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2016

Prison Privatisation in Australia:

The State of the Nation



Prison Privatisation in Australia: The State of the Nation

Accountability, Costs, Performance and Efficiency

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The project was partly funded by an industry partnership grant between The University of Sydney Business School and the Western Australian Prison Officers Union (WAPOU). The researchers independently determined the research design and analysis associated with this project.

Neither funding body has had any influence on the findings of this report.

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Background

Australia now imprisons more people than at any point in its history. As of June 2015, 36,134 people were incarcerated across eight states, and the national imprisonment rate stood at 196 prisoners per 100,000 people (ABS, 2015: Table 2). The total annual net cost of Australia's prison system stands at \$3.4 billion (Productivity Commission, 2014: Table 8A.12). As a result of the growth in prisoner numbers and a variety of pressures on the sector, state governments continue to look for new ways to deliver prison services that are thought to be both socially and fiscally responsible, including various forms of privatisation.

Prison privatisations have been justified on a number of grounds. The first examination of prison privatisation in Australia, made through the Kennedy report of 1988, asserted that 'In some particular areas the private sector can do it cheaper and better' (Kennedy, 1988: 88). Subsequently, in 2009 the New South Wales General Purpose Standing Committee 'Inquiry into the Privatization of Prisons and Prison Related Services' concluded that '... the private management of prisons will also likely produce greater cost savings and efficiencies than if they were to remain in the public system' (GPSC-NSW, 2009: 51). Similarly, in 2013 the Queensland Commission of Audit (QCA) claimed that '... greater efficiencies can be achieved by private operation of correctional facilities' (QCA, 2013: 3–250). Equally, the Economic Regulation Authority (ERA), in a 2015 report on Western Australian prisons, remarked that '... private prisons are held to higher standards of accountability and transparency than public prisons' (ERA, 2015c: 92). Accordingly, privatisation has been mooted as a way of providing prison services with greater performance, lower cost, better efficiency and stronger accountability but in reality, little is known about the consequences of privatisation and whether or not they deliver these benefits to the community.

Private prisons now incarcerate 18.5% of the prison population of Australia (Productivity Commission, 2014: Table 8A.1), and clearly play a large part in the functioning of the custodial system in Australia. In fact, Australia has the highest rate of private incarceration per capita of any country in the world (Mason, 2013: 2). Out of a total of 101 prisons in Australia, private contractors operate nine facilities in five different states: two prisons in Queensland, two in New South Wales, one in South Australia, two in Victoria and two in Western Australia. Tasmania, the Australian Capital Territory and the Northern Territory do not have private prisons and are therefore outside the scope of this report. Parklea (NSW), Arthur Gorrie (QLD) and Mount Gambier (SA) prisons all deal with remand prisoners. Port Phillip (VIC) and Parklea (NSW) both take maximum security prisoners. The remaining facilities house medium- and low-security prisoners, and do not take part in remand activity.

As of 2015, there are only three private contractors responsible for managing custodial services in Australia. These are GEO Group (GEO), G4S and Serco. Private prisons are now responsible for over 6,000 Australian prisoners (Productivity Commission, 2014: Table 8A.1), and absorb a considerable amount of taxpayer money nationally. Despite this, research into private prisons in Australia is extremely limited. Indeed, there has been no single publication or study in the last ten years that has covered all of Australia's private prisons in detail. The present report aims to deliver such a review and in doing so demonstrates that not only do privately managed prisons across Australia vary greatly in terms of their accountability, costs, performance and efficiency, but also that it is very difficult to assess these criteria because of a general lack of transparency. This comprehensive report of the sector seeks to address this information gap and, as a result, intends to better inform future public debate on prison privatisation.

Purpose

The purpose of this report is to provide a description of Australian private prisons as they have evolved across the country. Our overview of private prisons in Queensland, New South Wales, South Australia, Victoria and Western Australia will give an understanding of the 'State of the Nation' with regard to prison privatisation and its impact.

As stated, our study considers private prisons in Australia against four key categories: accountability, costs, performance and efficiency.

Accountability represents the avenues available for holding contractors responsible for their actions. Accountability comprises two dimensions. The first dimension of accountability consists of the mechanisms that the government can use to ensure that the services it purchases from private contractors are delivered to an agreed standard. This is what we refer to as 'internal' accountability, in that mechanisms make a contractor responsible to the government, but not necessarily to the broader public. The second dimension of accountability is 'external', and consists of mechanisms for making the public aware of the nature and performance of contracts between the government and private contractors. External accountability is therefore important, allowing the public to hold those responsible for the prisons' operations to account. Accountability helps mediate assessments of cost, performance and efficiency. After all, a private prison can only be said to provide accountability if the performance, costs and efficiency of its services is clearly communicated to the public. Accordingly, the study that follows is as much concerned with identifying what kind of data must be made available to make private prisons accountable, as it is with establishing what information is available already.

Costs reflects the expense to the state of having prisoners incarcerated in private facilities, including not only amounts paid to contractors, but also expenses involved in tendering contracts and monitoring performance, costs associated with contract failures, and the broader costs of the custodial system.

Performance refers to the quality of services provided by a private prison operator. This definition is not limited to performance standards set by the state. Rather, it also includes a broader range of performance metrics not necessarily incorporated into private prison contracts. This aspect of the study will therefore indicate whether private prisons are meeting contractual standards, as well as provide an assessment of whether contractual standards themselves offer a robust measure of performance.

Efficiency involves the relationship between the quality of services provided and their overall cost to the taxpayer. In practice, the meaning of efficiency can vary. Greater efficiency can entail an equal performance at a lower cost, a higher performance at the same cost, or even a lower performance at a radically reduced cost.

This report consists of two parts. Part 1 provides an overview of our findings. Part 2 provides a detailed state-by-state analysis of the sector.

Part 1

Prison Privatisation: The State of the Nation

Findings

This report explores the distinct nature of prison privatisation across states and the varied nature of their accountability, costs, efficiency and performance. While there is no uniform pattern that describes the experience of all states with regard to these categories, any evidence of performance improvements and efficiency gains remains patchy and opaque; systems of accountability vary significantly; public reporting remains poor; and the total cost of private prisons remains unknown.

Overall, we find that there is not sufficient evidence to support claims in favour of prison privatisation in Australia. As a consequence, it is our view that no further privatisations should take place before an appropriate level of information is made available to policy makers and the public in order to properly assess the impact of privatisation on the sector. In addition, there is a need for more research that engages directly with those impacted by the sector: prison employees and prisoners.

This lack of available publicly information makes it difficult to make any evidence-based claims about the consequences of prison privatisation in Australia.

What we do know is that the way private prisons operate has changed over time. While systems of accountability and performance measurement have become more sophisticated, there is still a lack of information in the public domain to enable proper scrutiny of these prisons. There also appears to be a trend towards increased performance monitoring within private prisons, but little of this information is made available to the public.

Not all areas of prison privatisation have seen a clear evolution. Recently, Western Australia provided some detailed information about the operational costs associated with private prisons each year. The same cannot be said for the other states. In fact, all other states obscure this information, either entirely or in part. Queensland has never made contracts publicly available, and does not disclose amounts paid to private contractors in the annual reports of the Department of Corrective Services. Likewise, New South Wales has prevented public access to private prison contracts under commercial-in-confidence rules. PLFs paid to the contractor are revealed in the annual reports of Corrective Services NSW; however, these are only presented as a percentage of the overall fee, which remains unknown. Cost data from Victoria are similarly opaque, and give little idea of how much has been paid to contractors based upon their performance.

The overwhelming conclusion of this study is that there is insufficient publicly available information to determine whether or not private prisons provide a better approach to the delivery of prison services as compared to the public system. The purported benefits of introducing private prisons along the lines of accountability, costs, efficiency and performance still remain to be proven. In order to establish the impact of privatisation on the custodial system, a range of cost and performance data must be made available by those states with private prisons.

A genuine comparison in terms of performance, cost and efficiency will only be possible once all private prisons are subject to similar levels of public accountability, and this will require a genuine commitment to evidence-based prison policy reform.

Limitations

This report brings together publicly available information and as a consequence, relies almost exclusively on institutionally generated forms of knowledge about private prisons. This limits the frame within which this report can be read. For the most part we comment on the presence or absence of information relative to other states, in order to indicate areas and issues that warrant further research. By way of an example, we discuss the cost per prisoner per day figure provided by each state, but it is clear that more work is needed to assess the quality of these figures and whether they hinder or support evidence based policy.

In addition, some states with private prisons may appear to be functioning better than other states because they disclose more data at a greater level of detail; however, there are limitations to this interpretation. Comparatively better performance does not necessarily equate to good performance and the existence of comparatively more information does not necessarily mean it is useful or of good quality.

Challenges for the Future

This report provides a comprehensive review of where we are today in terms of prison privatisation in Australia and, as a result, it outlines the key issues that will shape the future of private prison policy in Australia.

Over time, governments have gathered more and more data from private prisons, and indeed from prisons more generally. The recent report by the ERA of Western Australia (ERA, 2015c) exemplifies this trend, in that it recommends increased data gathering across the whole custodial sector. The growing presence of benchmarks, SLAs and KPIs across all five states with private prisons indicates that this is a general trend. Consequently, there is an increasing level of 'internal' accountability within custodial systems in Australia. However, states with private prisons still lack sufficient 'external' accountability to the public.

The second issue that will influence the future of privatisation is overcrowding. All states in Australia are under pressure to provide infrastructure for a greater number of prisoners whilst budget constraints remain tight. In this context private prisons are attractive due to their alleged efficiency gains. However, there is as yet no proof that privatisation has brought consistent improvements to the efficiency of any custodial system in Australia, and there is even less evidence to suggest they are cost effective.

Recent reviews of state custodial systems also link the issue of overcrowding to recidivism. The ERA of Western Australia (2015c) and the Victorian Ombudsman (Ombudsman-VIC, 2014) have both examined the need to address overcrowding by reducing reoffending. However, the relationship between privatised imprisonment and recidivism is still unclear. The contract for the new Ravenhall Prison, under construction in Victoria, incorporates a recidivism target into the KPIs, with direct consequences for the PLF paid to the contractor (GOV-VIC, 2015). This suggests that governments may try to reduce overcrowding by connecting the profit motive to attempts to rehabilitate and reintegrate offenders. However, this approach overlooks the broader driving forces behind recidivism, including economic deprivation and stricter sentencing laws. Accordingly, future research should explore the linkage between the profit motive and reducing reoffending rates, and address the possibility of legal reforms such as the 'Justice Reinvestment' initiative (Papalia, 2015).

The third issue that will define the future of prison privatisation in Australia is the role of the labour force. As this report notes, the introduction of new methods of data collection, performance measures and oversight has entailed a greater focus on the wellbeing of prisoners. However, privatisation of prisons has had negative consequences for workers. New South Wales, Queensland, Victoria and Western Australia have all experienced problems at private prisons that are directly attributed to cuts in staffing levels. In Western Australia, the ERA indicates that one benefit of introducing private providers is that it

will reduce the cost of workers' entitlements (ERA, 2015c: 95– 96). Accordingly, while prisoners are now viewed as stakeholders in the custodial system, prison officers are increasingly viewed as a cost to that system. The Office of the Inspector General of Prisons in New South Wales runs counter to this trend, emphasising the importance of evaluating prisons as workplaces as well as sites of incarceration. This may prove effective in attracting skilled labour to the sector and reducing staff turnover for prisons. Accordingly, future research should seek to incorporate the wellbeing of prison workers into discussions of performance of private prisons.

In conclusion, there must be more information about private prisons in the public sphere if a real debate on privatisation is to take place. However, this will not be sufficient by itself. Existing structures of accountability all focus on gathering data from contractors, based on performance targets and compliance with standards. In order to gain a real understanding of how private prisons operate, the knowledge of those working in private facilities must be added to the data already being gathered. Custodial officers are stakeholders within the prison system, and can provide qualitative information that does not easily fit into rigid structures such as KPIs. Future research into prison privatisation in Australia should therefore focus on gathering interview data from people working within prisons across Queensland, New South Wales, South Australia, Victoria and Western Australia.

Relying on information that is in the public domain, Part 2 of this report explores these issues in detail, creating a picture of the accountability, costs, performance and efficiency of private prisons in each state. Each section concludes with a general of analysis of prison privatisation in each state in order to inform a future evidence-based approach to prison policy.

Part 2

Prison Privatisation: State-by-State

Private Prisons in Queensland

At a Glance

As of 2015, Queensland has 16 prisons, two of which are privately run. The privately operated prisons are Arthur Gorrie Correctional Centre, which is a remand centre at Wacol in the suburbs of Brisbane, and Southern Queensland Correctional Centre, located in Gatton, within the Lockyer Valley. Arthur Gorrie is operated by GEO, and Southern Queensland Correctional Centre is operated by Serco. Previously, Borallon Correctional Centre, located near Ipswich, was operated by Serco until its closure in 2012.

History

The privatisation of Queensland prisons began in 1989, following the Kennedy Report (1988). The report, chaired by the businessman and accountant Jim Kennedy, was intended to reform corrective services in Queensland. Based on this report, the Queensland Corrective Services Commission (QCSC) was established as a new organisational framework for custodial services in the state (see Kennedy Report, 1998: Chapter 4). Within this framework, an initial program for privatisation was set out. The Kennedy Report clearly states '(t)he opportunities for introducing private sector involvement are substantial and should lead to an increase in cost-effectiveness' (Kennedy, 1998: 88). The rationale for this claim was that in some areas private providers 'can do it cheaper and better', and that the introduction of competition in the custodial system would create dynamism and allow for the measurement of public sector performance (*ibid*: 88). These measures were outlined in the context of budgetary problems within Queensland Custodial Corrections, which were attributed to overtime and sick leave costs from staff (Knowledge Consulting, 2005: 12) Keith Hamburger (later an advocate of privatisation with Knowledge Consulting), was the first Director-General of the QCSC. Notably, the initial privatisation of prisons in Queensland did not take place in the context of a growing prison population as was the case in Victoria, New South Wales and Western Australia. Inmate numbers were largely static from 1987 to 1989, and then declined from 1989 to the middle of 1993 (QCSR, 1999: 34).

Chapter 16 of the Kennedy Report recommended privatising the newly constructed Borallon Correction Centre. The suggested advantages of this privatisation were the creation of a market for corrective services, competition for the services of corrections staff that could improve their pay and conditions, and that privatisation would provide a real measure to test the performance and costs of corrective services (Kennedy, 1988: 97).

The tender process for Borallon attracted five expressions of interest, of which two were invited to submit formal bids. Corrections Corporation of Australia (CCA) was the successful bidder, and the contract was a joint arrangement between the Corrections Corporation of America and Wormald Security (Moyle, 1995: 39). Opening in 1990, Borallon Correctional Centre was the first privately managed prison in Australia, situated close to Ipswich. Borallon prison was a medium-to-low secure facility, with a capacity for 244 prisoners when it first opened. The contract fee for 1991 was \$9.7 million (Moyle, 1999: 62). The contract was tendered again in 2000, with Management and Training Corporation submitting the successful bid. Following a third tendering process in 2007, Serco became the operator of Borallon Correctional Centre from 2008 until its closure in 2012. By 2012, Borallon prison had the capacity to house 492 inmates.

