processing and can deliver a fit-for-purpose solution.

Past failures to involve ICT staff in the design, build and execution of major new projects is a missed opportunity to build skills and capability for Home Affairs and the wider APS.

Privatisation of visa processing undermines the purpose and integrity of the visa system and creates significant data and national security risks at great expense to the taxpayer and with a cost of thousands of public sector jobs.

The expensive outsourcing of work that can be done in-house must end and Government must invest in building in-house ICT capability.

The previous decentralised bargaining system, coupled with staffing and budget cuts, led to large disparities in pay and conditions, and puts pressure on agencies like Home Affairs when trying to attract and retain staff.

The Government must continue progress on pay equity and commonality of conditions across the APS, and its commitment to being a model employer. It is incumbent on Government to ensure agencies are properly funded for a pay increase and provide certainty of appropriate, ongoing

funding for the pay equity mechanism to address discrepancies in pay across the APS for the lowest paid agencies.

The Government should preference work being performed in-house and invest in supporting in house-capacity. This includes appropriate staffing levels, support and training, as well as ensuring that pay and conditions are competitive, and the APS can attract and retain specialised staff. To ensure appropriate development of in-house capacity there should be a review of the current dependencies on the market to deliver.

Where the Government intends to pursue procurement there must be reform to ensure transparency, any reform must include the publicly available provision of:

- Rigorous and transparent assessments of the proposed benefits, sources of savings and evaluation of costs;
- evidence of why this work cannot be done in-house;
- prohibition of any company that has evaded taxes or broken the law from being considered for the contract;
- transparency and disclosure in relation to the planning of the procurement process, the scope and specifications for each contract, the criteria for evaluation and selection, the bidders or participants in the process;
- any conflicts of interest must be uncovered, or debarments exposed;
- the results of the evaluation, including the justification of the award, and
- the identity of the contract recipient and any statements of beneficial ownership provided.

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Yours sincerely,

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Brooke Muscat
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