Arthur Gorrie Correctional Centre was the second private prison in Queensland, and was also the second private prison in Australia when it opened in 1992. The privatisation of this prison was not planned in advance; rather, it emerged out of a breakdown in negotiations between the QCSC and the Queensland State Service Union (PSMC, 1993: 116). The contract with the private provider for the prison began at \$12 million per annum, compared to the QCSC bid of \$16 million (Weller, 1998: 112). However, this figure did not take into account the cost of redundancy payments to 400 staff (*ibid*: 112). Australasian Correctional Management (ACM) won the tender to operate Arthur Gorrie Prison, and retained the contract up to 2015. Notably, the initial tender was not awarded on lowest price, but on a balance between price and quality. The ACM bid was the second lowest price for managing Arthur Gorrie (SCRCSSP, 1997: 89). During the term of this contract, ACM changed its name to GEO Group. Arthur Gorrie is a remand and reception prison, which opened with an initial capacity for 458 inmates, and, as of 2015, has capacity for 890 inmates.

In 1993, the Public Sector Management Commission (PSMC) published its *Review of Queensland Correctional Services Commission*. Chapter 4 of the review addresses 'Commission Management', including a significant section on contract management (pp. 114–125). The PSMC review notes that no comprehensive review of private facilities, or a comparison between public and private custodial services, had yet taken place (PSMC, 1993: 8). The review notes that what comparisons had taken place were only on the basis of price, and that such comparisons had been contentious (*ibid*: 118).

In 1994, construction began for a new high-security prison on the site of the old Woodford Gaol. The new Woodford Correctional Centre opened in 1997, and was also the subject of competitive tenders. This tender process was won by the QCSC, and was based on providing value for money that was superior to any of the private bids (Weller, 1998: 112). Notably, the QCSC bid was successful on the basis of a site agreement that established work practices which would only apply to Woodford (*ibid*: 112). The private bidders subsequently complained, suggesting that the bidding process was not fully independent, as the QCSC was both a bidder and a purchaser. Subsequently, both the Public Works Committee of Queensland (PWC-QLD, 1996) and the Steering Committee for the Review of Commonwealth/State Service Provision (SCRCSSP, 1997) examined these claims. The tendering process was found to have been fair, but as a consequence of the issues raised it was decided that the QCSC should be split into a purchaser and a service provider, with the purchaser remaining QCSC and the provider being established as a government-owned corporation named Queensland Corrections (QCORR) (SCRCSSP, 1997: 92–93).

The Queensland Correctional Services Review (QCSR) published a commission of inquiry into the Queensland custodial system, titled 'Corrections in the Balance', in 1999. The purpose of this review was to assess the structural changes resulting from previous reforms, to evaluate how competition had improved services and to establish directions for further change. Reduction in recidivism is also a notable theme of the review, alongside the need for rehabilitation within the custodial system. Recidivism rates were linked to training and employment, and the review emphasises the importance of providing vocational education to inmates in order to reduce re-offending (QCSR, 1999: 113–114). This report identifies overcrowding as a major issue affecting the prison system in Queensland (*ibid*: 2).

Another focus of the inquiry was contract design, wherein the commission observed that the initial private contracts had been input-based, as opposed to output-based, and did not include incentives for performance (QCSR, 1999: 48). On a broader level, the review called for a performance measurement and analysis unit to be established, which would enable clearer comparisons and evaluation (*ibid*: 49). The overall impression of the review was that there did not yet exist sufficient means, either through contracts or monitoring, to establish the performance of the private providers, and therefore to determine whether value for money was being received. While the review suggests that privatisation has lowered costs per prisoner per day, it also notes that information for evaluation of the quality of service provision is lacking. Finally, the QCSR report recommends that the corporate entity of QCORR be absorbed into the newly created Department of Corrective Services, becoming a business unit. This recommendation was due to lack of evidence that corporatisation of the public provider had been beneficial (QCSR, 1999: 4).

Borallon Correctional Centre closed in 2012, and was replaced by the newly built Southern Queensland Custodial Centre. The contract for Southern Queensland Custodial Centre was not put out to tender; rather, the existing contract with Serco for Borallon Correctional Centre was transferred to the new facility ([Prison shift just a 'dodgy swap'](#) *Gatton Star*, 17 August 2011). Southern Queensland Correctional Centre is a high-security male prison, with a built capacity for 300 prisoners. However, at one time it held at least 335 prisoners, with the doubling-up of some cells (OCIP-QLD, 2013b: 7).

In 2013, the QCA provided further commentary on the privatisation of custodial services. Volume 3 of the report makes the recommendation that:

'The management of all correctional facilities in Queensland be progressively opened to competitive tendering processes, where there is a contestable market, to ensure that the best value for money outcomes are achieved'. (QCA, 2013: 3-250)

This recommendation was made in the context of a largely static prison population, which grew from 5,449 inmates in 2005 to 5,650 inmates in 2012 (*ibid*: 3-239). However, the report also notes that recidivism rates had trended upwards over the same period (*ibid*: 3-245). Where the commission of audit discusses privatisation, it does so using the concept of 'contestability' (QCA, 2013: 3-248-3-251). The report concludes that 'experience to date indicates that greater efficiencies can be achieved by private operation of correctional facilities', whilst maintaining that not all prisons need be privatised but that instead the custodial system should become a 'contestable' market (QCA, 2013: 3-250). However, the QCA does not cite any data, either qualitative or quantitative, which support this claim. Equally, the report cites as evidence the work of Gary Sturgess (Criminal Justice Alliance, 2012: Chapter 4). Prior to the writing of this chapter, between 2003 and 2011 Sturgess had served as Director of the Serco Institute, which was funded by the private prison operator Serco. In a similar vein, Sturgess' work as cited by the QCA does not reference Queensland or Australia, instead drawing empirical data from the UK experience of prison privatisation.

According to the Catholic Prison Ministry (CPM, 2013: 33), the Director-General of the Department of Community Safety established a task force in early 2013 with the objective of assessing the potential privatisation of all prisons within the Queensland custodial system. The Director-General has not confirmed this report.

Borallon Correctional Centre is due to re-open in 2016 as an 'earn or learn' facility for offenders aged 18 to 30. Borallon will be a publicly run facility once it re-opens, according to most recent reports ([Borallon prison to reopen in 2016](#) *Brisbane Times*, 8 July 2015).

Accountability

As in other states, there are multiple mechanisms for accountability in the Queensland prison system. However, as the first state to introduce private prisons, Queensland began from a low level of accountability and has increased the level of oversight of private facilities over time.

Contracts

The initial contract for Borallon Correctional Centre was not made publicly available. Tender evaluations, tender documents, contracts, and financial and policy arrangements were all held by the QCSC (Moyle, 1995: 34). The QCSC rebuffed academic requests to see the Borallon contract, and to view the audit reports through which the contract was evaluated, claiming that it was clearly the case that the contractor was fulfilling their obligations, otherwise the contract would have been cancelled (Moyle, 1999: 323). By contrast, academic requests for information from the publicly operated Lotus Glen prison were granted during the same period, and full access to policy, audit and financial material was given (*ibid*: 323).

During a 1999 study of private prisons in Queensland, Paul Moyle submitted Freedom of Information (FOI) requests that asked for the tender documents from Australian Correctional Management (ACM) and Corrections Corporation America (CCA) for the Arthur Gorrie and Borallon prisons, respectively, along with the underlying contracts that were agreed after the tender process. However, Moyle was denied access to these materials, on the basis that it would damage the financial interests of the companies involved, that the security of the prison might be compromised, and finally that documents were commercial-in-confidence (Moyle, 1999: 325–328).

In 1999, the *Corrections in the Balance* report produced by QCSR devoted a chapter to ‘Oversight of the Private Providers’. This report notes that contractual arrangements for prison services did not reflect best practices (QCSR, 1999: 58).

Southern Queensland Correctional Centre, as noted above, was not the subject of a new tender process or contract. Instead, the contract from Borallon with Serco was carried over to the new facility. Accordingly, there is no additional publicly available information on the contractual arrangements underpinning this new private prison.

As of 2015, the State Government of Queensland lists both tenders and contracts for all public services on two websites: [QTenders](#) and [Queensland Contracts Directory](#).

However, neither of these sites holds contract or tender information pertaining to the private prison contracts for Borallon, Arthur Gorrie or Southern Queensland Correctional Centre. The sites list new contracts and tenders, and do not cover the periods when the contracts for private management of custodial facilities were granted. Equally, the [Queensland Government Data](#) website does not list information pertaining to these contracts. Accordingly, up-to-date private prison contracts are not in the public domain in Queensland.

Monitoring Arrangements

The Public Sector Management Commission (1993: 117) report indicates that Borallon prison originally had an onsite monitor, but that this oversight was relaxed once the QCSC determined that it could trust the contractor to carry out its duties. According to the *Corrections in the Balance* report produced by QCSR, onsite monitors were introduced in 1991, but withdrawn 18 months later in 1993 (QCSR, 1999: 60). Arthur Gorrie prison had a liaison between QCSC and the contractor (ACM/GEO), but there was no provision for day-to-day monitoring on-site (*ibid*: 117).

As noted above, the QCSR report of 1999 recognised that there were significant problems with monitoring private providers. Specifically, whilst the *Corrections in the Balance* report upheld the self-collection of data by private contractors, it highlighted the need for the purchaser to ensure that all relevant data were being properly collected (QCSR, 1999: 58–59). The report states that, as of 1999, ‘QCSC is not able to provide a comprehensive report on the service performance of privately managed prisons in Queensland’ (QCSR, 1999: 59). However, the same report indicates that onsite monitors are not considered necessary for the proper regulation of private contracts, and stresses the problem of ‘capture’ when monitors are based onsite (*ibid*: 60–61).

Equally, the *Corrections in the Balance* report notes that not all accountability measures applicable to public prisons have equal authority in privately managed facilities. The *Financial Administration and Audit Act*, *Freedom of Information Act*, *Government Owned Corporations Act*, Public Accounts Committee, Estimates Committee, Public Works Committee, Treasury Capital Works Report, Audit Office, Criminal Justice Commission and Annual Report are all listed as accountability mechanisms that are either partly or entirely inapplicable to the privately managed prisons (QCSR, 1999: 42).

Annual Reports

The structure of the Department of Corrective Services (DCS) has changed several times since the Kennedy Report of 1988. Therefore, the types of annual report available for this area of government services often vary. Several DCS annual reports are available, and aggregate some information regarding the privately managed prisons in Queensland. However, much of the quantitative data concerning corrective services in Queensland are only provided at the system level, rather than for individual prisons. For example, the statistical profile of the Department of Community Safety for the years 2008–2009 details the number of hours of education delivered to prisoners, and the number of inmates employed in prison industries, but does not disclose information about prison performance against specific criteria (DCS-QLD, 2008: 52).

Significant information, like that provided on deaths in custody and escapes, is not contextualised in terms of targets or historical trends or benchmarks. Thus, without the specific targets on KPIs, Service Delivery Outcomes or Minimum Standards from the contracts, establishing an understanding of prison performance remains indeterminate.

Independent Inspector of Prisons

Queensland has followed the general trend in Australia of creating an Independent Inspector of Prisons to give additional oversight of the custodial system. Queensland has increased monitoring of prisons via the appointment of an inspector as of 2005. This is the Office of the Chief Inspector. However, the Chief Inspector is not formally independent, but reports directly to the head of Corrective Services. Unlike in Western Australia, the Inspector does not carry out unannounced inspections, but instead gives six weeks' notice before visiting a facility. Follow-up visits are scheduled for the year after the initial inspection. Since the creation of the Office, the Inspector has surveyed the performance of Borallon, Arthur Gorrie and Southern Queensland private facilities. The outcome of these reports is incorporated in the 'Performance and Efficiency' section below.

The Inspector uses a 'Healthy Prison' model of evaluation for each facility. Notably, whilst these reports are available online, sections of the material may be censored. For example, the Office of the Chief Inspector's (OCIP-QLD) report from 2009 on Borallon prison is censored in Chapter 3, 'Duty of Care', with three observations (6.4, 6.5 & 6.7) being redacted, along with one recommendation by the OCI (OCIP-QLD, 2009: 24–28). Reports from inspections occurring before the implementation of the 'Healthy Prisons' model for evaluation are not publicly available.

State Ombudsman

As in other states, the Queensland Ombudsman plays a role in the accountability of prison service providers by receiving and responding to prisoner complaints. However, unlike in states such as New South Wales, the Annual Report of the Queensland Ombudsman does not contain a breakdown of overall prisoner complaints by host facility. The Ombudsman's annual reports are only available online for the last five years. Editions of annual reports prior to 2010–2011 must be requested in hardcopy from the State Library.

Beyond annual reports, the Ombudsman also carries out special investigations as necessary. However, no investigation on record has specifically focused on the private provision of custodial services. One investigation in 2009, into the management of breaches of discipline in Queensland prisons, addresses Arthur Gorrie Correctional Centre, and is described in the 'Performance and Efficiency' section below.

Auditor-General

As is common in other states, the Queensland Auditor-General plays an intermittent role in overseeing private prisons. As of 2015, the Auditor-General of Queensland is in the process of producing a report on the management of privately operated prisons in the state. The due date for this report is January 2016, and public submissions to the report are invited at [Queensland Audit Office](#). Prior to this audit, there have been no reports that focus specifically on any of the private prisons in Queensland, or the private provision of custodial services more generally.¹

Additional Factors in Accountability

The CPM, in conjunction with the Prisoners Legal Service, has produced several annual reports on the state of the custodial system in Queensland. The CPM grew out of the South Brisbane Action Group, which was founded to support the families of those in prison and to run education programs in jails. Likewise, the Prisoners Legal Service was founded in Brisbane in 1985, and became a registered charity in 1993.

The CPM oversees the custodial system as a whole through their visits to each of the state's prisons. Reports are available from 2008–2013, and examine both individual prisons and the state of incarceration in Queensland more generally. The 2013 report also includes a specific section reviewing the role of private prisons in Queensland and Australia.

Finally, Paul Moyle (1999: 336) indicates that he was also threatened with pre-emptive legal action by CCA to prevent the release of research findings concerning the performance of Borallon prison. This was based on information collected during his PhD research on Borallon and Lotus Glen. Moyle's findings were mixed, but raised concerns about staffing levels voiced by custodial officers from Borallon (Moyle, 1995: 48).

In summary, whilst accountability issues remain a concern in Queensland, recently there has been an increase in the function and number of accountability mechanisms providing oversight of Queensland's private prisons. Most notably, inspection reports from the Inspector of Prisons are available online. That being said, the direct on-site monitoring of prisons by the QCSC has been relaxed, relying instead on indirect oversight by the Queensland Ombudsman, Auditor-General and the CPM. In addition, Queensland private prisons are subject to independent inspection but not all findings have been made publicly available. Similarly, while there have been several annual reports produced on prison activities, these have lacked specific information on prison performance against contractual criteria. Also, while private prisons in Queensland feature within the State Ombudsman's annual reports, these disclosures lack detail.

Costs

As indicated in the accountability section above, information on the costs of private prisons is not made available by the state, and can only be deduced from other sources. For example, contracts are not available to the public, and are protected by commercial-in-confidence restrictions. Equally, reports by the Office of the Chief Inspector do not list the amount of money paid to each private prison, and DCS annual reports do not report on the costs of private prisons in isolation.

Information on costs, therefore, comes either from academic reports, or from government enquiries with greater access to data. On occasion, private contractors reveal the cost of contracts awarded by the

¹ The Auditor-General's report was released after the data collection phase for this report had been completed.

state, such as GEO's submission to the Public Accounts Committee of New South Wales discussed below. However, these sources do not allow for a breakdown of costs on a year-by-year basis.

Cost of Contracts

According to one academic study, the cost to the DCS of the contract with CCA to manage Borallon was \$9.7 million in 1991 (Moyle, 1999: 62). Another study, comparing Borallon prison to the publicly operated Lotus Glen facility, gives the value of the contract as \$9.29 million for the 1991–1992 year (Macionis and Millican, 1994: 33). A later academic work, authored by Glyn Edwards (1996: 407) places the total recurrent institutional costs for Borallon at \$10.08 million per year, based upon earlier academic data and information from the QCSC. Therefore, we can assume that the cost of private management of Borallon was somewhere between these marks during the initial contract period.

Academics have placed the cost of the Arthur Gorrie facility at between \$12 million (Weller, 1998), and \$11.5 million (Moyle, 1994), when the contract began in 1992. Later claims by GEO (formerly ACM), made to the Public Accounts Committee of New South Wales, state that the cost of running Arthur Gorrie prison is \$99.12 per prisoner per day as of 2005, including the cost of healthcare (GEO, 2005: 10). Given that the capacity of Arthur Gorrie prison was 710 inmates in 2005, this gives an estimated contract value of \$25,686,948 per year ($99.12 \times 710 \times 365$). However, GEO did not provide any information on how these costs were calculated in their submission to the Public Accounts Committee of New South Wales. It is therefore possible that they omit overheads paid by the QCSC, and therefore that the cost of the Arthur Gorrie contract to Queensland is greater than the figure given above. Similarly, *The Australian* newspaper claimed to have seen a copy of the Arthur Gorrie contract in 2005. Allegedly, the annual PLF for the contract was \$500,000, and the GEO was paid around \$800 per prisoner per week (cited by Justice Action, [Campaign against prison privatisation in Australasia- Briefing about GEO](#)). With 710 inmates at \$800 per week, this gives a contract value of \$29,536,000 per year before the PLF was applied.

Moreover, the costs listed above are derived from the contracts, and do not include the full cost of running the facilities. As the 1997 Steering Committee for the Review of Commonwealth/State Service Provision notes, the QCSC continues to pay part of the costs of running private prisons in Queensland. As of 1997, the QCSC was responsible for building maintenance, and for paying water rates, electricity bills and other similar charges. The QCSC also provided other essential services, including drug dogs, drug testing, chaplaincy services and official visitors' services. Further, the QCSC plays a role in negotiating industrial relations agreements and organising grievance hearings (SCRCSSP, 1997: 77-78). There have been no information updates on whether this arrangement is still in place.

As of 2015, no contract information is available for the Southern Queensland Correctional Centre. When the Southern Queensland Correctional Centre was contracted in 2011, Serco claimed that this arrangement was worth \$100 million in revenue over five years, with the possibility of extension for another ten years ([New Prison Contract Serco, 28 July 2011](#)). This suggests that the contract was worth approximately \$20 million per year, based on the initial prison capacity of 300 inmates, and therefore \$182 per prisoner per day. However, this media release did not disclose details of the contract, such as base fees versus performance-related payments, or whether the fees rose in accordance with prison population.

Cost per Prisoner per Day

As of 2014, the cost of incarceration per prisoner per day in Queensland is \$180.29 (Productivity Commission, 2015: Table 8A.7). This is lower than the Australian average of \$218.90 in the same year. However, as discussed above, there is no reliable data in the public domain which give a clear calculation of the cost per prisoner per day for private prisons in Queensland. Although, as noted above, GEO

claimed costs of \$99.12 per prisoner per day in 2005, this figure was presented without explanation or any breakdown of costs.

In summary, publicly available cost information about private prisons in Queensland is very poor; there is no clear picture of how much a given private prison costs the state each year. Estimates of the cost of contract for each private prison also vary widely. Accordingly, it is not possible to conclude that privatisation has led to savings for the Queensland government.

Performance and Efficiency

Measurement of the performance and efficiency of private prisons in Queensland can be divided into two phases. In the early period during the 1990s, statistical data were provided that sought to establish the performance of private prisons compared with public facilities, mostly in cost terms. In the later period from 2005 onwards, there was a shift to qualitative evaluation of the performance of private prisons, and less emphasis on cost and comparison with the public system.

Three studies directly address the early performance of private prisons in Queensland. First, the Public Sector Management Commission (1993) reviewed comparative cost data on Borallon versus the publicly managed Lotus Glen prison for 1991–1992 (PSMC, 1993: 118). This analysis lists the cost per prisoner per year at Borallon as \$44,200 (i.e. \$121.09 per day) including \$1,300 of central office overheads, compared with \$49,900 per prisoner per year (i.e. \$136.71) at Lotus Glen, which includes \$10,820 in central office overheads (PSMC, 1993: 118). The PSMC report did, however, note that whilst the contract cost for Borallon remained the same in real terms, the yearly cost of Lotus Glen was declining. This suggests that the costs of the two facilities were likely to equalise over the longer term. Arthur Gorrie Correctional Centre was excluded from the study, based upon its role as a remand and reception prison.

A second study, by Macionis and Millican (1994), reports similar cost efficiency. Macionis and Millican report an annual cost per prisoner of \$39,200 at Borallon, based on dividing the contract value of \$9.29 million by 237 prisoners (Macionis and Millican, 1994: 33). This gives a cost per prisoner per day of \$107.40. This is compared to an annual cost per offender per year of \$51,000 (i.e. \$139.73 per prisoner per day) at Lotus Glen. This cost is derived from the net budget of \$8.23 million, plus \$0.59 million in industry expenditure, divided by the prison population of 215 inmates, plus \$10,000 per offender per annum in central office overheads (*ibid*: 33). By this calculation, Borallon appears to be measurably more efficient than Lotus Glen in the given period, assuming that the quality of service was equivalent.

However, a later study by Edwards (1996) challenged this accounting method. Edwards gave a comparison between Borallon and Wacol prisons for 1992–1993, incorporating revenues from prison industries. As Edwards notes, revenues from prison industries in public prisons passes to the QCSC, whereas these revenues are counted as profits for the operator in private prisons. At Borallon, the cost of incarceration per inmate per year, including QCSC overheads, was \$44,170 (i.e. \$121.01 per prisoner per day). At Wacol, the net recurrent institutional costs (\$8.66 million) plus QCSC overheads (\$3.219 million), minus industry revenue (\$2.743 million), divided by the population of 246 prisoners, gives an annual cost per prisoner of \$37,138 (\$101.75 per prisoner per day) (Edwards, 1996: 407). This study indicates that the public system was more cost efficient than the private system, once QCSC overheads were attributed and once industry revenues were accounted for.

Moyle (1995) also raised further doubts about how this kind of efficiency comparison was carried out. The contract for management of Borallon prison contained the greatest number of restrictions of any prison in Queensland on types of prisoners that could be housed at the facility. Excluded categories of prisoner included those subject to extradition or deportation; reception and remand prisoners; those requiring extended hospital or infirmary care; prisoners who had attempted escape in the previous 12 months; those who had serious breaches of regulations, including violent behaviour, during the previous 12 months of imprisonment; prisoners with a recent history of psychological problems; high-risk prisoners;

and those prisoners suffering from communicable diseases including hepatitis B and HIV (Moyle, 1995: 39–40). Accordingly, even if it is assumed that Borallon prison provided comparable quality of services to the public sector, it cannot be said to have done so under equivalent conditions.

Early studies also note problems in comparing the efficiency of public and private prisons in Queensland. This is due not least to the fact that most of the available data addressed issues of cost, and not performance combined with cost. Therefore, it was not strictly possible to compare the efficiency of public versus private prisons, without assuming that an equivalent quality of services was being delivered.

More recently, in 2013, the QCA claimed that private prisons were measurably more efficient than those under public control, stating:

‘Based on their experience to date, QCS estimates that the cost of privately operated prisons is about 10% below the cost of operating prisons in the public sector. Workforce management costs are a key point of difference between public and privately operated prisons. Lower administrative costs and offender expenses also have contributed to the lower cost base in the private sector’. (QCA, 2013: 249)

This passage refers to a footnote, which suggests that the above claim is made on the basis of information provided by the DCS. However, the data are not included in the Commission of Audit report, nor does the report give any notion of how this figure was calculated. The Commission of Audit later concluded that ‘... experience to date indicates that greater efficiencies can be achieved by private operation of correctional facilities’. (*ibid*: 250). However, as noted previously, this assertion lacks any clear empirical basis within the report.

Performance Measures

As noted by the PSMC, the Borallon and Arthur Gorrie prisons did not originally have performance measures in their contracts; instead, the documents were devoted to operational issues. However, the QCSC subsequently established minimum standards for the operation of these prisons (PSMC, 1993: 117). Since 1995, private prisons in Queensland have been measured by a set of minimum quality standards. The Steering Committee for the Review of Commonwealth/State Service Provision (SCRCSSP, 1997: 141) lists these measures as Escapes; Deaths in Custody; Incidents; Prisoner Self-Harm; Employment Rate; and Assaults on Staff. However, the SCRCSSP report also notes that these measures are not available to the public, and that information on contractors’ compliance with these measures is only available with regard to escapes and deaths in custody (*ibid*: 141).

The ‘Corrections in the Balance’ inquiry observed that there was no evidence from Australian or overseas prisons that private prisons were delivering services of a higher quality than those in the public sector, ten years after the opening of Borallon prison (QCSR, 1999: 108). However, the QCSR report also notes that incident rates were at a higher level in Queensland’s private prisons compared to those in the public sector. The incident rate in private prisons in Queensland rose by 31.9% from 1996–1997 to 1997–1998; conversely, the incident rate in publicly run jails rose by 28.9% in the same period (QCSR, 1999: 109).

As noted above, the later period of performance and efficiency evaluation has shifted away from comparisons between the public and private systems. Instead, as of 2005, the Queensland prison system is most clearly evaluated in terms of the ‘healthy prison’ standard set out by the Office of the Chief Inspector.

The ‘healthy prison’ test is based upon a concept first outlined by the World Health Organization. It is broken down into four key tests: Safety, Respect, Purposeful Activity and Resettlement. The ‘health’ of a prison, according to this method of evaluation, is defined by how well it achieves specific outcomes. These include protection from harm; maintenance of prisoners’ respect and dignity; provision of basic necessities including food, bedding, clothing and exercise; participation in programs that prepare inmates for life

outside prison; provision of healthcare at an equal standard to that outside prison; preparation for a prisoner to reintegrate into the community once released (OCIP-QLD, 2009: iv). These categories are used to evaluate prisons across the key areas of Arrival in Custody, Environment and Relationships, Duty of Care, Health Services, Activities, Good Order, Services, and Resettlement (*ibid*: v). Prisons are given a score out of four for each area and outcome, with a score of *one* meaning good performance, *two* indicating some evidence of adverse outcomes, *three* signifying poor performance across several areas, and *four* denoting that outcomes are poor and seriously affected by current practice. Prisons are also evaluated on a 'whole of centre' basis, which gives an overall score for a facility taking each area into account, and scored out of four in the same way as area and outcome evaluations (*ibid*: vi). However, it should be noted that the 'Healthy Prison' test does not include information on incident rates, hours spent out of cells, hours spent in industry or education, urine analysis for drug use or staffing levels on a consistent basis.

All three privately operated prisons in Queensland have been evaluated by the OCI since 2009 using the Healthy Prison test. Borallon was inspected in 2009, with a follow-up visit in 2010; Arthur Gorrie was visited in 2012 with a follow-up in 2013; and Southern Queensland Correctional Centre was inspected in 2013 with a follow-up report forthcoming as of 2015.

The 2009 inspection of Borallon prison was generally positive, resulting in a 'whole of centre' rating of two (OCIP-QLD, 2009: ix). The report does, however, note that the prison does not provide full employment for all prisoners. Further, prisoners at Borallon were paid less than those in some public prisons (*ibid*: xi). Equally, the OCI noted that whilst the use of force by prison officers was infrequent, the level of training in the use of force was also a concern, as only 29 staff had been trained in this area over the previous three years (*ibid*: xii). Crucially, Borallon received a score of three with regard to prisoner safety (*ibid*: xv), but the full details of this were censored in the publicly available report (*ibid*: x). Similarly, in Chapter 3 of the OCI report ('Duty of Care'), both areas of concern and specific recommendations are censored in the publicly available document (*ibid*: 27–28). Details from the follow-up report (OCIP-QLD, 2010) suggest that these issues were related to staffing levels. The OCI notes that the Borallon management addressed the redacted issues by providing a risk assessment for current staffing levels, and by appointing two additional officers in two accommodation blocks (OCIP-QLD, 2010: 5).

Arthur Gorrie prison received a 'whole of centre' rating of two when it was inspected by the OCI in 2012 (OCIP-QLD, 2012: viii). As with the Borallon report, passages within this document are censored. For example, a passage regarding the staff coverage model has several sentences blacked out (OCIP-QLD, 2012: 49). Like Borallon, Arthur Gorrie prison had shortcomings in the area of 'Duty of Care', specifically that prisoner complaints were not being handled in an appropriate manner and prisoners were not made fully aware of their rights. The report further criticises Arthur Gorrie in the area of 'Activities', noting that there was not sufficient 'purposeful activity' for the whole population, where purposeful activity includes work, education and recreation (OCIP-QLD, 2012: ix, 104–106). The Inspector also noted that not all prisoners appeared to have the required ten hours out of cell per day (*ibid*: 61). The follow-up report indicates that these areas of concern had been addressed (OCIP-QLD, 2013a). Similar to the inspection report, elements of the follow-up report are redacted, including a section of the document relating to recommendations that required further action by the contractor (OCIP-QLD, 2013a: 18–19).

Southern Queensland Correctional Centre also received a 'whole of centre' score of two when it was reviewed by the OCI in 2013 (OCIP-QLD, 2013b: 8). The report is largely complimentary, but notes that improvements were needed with regard to the handling of at-risk inmates (*ibid*: 45). As yet there is no publicly available document covering any follow-up inspection of the Southern Queensland Correctional Centre, and therefore it is not known whether the facility has improved its performance in light of the OCI recommendations.

In summary, since 2009, the three private facilities monitored by the OCI have shown a good standard of performance according to the 'Healthy Prison' test, but with a common pattern of issues arising in the 'Duty of Care' portion of the assessment. Equally, the context of redacted sections in the Borallon and

Arthur Gorrie reports implies that those issues which have arisen are connected with staffing levels. Equally, it should be noted that whilst these inspections have established performance levels, OCI reports do not specifically test private facilities against their contractual commitments. Moreover, because the reports exclude the costs of running the private facilities, and the information is not publicly available elsewhere, the OCI reviews do not provide sufficient basis for measuring the efficiency of privatised prisons in Queensland.

Innovations

The QCA (2013: 250) suggests that systemic pressure from the threat of privatisation could lead to innovation in the public sector. On this basis, the QCA argues that not all prisons need be privatised, but the threat of privatisation ought to be credible. However, the Commission of Audit does not list examples of innovations in public or private prisons that have occurred as a consequence of privatisation. In this sense, the QCA provides a weaker argument for innovation than that offered by the ERA of Western Australia in its publications on prisons since 2014.

In Queensland, reviews of private prisons do not pay specific attention to innovations and, as such, there is little direct evidence that privatisation has played a significant role in increasing innovations within the custodial system in Queensland.

Significant Incidents

Since the first prison was privatised in 1989, there have been a variety of significant incidents related to Queensland's private prisons including escapes, deaths and industrial action. Details of two key events are listed below.

In 1998, a corrections officer employed at Arthur Gorrie prison sued ACM for negligence and his associated post-traumatic stress disorder. An account of the investigation, which ruled in favour of the plaintiff, is available online ([Jarvis v Australasian Correctional Management Pty. Ltd March 1998](#)).

The investigation pertaining to the case revealed several key issues with Arthur Gorrie prison. First, despite the QCSC formally committing to having an onsite liaison at Arthur Gorrie, none had been appointed during the period from 1992 to 1993 whilst the plaintiff was employed at the facility. In spite of this lack of monitoring, the relevant annual report of the QCSC described ACM as having complied with its contract during that period (*ibid*: point 5). In addition, it was claimed that there were problems with inadequate training, psychological strains arising from low levels of both custodial and supervisory staff, and difficulties due to the lack of staff experience. These issues form the basis of the ruling by Justice Healy, who found two major problems. First, accountability for Arthur Gorrie prison was poor at the time of the incident, with unsafe work conditions in existence but not recorded by the QCSC. Second, planned cost and efficiency benefits of privatisation appeared to be directly connected to staff cost reductions, including understaffing and reduced training, and that these had had a direct effect on the plaintiff.

The State Ombudsman recorded a second major incident in 2009, during an inquiry into the management of breaches of discipline within the custodial system. The report found that prison officers at Arthur Gorrie Correctional Facility had disposed of the video records from major breach hearings. As the report notes, this action was illegal (Ombudsman-QLD, 2009: xiii).

Overall, attempts to measure the performance of private prisons in Queensland have improved over time, but the transparency and availability of data are still poor.

Summary

Queensland showcases many of the worst aspects of Australia's experience with prison privatisation. As the first state to privatise the management of a custodial facility, Queensland encountered many problems associated with poor contract design, poor planning and inadequate regulatory oversight. Many of these problems continue today, some 27 years after the first facility opened. Despite its long history, Queensland provides no evidence in support of further prison privatisation on the basis of improved public accountability, cost effectiveness or better performance outcomes.

In terms of public accountability, Queensland performs poorly. Private prison contracts are not made publicly available and as a consequence they are a long way from providing full disclosure to the public. Whilst a monitor is employed to oversee contract compliance, they do not make their reports available to the public. Other forms of oversight, such as the annual reports of the DCS don't disclose private-prison-specific performance data or cost information; similarly, the State Ombudsman handles prisoner complaints but only provides aggregate data on the sector as a whole; and while the Auditor-General conducted a special investigation into prisons in 2013, problems with the availability of information has meant that their work relied on estimates of performance and efficiency.²

In terms of costs, Queensland provides such little information to the public that it is impossible to assess the cost of private prisons. The annual costs of the contract are not available to the public; the PLFs and the associated payment of these fees remains confidential; and the cost per prisoner per day in Queensland's private prisons is not available to the public.

In terms of performance and efficiency, Queensland provides no information that would enable an informed assessment of private prisons. The lack of information about KPIs, SLAs and performance outcomes means that the public has no way of knowing what is expected of Queensland's private prison operators and whether or not they are delivering the services they are paid for. In addition, there is no evidence of innovations, and there does not appear to be any incentivisation of innovation by private sector providers.

Overall, Queensland has a long way to go to secure appropriate oversight of its private prisons. Related to this lack of oversight is a general lack of information surrounding the costs, performance and efficiency of these prisons. As a consequence, it is impossible to provide an evidence-based assessment of the impact prison privatisation has had in Queensland. Recently, the state government transferred the management of the newly built Southern Queensland Custodial Centre to a private operator without a competitive tendering process, intensifying concerns about public accountability in the state.

² As noted earlier, the 2016 report by the Auditor-General of Queensland was released after the data collection phase of this report had been finalised.

Private Prisons in New South Wales

At a Glance

As of 2015, New South Wales has 27 prisons, of which two are privately operated. These are Junee Correctional Centre, a minimum- to medium-secure facility near Wagga Wagga, and Parklea Correctional Centre, which houses maximum- and minimum-security inmates, and is located in North-Western Sydney.

As of 2014, these two private prisons incarcerated 15.8% of the total population of inmates for the state of New South Wales, accounting for 1,604 prisoners out of 10,477 (Productivity Commission, 2015: Table 8A1). This level of private imprisonment is below the average for Australia as a whole, which stands at 18.5% (*ibid*: Table 8A1). New South Wales has the second-lowest proportion of inmates in private facilities, after South Australia (11.4%) (*ibid*: Table 8A1). However, in absolute terms it has the second highest number of prisoners held in privately run facilities, after Victoria, which has 1,845 (*ibid*: Table 8A1).

History

New South Wales was the second state in Australia to have privately managed prisons, following Queensland. Private-sector management began in 1993, with the opening of Junee Correctional Centre, near Wagga Wagga. This minimum- and medium-security facility originally had a capacity for 600 inmates, rising to 750 in 2001. This facility was privately designed, built and managed by a consortium of providers, consisting of Thiess Contractors and Wackenhut Corrections Corporation. Thiess was responsible for designing and building Junee prison, whilst Wackenhut was responsible for prison management. The management of Junee was officially carried out by Australasian Correctional Management, a joint venture of Wackenhut and Thiess (Moyle, 1993: 11). The private sector involvement in the construction and management of this prison was a direct result of the recommendations in a 1989 report produced for the New South Wales government by the investment bank Kleinwort Benson, titled *Investigation into Private Sector Involvement in the New South Wales Corrective System* (see Roth, 2004: 27–29). The report recommended privatisation on the basis that it would reduce costs and increase efficiency, but the debate in the New South Wales parliament cast doubt over these claims. The report cited the claim that Queensland's Borallon prison had made cost savings between 7.5% and 10%, and one parliamentarian noted that there was no information given about how this figure was calculated or established (Moyle, 1993: 84). Despite these objections, Junee Correctional Facility was approved as the first private prison in New South Wales.

As stated above, the original manager of prison services was ACM. This joint venture was owned by Wackenhut and Thiess, but was later restructured to become part of GEO, which is identified as the manager of Junee in official reports and publications from 2004 onwards. GEO successfully bid to manage Junee Correctional Centre again in 2009 after the government put the contract up for tender, and continues to manage custodial services there as of 2015.

Parklea prison, in North-Western Sydney, was the second prison in New South Wales to come under private management. In 2009, GEO was awarded the contract to deliver custodial services at Parklea, commencing 1 November that year. Unlike Junee, Parklea prison had been publicly managed since it received its first inmates in 1983. This facility houses both maximum- and minimum-security inmates, and has a capacity for 823 prisoners as of 2015. Parklea is also a remand prison, where inmates are held whilst awaiting trial.

The public debate over prison privatisation in New South Wales has gone through at least three distinct phases, marked by government publications. The first phase comes with the initial inquiry by the NSW Parliamentary Research Service, headed by Lenny Roth. Roth's (2004) Background Paper, 'Privatization of Prisons', looked into the arguments surrounding private provision of custodial services, and the history of private prisons in New South Wales. This paper was issued during speculation that the Kempsey and Dillwynia prisons would be privatised (Roth, 2004: 2). However, these privatisations did not in fact take place, following negotiations between the DCS and the Prison Officers' Union. These negotiations formed part of the process of implementing the 'Way Forward' in New South Wales prisons, which is covered in more detail below.

The second phase of the public debate comes from the 'Value for Money from New South Wales Correctional Centres' inquiry, organised by the Public Accounts Committee of New South Wales and concluding in 2005. For this inquiry, the Public Accounts Committee wrote to stakeholders requesting input, and received seven responses (PAC, 2005: 2).

The third phase of the public debate comes from the General Purpose Standing Committee No. 3 discussion, 'Inquiry into the Privatization of Prisons and Prison-related Services', which concluded in June 2009. This third phase of public debate covered a specific set of policy recommendations, concerning the privatisation of Parklea and Cessnock prisons. Unlike previous discussions of prison privatisation, the General Purpose Standing Committee inquiry included a broad range of stakeholders and interested parties. The inquiry received 453 submissions, including 180 from prison staff and 44 from organisations. As a result of this public debate, only Parklea prison was given over to private management. At 2015, Cessnock continues to be managed by the public sector.

Accountability

New South Wales's private prisons have had varying levels of accountability and transparency over time. The 2004 Background Paper 'Privatization of Prisons', produced for the New South Wales parliament, lists five institutions with oversight of prisons in the state. These include the Auditor-General's annual reports, reports from prison monitors, reviews by the Department of Corrective Services, the Ombudsman's annual reports, and the Inspector-General's annual reports (Roth, 2004: 68). However, not all of these sources make their data directly available to the public, and not all have existed for the whole duration of private prison management in New South Wales.

Contracts

At the time of writing, contracts for Junee and Parklea prisons were not publicly available. It is not therefore known exactly what KPIs and other measures are being used to establish good standards of service provision.

The use of commercial-in-confidence legislation has been a significant barrier to 'external' accountability from Corrective Services New South Wales to the general public. Where private contractors have been used to provide prison services, FOI requests may be blocked on the basis that they breach commercial-in-confidence agreements. Commercial-in-confidence is intended to keep information, including operating costs, out of the public sphere where its disclosure would impact upon competition.

Monitoring Arrangements

As part of the prison management agreement, GEO collects data every month and submits reports to the monitor. These reports are verified by the monitor, and the monitor is also able to access facilities, data and personnel. The management agreement for Junee prison also includes a role for a community

advisory council, providing oversight on the running of the prison and making quarterly reports to the Minister for Justice (see Roth, 2004: 34). However, these reports are not publicly available.

The contract for Junee Correctional Centre includes provision for an onsite monitor, but the government has not always taken up this option. During the initial contract period, the Commissioner of Corrective Services decided that an onsite monitor would only be required for the first six to 12 months, moving offsite thereafter (Harding, 1997: 44–45). Subsequently, the Public Accounts Committee's 'Value for Money' inquiry of 2005 noted that the Junee monitor was also responsible for the Mid North Coast, Dillwynia and Wellington prisons. Therefore, the monitor was not fixed to a single site as is the case in Western Australia.

The General Purpose Standing Committee inquiry of 2009 recommended onsite monitors for all private prisons (GPSC, 2009: 100). However, whilst the government monitors both Junee and Parklea, it is not clear whether each prison has a dedicated onsite monitor, or an offsite monitor shared between several sites, as under previous arrangements.

Annual Reports

Yearly reports were included in the initial agreement for establishing Junee Prison. These were for a limited period of four years, beginning in 1994 and ending in 1999. The Department of Corrective Services New South Wales issued these reports. These reports did not include an analysis of cost data, and were focused mainly on demographic data and incident reporting, rather than contract compliance. As noted above, the establishment of Junee prison also involved the creation of a corrective services monitor for Junee (Junee monitor), which reported directly to the Commissioner for Corrective Services. Elements of the Junee monitor report are included in each Department of Corrective Services Annual Report, and subsequently the annual reports of the different organisations of which Corrective Services forms a part (see, e.g. DCS-NSW, 2004: Appendix 21). However, the Junee Monitor Report only accounts for around two or three pages of the annual report each year, as a summary of the information reported to the Commissioner. The raw data gathered by the monitor are not made available to the public. This information includes measures of Junee Correctional Centre performance against minimum standards, including contraband, inmate hygiene and key control.

Likewise, when Parklea prison came under private management in 2009, a monitor was established for the prison and a summary of the Corrective Services Monitor for Parklea's Report to the Commissioner was included in the annual reports alongside that of the Junee monitor. As of 2010–2011, monitors began to operate at public as well as private prisons in New South Wales. However, monitor reports for public prisons are not presented in annual reports in the same fashion as for Junee and Parklea.

Independent Inspector of Prisons

Independent inspection of private prisons has been intermittent within New South Wales. In April 1997, the New South Wales Minister for Corrective Services introduced a bill to establish the Inspector of Custodial Services (ICS-NSW) in an effort to address those issues not already covered by the Ombudsman's duties. The ICS was duly created, with a review of the office scheduled for 2003. The ICS was discontinued following this review, which was carried out by former police commissioner John Dalton and former chairman of the Corrective Services Commission Vernon Dalton. Avery and Dalton recommended that the OIG be discontinued on the basis that many of its functions overlapped with the Ombudsman, a position which the government accepted: [*Inspector of Custodial Services Bill 2012*](#).

Accordingly, New South Wales was left without an Independent Inspector of Prisons until 2012. The accountability of private and public prisons therefore declined in the intervening period, during which Parklea was established as a privately managed facility.

The Inspector of Custodial Services Bill 2012 re-introduced an Independent Inspector of Prisons, responsible for producing reports on each prison in the state. However, as of 2015 there are no reports on either Junee Correctional Centre or Parklea, as reviews of these prisons have been scheduled but have not yet taken place. Accordingly, whilst the accountability of private prisons in New South Wales may improve in the near future, a crucial form of oversight is still not in use.

Dr John Paget was appointed as Inspector General in 2013, and remains in the position as of 2015. The OIG carries out both announced and unannounced inspections. In New South Wales, the framework for inspections is shaped to deal with the nature, processes and outcomes of incarceration; it is not limited to a review of conformity with KPIs. Although compliance with quantitative targets is important for inspections, attention is also paid to qualitative factors including workplace culture and satisfaction of prisoners' needs (see ICS-NSW, 2014b for an overview). Once an inspection has taken place, findings are reported to parliament (ICS-NSW, 2014b: 5). Notably, the OIG has been critical of the lack of attention paid to the working conditions of prison staff:

'Parliamentary inquiries, media comment and public interest frequently focus on the impact of the setting of those who are incarcerated. While this is undoubtedly an issue of central concern, the impact of these same conditions and settings on the staff who work there attracts little debate or interest'. (ICS-NSW, 2014a: 6)

Prisons as sites of employment can be addressed by OIG reports. Accordingly, there is potential for the OIG to hold private contractors accountable for workers' wellbeing in a way that does not occur in other states with independent inspectorates.

State Ombudsman

As with other states, the main source of oversight provided by annual reports from the Ombudsman is the collation of metrics on the level of prisoner complaints. The New South Wales Ombudsman produces annual reports that include information on all prisons in the state. In New South Wales, information about complaints within the custodial system is presented on each prison, indicating which facilities have the highest level of complaints (see, e.g. Ombudsman-NSW, 2009: 149). This may encourage private prison operators to treat inmates as stakeholders within the prison system, a practice that is likely to have mixed outcomes. These reports have not been used to evaluate the performance or efficiency of private prisons, with regard to the award of their PLFs or renewal of contracts. The Ombudsman's report categorises prisons in line with their security classification and not their management structure, so it is difficult to draw any conclusions about the comparative nature of the prisoner experience in private and public sector prisons in New South Wales. The nature and pattern of complaints across the sector warrant further study.

Auditor-General

Private prisons have featured in the annual reports of the New South Wales Auditor-General since at least 2002; however, evaluation of private prisons is not always a focus in the reports. From 2002 to 2004, the Auditor-General made attempts to compare costs between public and private prisons in New South Wales. However, these annual reports are no longer publicly available online. The Auditor-General concluded that there were significant difficulties in comparing public and private prisons, a problem which led to the creation of the Public Accounts Committee inquiry 'Value for Money in NSW Correctional Facilities' in 2005 (see Public Accounts Committee, 2005: v).

The Auditor-General submits annual reports to parliament, and these may contain information about custodial services in New South Wales. The overall performance of Corrective Services NSW is mentioned in the 2004-2005 annual report, and the performance of Corrective Services in managing assets is covered in the 2005-2006 report. The 2009-2010 and 2010-2011 reports both mention Corrective

Services, but only with regard to home detention, which is not privately managed. The 2013-2014 annual report of the Auditor-General mentions a forthcoming framework for the performance of maximum-security prisons, which would include the privately managed prison at Parklea (AG-NSW, 2014: 33). However, neither Junee nor Parklea are ever mentioned by name in an Auditor-General annual report.

Additional Factors in Accountability

As noted above, two public discussions of prison privatisation in New South Wales have provided additional oversight and scrutiny of private facilities. These are the Public Accounts Committee's 'Value for Money in NSW Correctional Facilities' inquiry of 2005, and the General Purpose Standing Committee's 'Inquiry into the Privatisation of Prisons and Prison Related Services' of 2009. The former inquiry concluded that New South Wales should maintain '... at least one private prison in the State for the purposes of benchmarking the performance of publicly operated centres and to encourage the development of innovative management techniques' (PAC, 2005: vii). The General Purpose Standing Committee's inquiry made a variety of recommendations, including the re-establishment of an Independent Inspector of Prisons, onsite monitors at all New South Wales prisons, and that the Department of Corrective Services make public the methodology used to establish the costs of public and private prisons in the state (GPSC, 2009: xviii–xix).

Submissions to public discussions made by private contractors have been censored, so that confidential and commercially sensitive information is not disclosed (see, e.g. GEO, 2005). The upshot of this process is that the public debate has not allowed full scrutiny of arguments in favour of privatisation made by the state government and private sector entities.

Overall, private prisons in New South Wales suffer from a lack of public accountability. Publicly available information on both Junee and Parklea is extremely limited. Information supplied by oversight bodies accounts for fewer than 50 pages of text over the last decade. Coupled with this, commercial-in-confidence legislation makes private prisons less accountable than publicly run prisons in the state.

Costs

Cost of Contracts

As reviewed in the accountability section above, the contracts for both Junee and Parklea prisons are considered commercial-in-confidence, and thus the exact structure of the fees paid to the contractor is not revealed to the public. However, in its submission to the Public Accounts Committee inquiry into 'Value for Money' in New South Wales prisons, GEO disclosed that the cost of contract to the New South Wales government for Junee Correctional Centre was \$22,232,768 in 2005 (GEO, 2005: 5). As at 2015, this information is the most recent statement of the cost of contract for Junee.

The DCS annual report of 2010–2011 indicates that the combined cost to the state of the Junee and Parklea contracts (both fulfilled by GEO) comes to \$80 million per annum (DCS, 2011: 339). However, it is not clear how this figure breaks down across the two prisons, nor upon what levels of occupancy or performance it is based.

As the NSW Treasury budget figures list expenses of \$691.2 million for Custody Management in 2010–2011 (Treasury-NSW, 2011: 5), we can see that the contracts for Junee and Parklea combined make up 11.57% of the total budget for incarceration in New South Wales. For context, these two private prisons incarcerated 14.8% of inmates in New South Wales for 2010–2011 (Productivity Commission, 2013: Table 8A1).

No other information about the cost of contract for Junee or Parklea has been made available. The cost of private prisons does not appear as a separate line item in the annual reports of the DCS. Annual

reports from the DCS do disclose that each contract includes a PLF. However, the amount of this fee is rarely stated (see DCS-NSW, 2011: 128, for one exception). According to the DCS annual reports, the PLF can be up to 2.5% of the operational service-level fee at each facility (see, e.g. DCS-NSW, 2012: 97).

Cost per Prisoner per Day

The Public Accounts Committee of New South Wales report on 'Value for Money' notes the difficulty of establishing comparative prices in the custodial system. In particular, figures available from the Auditor-General were used to calculate the average cost per prisoner per day, based on the system as a whole and inclusive of overheads (PAC, 2005: 24). The Public Accounts Committee inquiry states that the Auditor-General figures show an average cost of \$91.75 per prisoner per day at Junee, compared with \$187.80 for the New South Wales prison system as a whole (*ibid*: 1). This figure does not come from the Auditor-General's reports themselves, but is calculated based on the cost of prison management to the DCS (*ibid*: 1, ft2). However, the figures offered in the Public Accounts Committee report have been questioned. Jane Andrew and Damien Cahill (2009: 146–147) note that the method of allocation for overhead costs is never stated, making the final cost figure for Junee highly ambiguous.

The General Purpose Standing Committee inquiry into the privatisation of prisons (2009: chapter 4) takes a positive view of privatisation as a means of reducing costs, stating that '... we are confident that the private management of prisons will also likely produce greater cost savings and efficiencies than if they were to remain in the public system' (GPSC, 2009: 51). This inquiry sets out the claim that Junee Correctional Centre costs \$124.29 per prisoner per day, as compared to the New South Wales prison system as a whole (excluding Junee), which costs \$184.03 per prisoner per day (*ibid*: 56). Within this, the work of Jane Andrew (2007, 2011; see also Andrew & Cahill, 2009) has been central in examining whether or not claims about cost savings in private prisons are empirically or conceptually valid. As with other states, factors including the age of prisons, their design and the geographical location of the facility may all have direct consequences for the cost per prisoner per day.

Thus, similar to the case of the Public Accounts Committee figures, the method for calculating overheads is never stated. Therefore, the final figures are in doubt and do not provide a basis for a reliable measure of costs.

Overall, the availability and clarity of cost data for private prisons in New South Wales is poor. It is not possible to tell how much is paid to Junee and Parklea prisons on a yearly basis. Nor is there a clear calculation for the cost to the state of running two private prisons, including the cost of contract and overheads. While concern about costs has been an important driver of privatisation in New South Wales, there is not enough information in the public domain to assess cost-related consequences.

Performance and Efficiency

It has been suggested that private prisons in New South Wales are more efficient than their public sector counterparts (GPSC, 2011: x), particularly in terms of their management of staff.

The possibility of further privatisation in New South Wales helped establish the 'Way Forward' program of reforms within the public sector. These reforms were designed to reduce overtime and sick leave, whilst streamlining operational functions and improving standards of security and rehabilitation (PAC, 2005: 15). Although not always stated explicitly, this program involved tighter staff to prisoner ratios, as indicated in the use of 'rolling let go and lock in' approaches to ensure that overtime is not used when maintaining custodial staff levels on each prison block (*ibid*: 17).

Performance Measures

A limited number of performance measures are available for Junee and Parklea prisons. These are disclosed within the annual reports of the DCS, which incorporate material from the monitors based at each private prison. Private prisons in New South Wales are evaluated using a combination of 'minimum standards' and KPIs.

Minimum standards for the operation of private facilities are set out in the management agreement covering each prison. These minimum standards are sometimes discussed in the DCS annual reports. For example, the DCS annual report of 2006–2007 mentions the minimum standards of Key Control; Armory Control; Use of Force; Inmate Disciplinary Procedures; Emergency Response Capability; Female Inmates; Segregation; Communication by Mail and Telephone; Inmate Hygiene; Discharging Inmates; Inmate Complaint Procedures; and Inmate Dispute Resolution (DCS-NSW, 2007: 120). These measures were only applied to Junee, as Parklea had not yet entered private control.

Performance measures derived from minimum standards are not consistent across time. For example, in 2007–2008, the DCS assessed Junee according to minimum standards in Correctional Centre Intelligence; Contraband; Serious Incident Reporting; Inmate Discipline Procedures; Management of Inmates Requiring Protection from Other Inmates; and Registers, Journals, Reports and Statistics (DCS-NSW, 2008: 124).

Payment of the PLF for each private prison is based upon KPIs. However, the DCS does not consistently provide quantitative data on these KPIs in the annual reports. Instead, the reports state whether or not a private prison met these targets, and what percentage of the PLF was paid to the contractor. Some quantitative data are occasionally disclosed, for example, the results of urinalysis testing. However, the DCS does not disclose what level of positive drug tests correspond to a given level of performance.

Performance According to Performance Measures and Inspections

The partial and inconsistent disclosure of information makes it difficult to give a clear overview of the targets used, as well as the performance of private prisons in New South Wales. The limited and inconsistent information available is summarised below.

The Corrective Services Annual Report of 2002-2003 included several concerns from the monitor regarding the Junee Correctional Centre. These included case management of prisoners taking place too slowly, with reviews of these cases not taking place on the six-monthly basis required by legislation. Deficiencies were also noted in reception screening, offering work to a significant proportion of inmates and the escape of a prisoner. On this basis, the monitor reported that the contractor was not meeting their responsibilities (DCS-NSW, 2003: 120–121). These shortcomings resulted in 15% (\$46,476.53) of the PLF for 2002-2003 being withheld (DCS-NSW, 2004: 134).

The 2003-2004 Junee monitor report tells a similar story, including failure to comply with reception procedures, and failure to fully complete six-monthly reviews of prisoners. Equally, GEO failed to meet the KPI of finding work for 65% of inmates, despite being allowed to calculate this figure based on the original capacity of the prison (600) rather than its expanded capacity (750) (DCS-NSW, 2004: 133–135). Additionally, a prisoner escaped from Junee in March 2004, an event that the Prison Officers' Union attributed to understaffing linked to the expansion of Junee to hold an additional 150 prisoners ([Union claims understaffing helps jail escapes](#) ABC News, 30 April 2004).

Although annual reports were created for 2004-2005 and 2005-2006, these are not currently available from Corrections New South Wales. The data are therefore omitted from this summary of private prison performance. However, the annual report for 2006-2007 indicates that GEO failed to meet performance targets in 2005-2006, but that the PLF was awarded in full. The justification offered for the full payment was that the PLFs were an encouragement, and not intended to be punitive (DCS-NSW, 2007: 119).

The 2006-2007 Junee monitor report indicates that GEO broadly complied with the prison management contract, but that significant issues were still raised about the management of departmental assets and the deployment of staff. Staffing deficiencies at Junee in this period led to 'lock-downs' of the prison during October, in order to maintain security (*ibid*: 119–120). Further, staff training by GEO was seen to be inferior to that offered by the DCS, with a shorter duration of eight as opposed to 11 weeks (*ibid*: 120). This occurred in the context of a further expansion of Junee from 750 to 790 inmates (*ibid*: 121). According to the 2007-2008 annual report, the PLF for the 2006-2007 year was paid in full (DCS-NSW, 2008: 123)

In the 2007-2008 review, the Junee monitor once again indicated that GEO was not meeting KPIs related to the review of prisoner case plans and the classification of inmates. However, as steps were taken to address this issue, the PLF was paid in full (*ibid*: 123).

The 2008-2009 report from the Junee monitor identifies only minor problems, such as checks to the contents of the armoury, supervision of inmates receiving methadone, and frequency of record keeping. However, the monitor found that GEO complied with its contract to manage Junee (DCS-NSW, 2009: 116–118). The 2009-2010 annual report was similarly brief, and raised no issues with the running of the prison despite the fact that it was the year Parklea prison transferred from public management to GEO under a private contract.

The 2010-2011 annual report by Corrective Services NSW was the first to include a monitor's report for both Junee and Parklea. The Junee monitor noted several areas of deficiency, including lack of managerial oversight of workers and staff deployment issues. However, the annual report does not give a detailed account of these issues (DCS-NSW, 2011: 127). The Parklea monitor was more critical, noting that on two occasions a prisoner had been released from the facility before their official release date. As a consequence, GEO lost \$10,000 of revenue from the PLF (*ibid*: 128).

The Parklea monitor raised similar concerns in 2011-2012. The PLF was reduced by \$10,000 on the basis that two prisoners had been held beyond their official release date, owing to poor procedures. Equally, 7% of the PLF was withheld pending improvements in DSR systems and staff deployment (DCS-NSW, 2012: 96). The Junee monitor confirmed that GEO had complied with the contract and with minimum standards during the 2011-2012 contract year. Accordingly, the full PLF was paid for Junee Correctional Centre (*ibid*: 96).

Reports for both private prisons are very brief for the 2012-2013 contract year. The annual report indicates that GEO should be paid the full PLF for Junee Correctional Centre, and that conditions at Parklea conform to minimum standards but a final decision had not yet been made. This report is characterised by a general lack of detail. Similarly, the 2013-2014 annual report, now issued by the Department of Police and Justice, devotes only a single page to evaluating the two private prisons together. The reports of the Junee and Parklea monitors for the 2013-2014 contract year resulted in 93% of the PLF being paid to GEO for each prison. However, the annual report does not state the reasons for withholding 7% of the PLF on each contract (DCS-NSW, 2014: 83).

The overall picture, therefore, is that GEO has generally complied with the minimum standards of its contracts, whilst having notable deficiencies in staffing. Staffing issues concern both staff levels and their deployment, along with the actual training and experience of the staff deployed. It is also notable that very few penalties have been applied to GEO, even where it has underperformed in these areas. Further, although there is a degree of accountability, it is not clear to members of the public exactly how well these facilities are performing, either in quantitative or qualitative terms. The monitor's reports are unavailable to the public, and the summary of these presented in the Department's annual reports is always brief.

The general picture of performance given by the monitor's reports is sometimes at odds with reports from the Ombudsman and from the media, as discussed below. The New South Wales Ombudsman raises issues that are never raised in the monitor's reports. For example, the 2005-2006 annual report from the New South Wales Ombudsman notes that Junee Correctional Centre has the highest level of

complaints by inmates of any prison in the state (NSW-Ombudsman, 2006: 153). These complaints ranged from minor issues to serious matters, including release dates, security and access to legal representation (*ibid*: 90). A very high level of complaints is noted in later Ombudsman's reports, but never in the monitor's reports. For example, in the 2007-2008 annual Ombudsman's report, Junee received the second most complaints of any prison in the state, with only three fewer than the Metropolitan Special Programs Centre (Ombudsman-NSW, 2008: 207). Junee had the most inmates' complaints again in the 2009-2010 Ombudsman's report (Ombudsman-NSW, 2010: 154.) For the 2010-2011 report, Junee had the highest number of inmate complaints in New South Wales, with Parklea in second place (Ombudsman-NSW, 2011: 155). In the 2011-2012 report, the Ombudsman found that Parklea had the most inmate complaints in New South Wales (Ombudsman-NSW, 2012: 148). In the most recent Ombudsman's report, Parklea was once again the most complained about prison in the state (Ombudsman-NSW, 2014: 145).

Innovations

The legislation that introduced private prisons into New South Wales was partly based on the assumption that privatisation of custodial services would lead to innovation (Roth, 2004: 30–31).

However, as far as can be known from the information disclosed by the DCS, the Junee and Parklea contracts do not contain specific bonuses for innovation. The annual reports do not recount specific innovations introduced by GEO at these facilities.

Significant Incidents

There have been a number of conflicting accounts of major incidents within Parklea prison. The DCS contended that three inmates had died at Parklea in 2011, whereas the Prison Officers' Union claimed that six prisoners had died within six-and-a-half months – a number equal to deaths in the whole prison system in one year. It is notable that the monitor's summary within the two annual reports pertaining to 2011 does not mention the number of deaths at Parklea at all. Equally, the escape of three prisoners from Parklea in 2011 reported by the media is not mentioned in any monitor's reports ([*Three inmates escape from Sydney Prison*](#) Sydney Morning Herald, 19 January 2011).

Overall, the evidence from New South Wales gives a mixed picture of the performance of private prisons in the state. Both Junee and Parklea prisons have repeatedly suffered penalties to their PLFs, often based on staffing concerns. However, these prisons avoided the catastrophic failures of performance that have occurred in other states, most notably Queensland.

Summary

Many of the problems associated with prison privatisation in Queensland are mirrored in New South Wales. Successive New South Wales governments have held the view that the commercial sensitivities associated with private prison contracts necessitate confidentiality and these commercial-in-confidence protections have limited the scope of public oversight.

In terms of accountability, New South Wales performs poorly. The New South Wales government's reluctance to make contracts available to the public has made public oversight difficult. To some extent this is mitigated by the use of contract monitors, but the arrangements in place for these monitors is opaque and their reports are not publicly available. It is difficult to determine how contract monitors undertake their duties and whether they are onsite with the regularity required to provide proper oversight. Other forms of oversight, such as the DCS annual report, provide some information about

private prison performance, but cost information is aggregated across the sector, making an assessment of costs difficult. In New South Wales, the State Ombudsman handles prisoner complaints, and they report the data prison-by-prison, making it easier to determine the pattern of complaints across the sector. It is apparent from this data that the level of prisoner complaints in private prisons in New South Wales is considerably higher than those in public prisons, something that warrants further investigation. In addition, the Auditor-General of New South Wales reports regularly on the performance of prisons in the state.

In terms of costs, there is no evidence that New South Wales private prisons are cost-effective. Using other reporting structures available to the public of New South Wales, such as the DCS annual report, it is possible to determine that New South Wales's private prisons cost approximately \$80 million per year, but we know little about how private providers use these funds to deliver both a service to the public and profit to their shareholders. And whilst some information is available regarding PLFs, and the costs per prisoner per day in New South Wales, the assumptions underlying both the payment structure of PLFs and the calculation of costs are not publicly available.

In terms of performance and efficiency, there is no evidence to suggest private providers are more efficient or better performing in New South Wales. This is partly a feature of the lack of performance-related information in the public domain. If we rely on the government's own assessment of prison performance, as indicated through PLFs paid to prisons, we are presented with a mostly positive picture. In New South Wales there have only been a few occasions when the performance bonuses were discounted (7–10%) for mismanagement. In most years the PLFs were paid in full, yet in these same years media reports of escapes and unusually high numbers of deaths in private prisons raised serious questions around prison performance. These concerns are also apparent in the annual reports of the Ombudsman who noted that private prisons consistently received the highest number of complaints out of any prisons in the state. The apparent decoupling of performance and payment raises further questions about the effectiveness of contracts and their associated fee structures in New South Wales.

Despite clear lack of evidence to support the delivery of cost and/or performance transparency around prison performance, the New South Wales government has proceeded as if the private operators have performed at a high standard. As a result, the government has chosen not to re-tender the prisons to new contractors.

The general lack of information about private prison costs and performance in New South Wales makes a broader assessment of the impact the prisons have had on the sector difficult.

Postscript

As indicated above, this study covers data available as at December 2015. Accordingly, our conclusions concerning private prisons in New South Wales are defined by the limits of the information provided by the state government and the contractors at this date.

However, the New South Wales government released additional information on both Junee and Parklea prisons after this study had been finalised. At the end of March 2016, contracts for both prisons were made available through the [Corrective Services New South Wales website](#).

This data was released following a direct inquiry made to Corrective Services by Associate Professor Jane Andrew. Previously, the links on the site above did not direct to any content. Given the focus of this study on the need for greater accountability, and the importance of informed public debate on prison privatisation, the timing of this release is particularly interesting. Contracts for Junee and Parklea prisons were made available online in the same week as the New South Wales government announced its intention to allow private contractors to bid for the right to operate additional prisons in the state ([NSW prisons risk private sector takeover](#) Sydney Morning Herald, 21 March 2016).

The contracts themselves are still heavily censored. For example, Schedule 6 of the Junee contract, 'Operational Service Level Fee and Opioid Pharmacotherapy Program Fee', sets out the payments to the contractor for operating Junee prison. However, all financial information in this schedule has been censored, and as such, it does not provide any additional information on the costs of these contracts. Equally, Schedule 8 of the Junee contract, 'Key Performance Indicators and Performance Linked Fee', includes the KPIs against which contract compliance is measured. However, the quantitative targets for each KPI have been redacted. Therefore, the public are still unaware of the level of service provision expected of the contractor.

The contract for Parklea shows a slight improvement over the information available for Junee. Schedule 6 of this contract, 'Operational Service Fee', does state the operational fee as \$29,124,448. However, all information on the breakdown of this cost into labour, non-labour, industry costs and revenue offsets, has been redacted. Schedule 8 of the Parklea contract, 'Performance Linked Fee', lists the financial penalties for major incidents, including deaths in custody, but does not include the KPIs against which the PLF is calculated. It is not therefore possible for the public to know what level of performance is expected from the contractor, either at a basic level or at the level of best practice.

Accordingly, the release of the Junee and Parklea contracts does provide a limited amount of additional information on how private prisons operate in New South Wales. However, the considerable level of censorship within the contracts continues to stifle public debate and suggests a move towards accountability in form, if not in substance.

Private Prisons in South Australia

At a Glance

As of 2015, South Australia has ten prisons but only a single private facility, Mount Gambier Prison, which opened in 1995 and which is located at Moorak, directly south of Mount Gambier. Mount Gambier Prison is for medium- and low-security male prisoners, as well as remand prisoners. On occasion, short-term high-security male and female prisoners can be held at Mount Gambier. This was the fourth private prison to open in Australia, following Borallon and Arthur Gorrie prisons in Queensland and Junee prison in New South Wales. Since it opened, Mount Gambier Prison has been contracted to G4S. However, arrangements for the private operation of this prison differ significantly from other states, as is discussed below.

Mount Gambier Prison was originally built with capacity for 110 inmates, but has been expanded by 150% over the life of the contract. In 2013 the prison had 176 inmates and 275 as of 2014 (Productivity Commission, 2015: Table 8A1).

The total prison population of South Australia was 2,409 as of 2014 (Productivity Commission, 2015: Table 8A1) with the Mount Gambier proportion of inmates standing at 11.4% of the total. This is the lowest proportion of private imprisonment of any state in Australia. Notably, this share was even smaller in 2013, at 8.1% of the total population. While the rate of growth of the prison population has been lower in South Australia than in Victoria or Queensland, its overall share of private incarceration is increasing as Mount Gambier expands (Productivity Commission, 2015: Table 8A1).

History

The original tendering process for the Mount Gambier facility was the subject of a 1995 Legislative Council Select Committee Report (also referred to as the Freiberg Report), which is not publicly available. Interestingly, the contract to operate Mount Gambier was won by G4S before this committee submitted its report (Roth, 2004: 14).

The government of South Australia did not succeed in passing legislation that would allow the privatisation of prisons, as has occurred in other states. The *Correctional Services (Private Management Agreements)* (1994) bill was defeated in the Legislative Council (Roth, 2004: 14). No subsequent government has changed the status of this law, which means that private contractors involved in prison services in South Australia are still constrained by the *Correctional Services Act* (1982). As a consequence, the Director of Safety and Security of the DCS takes responsibility for functions under the *Correctional Services Act* (1982) that cannot be delegated to the contractor (see DCS-SA, 2014: 37). The General Manager of Mount Gambier is employed by the DCS, and is also the General Manager of Mobilong Prison. There are also two unit supervisors who are employed by the DCS and form part of the organisational structure of G4S.

Mount Gambier Prison was constructed via a procurement process, but the state maintained ownership of the facilities. Here, private contractors are only involved in maintenance and the provision of services; this contrasts with Victoria where the private operators both own and manage the facility (See DCS-SA contribution to NSW inquiry into private prisons, 2009).

Mount Gambier Prison was commissioned as a medium- and low-security facility that takes part in remand activity. At the time of opening in 1995, it had a capacity for 110 inmates. However, the prison's capacity continued to expand significantly in 2007 until 2011 when capacity increased to 172 inmates. This expansion was partly due to cancellation of the construction of a new prison in 2009 ([Overcrowding](#)

[forces third expansion for Mt Gambier prison](#) ABC News, 22 October 2014). This figure has since risen to 294 prisoners, and is scheduled to continue rising through 2018 to around 500 prisoners; additional facilities have been built to accommodate this growth (['Myths' surround inmate population at Mount Gambier as prison moves outwards](#) ABC News, 15 July 2016). Since winning the original tender, G4S has been the private operator involved in Mount Gambier Prison, winning several contract extensions since 1995. The current contract is due to expire in 2016. There is no probity report on the tendering process for the Mount Gambier custodial services contract, nor is there a public record of whether alternative tenders for the contract were considered prior to the renewals.

Accountability

Owing to the lack of specific legislation relating to the private management of prisons, the management of private prisons comes under the auspice of public prison legislation and policy. However, in practice the accountability of Mount Gambier is more confused. As detailed below, the combination of public and private involvement in the running of Mount Gambier Prison has led to complex relationships regarding who is responsible for particular functions within the prison. The accountability structure in South Australia is therefore unique within Australia.

Contracts

The original contract between the South Australian government and G4S for the operation of Mount Gambier Prison is not publicly available. However, the 2011 version of the contract is in the public domain (<https://www.tenders.sa.gov.au/tenders/contract/view.do?id=8535>). Accountability via public scrutiny of the contract has thus improved over time.

The contract between the South Australian government and G4S includes KPIs and SLAs, which are not currently used in the public system. KPIs and SLAs are discussed in more detail below. The operating price is also publicly available within the contract.

Monitoring Arrangements

The original management arrangements for Mount Gambier meant that the senior management of the prison was still appointed by the state. Accordingly, no new monitoring arrangements were created for the prison. Instead, it was monitored via a Contract Compliance Officer. The 2011 contract with G4S makes clear provisions for the Contract Compliance Officer to work onsite, with access to data, facilities and personnel (GOV-SA, 2011: 26). Any auditor appointed by the government to investigate the prison reports directly back to the government (*ibid*: 27–28). The contractor is obliged to collect data on a monthly basis and submit it to the Contract Compliance Officer (*ibid*: Schedule 8). The reports of the contractor monitor are not directly available to the public, but the data they collect may be included in DCS annual reports.

Annual Reports

DCS annual reports give general information on the prison system, with some mention of costs and liabilities. The DCS mentions Mount Gambier in its annual reports each year. However, it does not give detailed information about the performance of G4S against the KPIs or the SLAs, nor does it detail the amount of the PLF paid each year or whether Mount Gambier complies with the contract. This lack of specific information about Mount Gambier in the DCS's annual report is consistent with that of other prisons. For example, the DCS reports contain the number of escapes, unnatural deaths and assaults at

each prison (see, e.g. DCS-SA, 2014: 137). However, the DCS does not provide information on education, employment or hours out of cell, on which basis the performance of G4S against the Mount Gambier KPIs is calculated.

Independent Inspector of Prisons

Within South Australia the *Correctional Services Act* (1982) requires the completion of regular independent prison inspections. However, the Inspector's reports are not shared with the public.

In addition, unlike all other states reviewed, South Australia does not have an independent inspector. Equally, unlike in other states, the Auditor-General in South Australia has not undertaken an investigation specifically centered on aspects of private imprisonment. Considered together, this is likely to reduce future prison accountability through publicly available independent inspections – inspections that would offer a rich source of data on South Australian prisons, enabling a comparison with Western Australia, New South Wales and Queensland.

State Ombudsman

As in other states, the South Australian Ombudsman receives complaints made by inmates about the conditions of their prisons. However, the South Australian Ombudsman does not provide details on complaints made by prisoners in its annual report. Thus, it is not possible to establish the level and nature of complaints at Mount Gambier, or indeed at any other specific prison. This is unlike the disclosures made by the Ombudsman in other states, wherein comparisons are possible between different prisons in the custodial system, based on the number of complaints received from each facility. One exception is the 2012 Ombudsman's report, *An Audit of Prisoner Complaint Handling in the South Australian Department for Correctional Services* (Ombudsman-SA, 2012) wherein Mount Gambier's complaints procedure is compared to those in place at other prisons in the state (*ibid*: 27). However, this report does not disclose the number of complaints received from each prison in the South Australian custodial system.

Auditor-General

The Auditor-General has not carried out specific inquiries into the Mount Gambier Prison, or into the privatisation of prison services more generally.

Additional Factors in Accountability

There have been no significant public enquiries into the appropriateness or functioning of private prisons in South Australia, although the Freiberg Report of 1995 could be seen as one exception to this and contains information about Mount Gambier. However, it should also be noted that the report is difficult to access for members of the public, and is not available online.

As noted by Richard Harding (2000: 243), the legislative arrangements in place when Mount Gambier Prison opened in 1995 meant that the General Manager of Mobilong (public) Prison had to take formal managerial responsibility for Mount Gambier. Within this rather complex arrangement, legislation prevented G4S from taking ultimate responsibility for the management of the prison. This has caused problems in terms of which party should be held accountable for the incidents that occur at Mount Gambier. Whilst the internal accountability of G4S to the DCS may be equal to or greater than publicly managed prisons, possibly due to this complex arrangement, the external transparency of Mount Gambier to the public remains poor.

In summary, there are many challenges for South Australia in terms of improving private prison accountability, such as the insufficient information available in the public domain for evaluating the performance of Mount Gambier. It is not therefore possible to establish whether cost savings are being achieved, whether value for money is being delivered, or if Mount Gambier functions in a manner acceptable to the broader public.

Costs

Cost of Contract

The 2011 contract for the operation of Mount Gambier Prison lists costs based on the number of inmates. In 2011 the government agreed to pay \$7,869,836.65 per annum up to a capacity of 172 prisoners, with each additional prisoner over 172 costing \$7,045.77 (GOV-SA, 2011: Schedule 4). The DCS's total expenditure on custodial services for 2011–2012 was \$150,520,000 (Treasury-SA, 2014: 134).

According to the 2011 contract, if the state opted to expand the facility to 284 prisoners, the annual fee would increase to \$11,610,893 per annum. The fee for prisoners in excess of this number remains the same. The contract further includes a formula for calculating annual increases of the fee in line with the Consumer Price Index and the wage index (GOV-SA, 2011: Schedule 4).

Mount Gambier Prison was expanded to a capacity of 284 prisoners by 2013, and has further expanded to 327 as of 2014 (see PWC-SA, 2014). By 2018, it is projected that Mount Gambier will be able to house 500 inmates. However, there is no additional contract information that lists prices for these inmate volumes.

Unlike some other states, there is no information from South Australia that compares the costs of public and private prisons.

Cost per Prisoner per Day

There is no published cost per prisoner per day for Mount Gambier Prison. This is unlike private prisons elsewhere in Australia, wherein cost per prisoner per day is a central metric for understanding the cost of custodial services. A crude deduction about cost per prisoner per day is possible using the figures listed in the previous section. Based on a population of up to 284 prisoners, and a fee of \$11,610,893, the cost per prisoner per day at Mount Gambier is \$112. However, as noted above, this figure does not incorporate overheads paid by the DCS, and thus does not represent the total cost of incarceration. Further, it appears the G4S would be paid the set 'operating price' even if they were operating under capacity, distorting the per prisoner per day figure further. Equally, it does not account for changes to the Mount Gambier contract that accompanies the continued expansion of this facility, as this information is not in the public domain.

It is, however, possible to arrive at some basic conclusions about the impact of privatisation in South Australia on the cost per prisoner per day within the custodial system as a whole. For the prison sector as a whole the per prisoner per day cost in South Australia in 2014 was \$208.21, which is the third lowest after New South Wales and Queensland, and lower than the Australian average of \$218.90 (Productivity Commission, 2015: Table 8A.7). These cost levels have been achieved despite having the lowest proportion of private incarceration of any Australian state with private prisons (Productivity Commission, 2015: Table 8A.7). Equally, whilst the share of Mount Gambier Prison in total inmates has risen (from 8.1% in 2013 to 11.4% in 2014), this has not translated into a visible saving on custodial services as a whole. The net operating expenditure per prisoner per day in South Australia actually rose slightly as the proportion of prisoners under private management increased, from \$206.96 in 2013 to \$208.21 in 2014 (*ibid*: Table 8A.7).

In summary, there is only limited and outdated information available to the public concerning the costs of running Mount Gambier Prison. Equally, the available data on the cost of incarceration per prisoner per day in South Australia suggest that private operation of Mount Gambier Prison has not lowered the cost of imprisonment for the state overall.

Performance and Efficiency

Little information is available about the efficiency of Mount Gambier Prison. However, given that the annual contract amount for the prison is at least \$11,610,893 and the DCS expenditure on custodial services was \$178,515,000 in 2014 (Treasury-SA, 2015: 143), we can see that the G4S contract accounted for at least 6.5% of the state budget for correctional services before the PLF was applied. Whilst this fee is for the imprisonment of 11.4% of South Australia's inmates, it does not account for broader costs attributable to the custodial system.

Equally, the prisoners held at Mount Gambier are low- or medium-security, and male. These categories of prisoner are comparatively cheaper to imprison than high-security inmates, or women.

Performance Measures

Performance measures for Mount Gambier are set out in the contract with G4S, in Schedule 8 of the Service Agreement. These are divided into KPIs and a SLA.

The KPIs set quantitative standards for the operation of Mount Gambier. Failure to meet performance targets is met with a rebate on the PLF, payable per occurrence. Under this scheme, there must be no escapes from inside the perimeter of the prison, no escapes outside the perimeter and during escort, no loss of control, and no deaths in custody. Each time these targets are breached, the contractor incurs a \$70,000 fine (GOV-SA, 2011: Schedule 8, Table 1).

A second set of KPIs establishes levels of performance in key areas. The annual target for urinalysis is to have below 13% positive test results, based on a random test of 10% of the prison population as selected by the DCS. Specified incidents should be beneath 4% per year, where specified incidents are defined as an accident or serious workplace injury; a fire; prohibited item find of firearms, ammunition or explosives; security equipment misplacement, loss or theft; security system failure; a hostage incident; a serious assault; or self-harm (*ibid*: KPI 6). Failure to meet each of these KPIs incurs a 5% penalty to the PLF.

The KPI for prisoner employment participation requires 100% compliance, as does the KPI for programs delivered. Similarly, the KPI for education is based on 100% compliance with literacy and numeracy tests, delivery of 9,600 hours of literacy and numeracy education, and 4,000 hours of Vocational Education and Training (VET) listed with a 5% penalty to the PLF for non-compliance. The KPI for hours out of cell, based on a requirement of 11 hours per prisoner per day, requires 95% compliance (*ibid*: KPI 10). As with the other KPIs, these targets incur a 5% penalty to the PLF if they are breached.

Service levels are regulated through monthly reports to the DCS. The service levels defined in the contract are based on the minimum number of activities that need to be performed in the prison in a number of key areas. The service levels form a major part of information gathering about the prison for the DCS. However, the service levels are not directly linked to contract payments in the same fashion as KPIs. The key areas measured are as follows: alleged assaults on prison staff; number of attempted escapes, releases and detainments in error; occasions where force was used; number of contraband searches; daily average number of prisoners; number of urine tests carried out; number of tests of the business continuity plan and emergency orders; number of hospitalisations; number of medical consultations; number of prisoners who did not participate in work duties; number of prison staff training hours; number of prisoners without an Individual Development or Program Plan; number of prisoner case reviews

conducted; number of OHS&W incidents; number of injuries to staff; number of injuries to prisoners; number of OHS&W inspections conducted; total expenditure on asset maintenance; number of prison staff hours lost due to industrial disputes; and number of contraband fines (GOV-SA, 2011: Schedule 8, 2).

Although the provision of staff training is one of the required minimum service levels within the contract, further information on staffing is unavailable. Schedule 9 of the contract, 'Staffing Schedule', is left out of the publicly available document. Equally, staffing information for each prison is not supplied in the DCS annual reports.

Performance According to Measures and Inspections

As noted above, there is no detailed information in the public sphere about the performance of Mount Gambier Prison in relation to the above performance measures.

When giving evidence to the New South Wales General Purpose Standing Committee 'Inquiry into the Privatization of Prisons and Prison Related Services' in 2009, the Director of Strategic Services for the South Australian DCS claimed that Mount Gambier was extremely price-competitive and offered good value for money (GPSC-NSW, 2009: 48). However, this inquiry did not offer any statistical or cost information from Mount Gambier Prison. Accordingly, there was no means for evaluating the claims made about the efficiency of this facility.

Similarly, G4S mentions Mount Gambier Prison in its submissions to the New South Wales General Purpose Standing Committee (2009) and the ERA in Western Australia (2014). However, neither of these submissions give clear data taken from the KPIs or SLA for Mount Gambier Prison. Therefore, there is no clear information about how the prison is meeting performance targets.

Innovations

Owing to the lack of information and reports on Mount Gambier there is no way of determining the types of innovations G4S may have introduced to the sector. Equally, G4S does not emphasise innovations when discussing Mount Gambier Prison in its submissions to the New South Wales General Purpose Standing Committee (2009) or the Western Australian ERA (2014).

Further to this point, the contract for Mount Gambier Prison does not contain an 'innovation bonus' (or similar mechanism) in a fashion similar to that in the contract for Acacia prison in Western Australia. There is thus no direct monetary incentive for innovation, or any mechanism for transferring private innovations across to the public system, as is the case in Western Australia.

Significant Incidents

Mount Gambier has had several serious incidents since it opened in 1995. In 2001, one prisoner escaped from the facility, although it is the only escape ever to have taken place at Mount Gambier. There have been at least two coroners' inquests into deaths at Mount Gambier, but these were not found to be directly attributable to the management of the prison by G4S.

In summary, whilst performance measures are available for the Mount Gambier contract, data on the compliance of Mount Gambier with these measures are unavailable. Accordingly, it is not possible to draw clear conclusions about the efficiency and performance of this private prison.

Summary

South Australia failed to introduce state legislation that specifically addresses the use of private providers, making the state's experience of prison privatisation unique. As a consequence, Mount Gambier is managed using a combination of resources provided by a private contractor and the DCS. The arrangement is complex, making it difficult to assess Mount Gambier's impact on public accountability, costs and performance.

In terms of accountability, South Australia makes limited use of a variety of accountability mechanisms to report on Mount Gambier. While the contract is publicly available, including the KPIs used to measure contract compliance, information related to performance outcomes and the associated PLFs are not. As is the case in other states, the reports produced by the contract monitors at Mount Gambier are not available to the public. In addition, the DCS annual report in South Australia does not provide performance or cost information that is clearly attributable to Mount Gambier; the state does not have an Independent Inspector of Prisons; and the Ombudsman does not provide details about prisoner complaints in its annual report. As a consequence, Mount Gambier appears to operate in an accountability void.

In terms of costs, there is no evidence to suggest the hybrid model operating in South Australia is cost-effective. Indeed, South Australia makes limited information about the cost of the contract available to the public at certain levels of occupancy, but it is difficult to determine the actual cost at the level of occupancy that is currently operational. The state does not make available the costs per prisoner per day across the sector, prohibiting comparisons of this kind.

In terms of performance, a lack of information related to actual, as opposed to expected, outcomes prohibits a proper assessment of Mount Gambier. Whilst KPIs and SLAs are made publicly available, we do not know how Mount Gambier performs in relation to these or the amount they are paid in PLFs.

South Australia's decision to make the contract for Mount Gambier publicly available as of 2011 is a move in the right direction, but there is not enough information in the public domain to provide a clear assessment of the performance of the prison. In our view, the model is excessively complex and as a consequence, it is hard to assign clear responsibility to the private or public sector managers at Mount Gambier.

Private Prisons in Victoria

At a Glance

As of 2015, Victoria has 13 prisons and one pre-release centre. Of the 13 prisons, two are privately operated. Fulham Correctional Centre, operated by GEO, is a medium/minimum secure prison close to Rosedale, 200 kilometres from Melbourne. Port Phillip Prison, operated by G4S, is a maximum security prison that also contains a youth facility. Port Phillip is located at Trunganina, close to Melbourne.

As of 2014, the two privately operated prisons in Victoria accounted for 31.8% of the total inmate population, incarcerating 1,845 out of 5,800 prisoners (Productivity Commission, 2015: Table 8A1). This is the highest proportion of inmates held in private prisons for any state in Australia. According to the Productivity Commission data, Victoria also has the largest number of prisoners in private facilities in absolute terms.

History

Victoria was the fourth state in Australia to have privately managed prisons, following Queensland, New South Wales and South Australia. The introduction of private prisons in Victoria has occurred in three phases, with one facility opening in 1996, followed by two in 1997 and a further facility due to open in 2017. Port Phillip and Fulham followed the 'Design, Construct, Finance, Manage' (DCFM) approach (also known as Build, Own, Operate, Transfer, or BOOT) system, where private providers are responsible for every aspect from design to operations. Unlike in other states in Victoria these arrangements were described as Public Private Partnerships (PPPs) and the contracts were tendered within a PPP framework. In the case of Deer Park, the contractor was not obliged to transfer the property after the contract period expired, and could redevelop the land as they saw fit (English & Walker, 2004: 67). As the contract for Deer Park makes clear, the initial contract period ran for 20 years (GOV-VIC 1994: 11), but could be extended for up to ten more years if the government lodged a request that was satisfactory to the contractor (*ibid*: 73).

Victoria is unusual in Australia in that the original privatisations did not occur in a context of rising levels of incarceration. As the Department of Justice figures show, the prison population of the state was below 2,500 from 1994 until the middle of 1996. After private prisons opened in 1996 and 1997, the number of inmates trended upward, rising rapidly to 3,482 in 2003 (DOJ-VIC, 2005: 7). This overall trend has been maintained to the present day, and Victoria now imprisons 6,112 people as of 2014 (ABS, 2015: Table 31). Instead of being driven by a rising prison population, Victoria's engagement with private operators was driven by the need to build new infrastructure with limited public resources. No publicly run prison in Victoria has been transferred to private control.

Whilst Victoria didn't appear to be suffering from the same overcrowding issues other states faced, the prison population was growing. The growth of the prison population was attributed to legal changes to law enforcement and sentencing policy (Kirby, 2000: 5). The number of male prisoners in Victorian prisons increased by 28% from 1996 to 2000, reaching a high of 3,047 in September 2000 (*ibid*: 9). By 2000, the number of prisoners in Victoria had exceeded the design capacity of the custodial system as a whole; more than 3,000 prisoners were incarcerated in a system designed to cope with a maximum of 2,875 people (*ibid*: 7). Growth of the prison population relative to overall population is still continuing, with the most recent estimate giving 6,112 prisoners as of 2014, compared to 3,624 in 2004. The prison population in Victoria has increased every year between 2004 and 2014 (ABS, 2015: Table 14).

Deer Park Metropolitan Women's Correctional Centre was the first privately managed prison in Victoria, opening in 1996 and operated by CCA. The medium-secure Fulham Prison was the second private prison to open in the state, beginning in 1997 and operated by GEO, followed by Port Phillip, a high-security prison operated by G4S and also responsible for remand, which opened in the same year. As of 2014, Port Phillip and Fulham are the two largest prisons in Victoria (Ombudsman-VIC, 2014: 5).

The initial agreements for Port Phillip Prison and Fulham Correctional Centre entailed that the private sector contractor would own facilities for 15 years and 20 years respectively (DOJ-VIC, 2014: 93). The contracts to manage correctional services gave an initial period of five years at Port Phillip, and three years at Fulham. Each management contract could potentially be extended for an additional three years, at five times per prison (VAGO, 2010: 3).

Although there have not been public debates of privatisation in the same way as in Western Australia or New South Wales, Victorian private prisons have still been reviewed through public inquiry. The Kirby Report, *Independent Investigation into the Management and Operation of Victoria's Private Prisons* (2000), examined the performance of the Victorian prison system as a whole since private facilities had opened in 1996. This report identifies several issues with private prisons in the state, including limited provision of health services, inadequate prison programs, inadequate staff training, and the fragmentation of service delivery (Kirby, 2000: 4–5). The report notes that high turnover and inexperienced staff were a particular problem in private prisons (*ibid*: 48). At a more technical level, the Kirby Report recognised limits to contracts and legislation, and inadequacies of modelling performance based upon throughput rather than enhancing service delivery (*ibid*: 5).

The inquiry further observed that ownership of the prison by the contractor made it difficult to replace prison operators who were underperforming. This was based on the fact that any new contractor would have to outlay significant capital to acquire the prison, rather than simply taking over correctional services within a government-owned facility (*ibid*: 30). Flaws in the design of contracts were a general problem identified by the inquiry, as they failed to provide sufficient safeguards against poor performance, and to encourage innovation (*ibid*: 39). The monitoring arrangements also came under criticism within the Kirby Report because they focused on quantitative rather than qualitative assessments, and they were not required to report to the public (*ibid*: 41).

Finally, the postscript to the Kirby Report dealt with the public takeover of Deer Park women's prison, which took place in 2000. A separate report, by the Correctional Service Commissioner, gave details of the incidents, which led to the transfer of this prison to public control. These incidents included assaults on staff, on other prisoners, and arson. The contractor, CCA, failed to meet the Service Delivery Outcomes for prisoner safety, and of particular note was that the level of attempted suicides and self-mutilations was twice the maximum allowed by the benchmark (VIC-Correctional Service Commissioner, 2000: Attachment 2, 2). The report suggests that these failures were due to poor leadership, lack of staff training and guidance, staff shortages coupled with budget constraints, and poor design of the facilities (*ibid*: 3). The report followed two inquests into prisoner deaths that occurred at Deer Park in 1997 and 1998. The public takeover of Deer Park, combined with the misgivings of the Kirby Report, resulted in changes to subsequent PPP contracts offered to prison operators (for an overview see English & Baxter, 2010).

Plans for a new Victorian private prison, Ravenhall Prison, began in 2013 and it is presently under construction. Ravenhall is due to open in 2017, and is the first new facility to be established since the revisions to PPP contracts took place. In 2013, the Victorian government made Expressions of Interest, and received four tenders. According to the summary document, public bids were not considered. Rather, private bids were tested against a hypothetical public comparator to see if they offered better value for money (Treasury-VIC, 2015: 13). GEO consortium won the tender for the design, construction and future management of the facility. The BOOT contract for this facility means that GEO will own the prison for 25 years. Ravenhall Prison is being constructed in Melbourne West, adjacent to Dame Phyllis Frost women's prison, and will be a medium-security private prison once it is completed. It will have a capacity

of 1,000 beds once it opens, but will be able to expand to a maximum of 1,300 in anticipation of future growth in prisoner numbers.

Accountability

Since the first private prison opened in Victoria in 1996, there have been changes to the processes and bodies charged with monitoring and oversight, as well as improvements to reporting and the public visibility of contracts. However, there are also limitations to these processes, as will be reviewed below.

Contracts

In Victoria, the contracts established through PPPs were initially protected by commercial-in-confidence arrangements, and the original prison contracts for Deer Park, Port Phillip and Fulham were not shared with the public. However, this was the subject of a successful challenge by a community legal centre in 1999, after which all existing contracts for private prisons were made publicly available. (Contracts prior to 2000 are now available at [Victorian Government Contracts](#); contracts from after 2000 can be found at [Victorian Government Partnerships](#) and also alongside tenders at [Victorian Government Tenders](#). Despite this, key details of private prison contracts are still censored. For example, the new Ravenhall Prison contract contains several censored sections including the 'Finance Documents Schedule', 'Equity Documents Schedule', 'Ownership Schedule' and the 'FF & E [furniture, fittings and equipment) Schedule' (GOV-VIC, 2014). In principle, these could be subject to FOI requests, but as Valerie Sands (2004: 145) notes, there are considerable barriers to the use of FOI requests in Victoria, including commercial-in-confidence legislation and substantial fees for requests.

Monitoring Arrangements

The Victorian Auditor-General (VAGO), the Victorian Ombudsman and the Office of Correctional Services Review (OCSR), which replaced the Corrections Inspectorate, scrutinises private prisons in Victoria. The replacement of the Corrections Inspectorate by the OCSR in 2007 was based on critical reports from the Ombudsman, which cited the lack of independence of this body.

The original contracts for Fulham, Port Phillip and Deer Park all include a 'Contract Administrator', who is empowered to access personnel, prisoners and records at each prison, but there is no obligation that this information be made publicly available (GOV-VIC, 1995a: 116–117; GOV-VIC, 1995b: 131–132; GOV-VIC, 1994: 88–89). This audit process is supported by requirements for the contractor to keep records, and to provide both monthly and annual reports to the contract administrator (GOV-VIC, 1995a: 118; GOV-VIC, 1995b: 132–134; GOV-VIC, 1994: 90–91). The project outline for the new Ravenhall prison, due to open in 2017, makes similar provisions for a 'Prison Monitor' (GOV-VIC, 2014: 83).

Whilst there is no official regulatory requirement for onsite monitors, the original contracts do include provisions for monitoring arrangements. These monitoring arrangements are based on unconditional access to personnel, facilities and data, and are overseen by the OCSR. Given the criticisms of the OCSR and its failure to make reports publicly available, this avenue of accountability of Victorian private prisons is therefore underdeveloped.

Annual Reports

As of 2011–2012, the Department of Justice (DOJ) publishes annual reports covering the corrections system in Victoria. Reports on the custodial system prior to this date are not available online. Private prisons are not reported on separately within the DOJ annual reports, an approach that contrasts with New South Wales where the private prisons are evaluated in a separate section, and with Western Australia, where separate reports are produced for each private prison. Occasionally, space is devoted to discussing specific issues pertaining to privately run facilities, including the renewal of contracts and the outcome of reviews (see, e.g DOJ-VIC, 2013).

DOJ annual reports do disclose financial information on PPPs entered into by the state, including the contracts for Fulham and Port Phillip. However, the cost data lack detail; PPP costs are not listed by prison, but instead for the type of activity as a whole. For example, the operation and maintenance expenses outlaid by private prisons were \$520,705,000 in the 2013–2014 report with no further detail given (DOJ-VIC, 2014: 94).

Independent Inspector of Prisons

As of 2015, and unlike Western Australia, New South Wales and Queensland, Victoria does not yet have an Independent Inspector of Prisons. Equally, unlike similar bodies in other states, the OCSR does not make its reports available to the public. Therefore, whilst there is some degree of internal accountability of contractors to the government, the custodial system currently lacks external accountability to the broader public.

State Ombudsman

As is the case in other states, the Victorian Ombudsman is responsible for collecting complaints from prisoners. However, the Ombudsman's annual reports do not give a breakdown of how many complaints are attributable to each prison. Therefore, these reports do not indicate the level of prisoner complaints in privately run facilities compared to publicly run facilities.

Beyond recording prisoner complaints, the Victorian Ombudsman has also been an important figure in advocating for the introduction of an Independent Inspector of Prisons.

In November 2014, the Ombudsman gave a presentation on the need for independent oversight of the Victorian prison system ([*Why we need independent oversight of the Victorian Prison System*](#) Victorian Ombudsman, 6 November 2014). This material addressed several significant incidents within the Victorian prison system, including events at Port Phillip that are discussed in detail below. The view of the Ombudsman was that the lack of an Independent Inspector of Prisons placed a significant resource strain on the Ombudsman's office.

Accordingly, the ability of the Ombudsman to scrutinise private prisons is limited, due to the lack of available resources needed to hold the prison system accountable.

Auditor-General

As in other Australian states, the Auditor-General does not have a sustained role in the oversight of prisons. The Victorian Auditor-General (VAGO) has responsibility for scrutinising private prisons in Victoria on particular issues from time to time, through inquiries into specific issues.

Three reports by the Auditor-General are particularly relevant to private prisons in Victoria in the years 1999, 2003 and 2010. The 1999 special report, *Victoria's Prison System: Community Protection and*

Prisoner Welfare, makes specific criticisms of the performance measures used to evaluate private prison contractors. The 2003 report, *Addressing the Needs of Victoria's Prisoners*, examined the role played by private prisons alongside the public provider in delivering the new Reducing Re-Offending Framework. The 2010 inquiry into *Management of Prison Accommodation Using Public Private Partnerships* focuses specifically upon Port Phillip and Fulham prisons. This latter inquiry also raises general issues of contract design and management that are not limited to the provision of prison operations. Findings from both of these are detailed below where relevant.

Additional Factors in Accountability

As noted above, the Kirby Report was published in 2000, and highlighted several criticisms of private prisons in Victoria.

Between 1999 and 2011, the DOJ produced several statistical profiles of Victorian prisons. However, although these reports contain specific analyses of Fulham and Port Phillip, statistical data are limited to demographic information and inmate sentencing profiles, and do not include cost data.

In summary, there is a lower level of public accountability of private prisons in Victoria than in Western Australia or New South Wales. Improvements to accountability have been driven by the Ombudsman, and also by legal challenges from non-governmental organisations, as in the case of demands for contracts to be placed in the public domain. In general, it is particularly hard to assess the performance of Victorian private prisons, as this information is not made available by the OCSR. The absence of an Independent Inspector of Prisons is a significant problem, as this closes a key avenue of qualitative data about how private prisons are operating. Equally, the failure of the DCS to clearly disclose the amounts being paid to private prisons each year makes it difficult to establish that the public is getting value for money from these facilities.

Costs

The most recent data available from the Productivity Commission show that the total net expenditure and capital costs of Victorian prisons was \$527,060,000 in 2013–2014 (Productivity Commission, 2015: Table 8A33). The Victorian Treasury budget for prisons and corrective services was \$815.7 million for the same year (Treasury-VIC, 2014). However, neither source gives a breakdown of costs into public and private components of the custodial system. The cost of the Victorian prison system has risen drastically in recent years, in line with the growth of the prison population. The total budget for custodial services was \$408 million in 2005–2006, compared to \$815.7 million in 2013–2014 (Treasury-VIC, 2007). The following section provides more details on the costs of private prisons within Victoria.

Cost of Contract

The cost for prison services at Deer Park as set out in the 1996 contract was \$5.2 million per annum for prison operations including health programs, prison industries, education and training, and other programs. The contract also included a PLF of \$689,000 per annum, paid annually and in arrears, of which 40% was linked to achieving accommodation-related targets and 60% to prison service targets (English and Walker, 2004: 67).

The public acquisition of Deer Park in 2000 cost the Victorian government approximately \$21 million, (see GPSC-NSW, 2009: 107); within this total amount was \$2 million of administrative costs associated with the takeover process. This was combined with the cost of 'buying back' the facility, as it was constructed under a DCFM contract that had made CCA the owner. The state of Victoria remains the owner of the facility after this public acquisition, and the prison continues to be publicly managed.

At the start of the Fulham contract, the cost of prison operations was \$10,104,228 per annum, and there were also costs of \$4,050,768 for education and training, healthcare, prison industries and other programs. The additional performance-related fee for this contract paid by the government to the prison is not publicly available, but the structure of the fee consists of 35% paid for accommodation targets, with the remainder paid for prison service targets (GOV-VIC, 1995a).

The Port Phillip contract contained an initial Correctional Services Fee of \$15,804,835, which was comprised of \$12,128,854 for prison operations, and the remainder of \$3,675,981 attributed to education and training, healthcare, prison industries and other programs. The initial PLF for Port Phillip, in 1995, was \$946,442 per annum, with 35% for accommodation and the remainder for correctional services (GOV-VIC, 1995b). There were no new contracts for either Fulham or Port Phillip for 20 years and no information on service fees during the interim. When the contract for the operation of Fulham was renewed in April 2015, GEO valued the business at \$58 million per year. This valuation was based on an inmate population of 947, and included both maintenance and prison services, covering a span of 19 years and three months beginning on 1 July 2016 ([The GEO Group- News Release](#)) However, the contract itself has not been made available online. As this was a renewal of an existing contract, it may be that the original document available online is considered sufficient information. However, the fact that the new contract is not available online means that the public cannot access up-to-date information about the cost of the Fulham prison contract.

The construction contract for Ravenhall prison is publicly available, but does not yet contain details of the cost of custodial services. Equally, several entries on financing and costs have been censored due to being commercially sensitive (see GOV-VIC, Ravenhall Prison Project Agreement). However, the project summary issued by the Treasury indicates that the operator of Ravenhall prison will receive a PLF for reducing recidivism (Treasury-VIC, 2015: 26). Media reports suggest that this fee could be as high as \$2 million per year if Ravenhall achieves a recidivism rate 12% below that of the prison system as a whole, and the rate of recidivism for Indigenous prisoners is 14% below that of the prison system as a whole (['Victoria's Ravenhall prison operators to be paid up to \\$2 million bonus if reoffending reduced'](#). *Sydney Morning Herald*, 12 February, 2015). (VIC Tenders- [Contract - Ravenhall Prison Project 013 13-14](#)). This compares with a total project cost of \$3.2 billion based on the hypothetical public sector comparator (Treasury-VIC, 2015: 14). However, it is not clear how the cost of the public sector comparator was established; the summary document contains no formula for the calculation, beyond a breakdown of costs into services and facilities (*ibid*: 13). It is also unclear exactly how the cost of operating Ravenhall prison will incorporate the overheads of the broader justice system on which it relies.

The level of privatisation in Victoria does not appear to have translated into cost savings. As of 2015, 31.8% of prisoners in Victoria are held in private facilities, compared to the national average of 18.5% (Productivity Commission, 2015: Table 8A.1). However, the cost of incarceration in Victoria per prisoner per day is \$269.56, compared to the national average of \$218.90, and is the third highest in Australia after Tasmania and Western Australia (*ibid*: Table 8A.7).

Although these figures do not account for state-specific factors, they are significant because they indicate that a much higher utilisation of private prisons has not translated into obvious cost efficiencies.

Cost per Prisoner per Day

There is no clear costing per prisoner per day for the privately run facilities at Fulham and Port Phillip. This is interesting considering that GEO provides costs per prisoner per day for prisons in other states, such as Junee in New South Wales (see GEO, 2009).

In summary, even though there is limited cost data available for private prisons in Victoria, it can be seen that there are no obvious cost benefits to the privatisation of prison management. The most significant cost benefit of privatisation appears to derive from the financing of prison construction by the private sector through DCFM contracts.

Performance and Efficiency

The lack of clear performance data and detailed inspector's reports makes evaluation of efficiency difficult. However, it is possible to examine whether the process of privatisation has delivered more efficient custodial services at the systemic level.

A key argument concerning prison privatisation and costs is that privatisation of some facilities should reduce the overall expense of the prison system in a given state (for one example, see ERA, 2015b). However, this claim is not borne out in Victoria. Sands and Hodge (2010) studied the impact of privatisation on the average annual cost of incarcerating prisoners in Victoria. Their research indicates that although privatisation initially lowered the average cost of incarceration in the Victorian custodial system, these gains were lost over time. The annual average cost of imprisonment was \$86,651 in 1992/1993, and dropped to between the range of \$59,681–\$66,788 in 1998/1999 after the first three private prisons had opened. However, by 2010, the annual cost of incarceration had risen to \$89,064 (Sands & Hodge, 2010: 15). The study also notes that this increase in costs could not be attributed to the introduction of new prisoner programs or an increase in the quality of custodial services more generally (*ibid*: 18).

Performance Measures

Originally, the performance of private Victorian prison operators was evaluated based on Service Delivery Outcomes (SDOs) in key areas. Later, KPIs were also integrated into agreements. The contract for Fulham Correctional Centre contains SDOs for Prison Operation, Education and Training, Prison Industries, Health and 'Other Programs' (VIC-GOV, 1995: 232). Prison Operation is based on annual targets of one escape; 2.19% of incidents of self-mutilation or attempted suicide based on average population; a level of assaults on prisoners by prisoners at 0.1038 per prisoner per year; zero proven assaults on prisoners by staff; 0.035 per prisoner per year assaults on staff by prisoners; and 7.9% of prisoners testing positive for drugs. Education and Training is based on an annual level of two Adult Basic Education (ABE) modules for every prisoner; completion/certification in one ABE module by every prisoner; enrolment in three vocational training modules by every prisoner; and completion/certification in two modules by every prisoner. Prisoners not involved in ABE are required to take five vocational training modules per year and complete four of them. Each module is defined as 40 student contact hours. Prison Industries are evaluated based on having three skill areas or functions in which prisoners are able to participate, and a participation rate of 85%. Health is based on targets of 100% of prisoners being given a health screening within 24 hours of reception; 100% of prisoners considered a risk to themselves receiving psychiatric evaluation within two hours of referral; and zero complaints regarding healthcare and which the Commissioner accepts to be valid. 'Other Programs' is evaluated on requirements that 100% of prisoners are provided with courses on substance abuse awareness and substance abuse education, and a 90% completion rate for all prisoners who enter the residential drug program (*ibid*: 232–234).

As a maximum security facility, Port Phillip has different measures for SDOs, with each category being assigned a weighting based on their importance to the payment of the PLF. Notably, as this is a DCFM contract, prison services only account for a portion of the PLF, with the remainder paid based on maintenance of the facility. Prison Operation accounts for 25% of the PLF, and is evaluated based on annual targets of one escape; 11.783% rate of incidence for self-mutilation/attempted suicides as a proportion of the average population; a rate of 0.2413 assaults by prisoners on other prisoners, per prisoner per year; zero staff assaults on prisoners per year; 0.0433 assaults on staff per prisoner per year; and 8% positive tests for drug use. Education and Training accounts for 10% of the PLF, based on annual targets of enrolment in two ABE modules by each prisoner, with completion of at least one; enrolment in three vocational training modules by each prisoner, with completion of at least one;

Accredited Adult Vocational Training for inmates not requiring ABE, with enrolment in at least three modules and completion of at least one; and provision of substance abuse education to 100% of prisoners who require it. Prison Industries accounts for 10% of the PLF, based on the prison having three skill areas or functions in which inmates can participate; 84% participation rate by sentenced prisoners, and 80% participation by remand prisoners who choose to work. Primary Healthcare accounts for 10% of the PLF, and requires that 100% of prisoners are medically screened within 24 hours of reception; 100% of prisoners considered a risk to themselves receive psychiatric assessment within two hours of referral; and zero complaints by prisoners regarding health issues that are found by the Commissioner to be valid. Secondary and Tertiary Health accounts for another 10% of the PLF, based on maintenance of status as an Accredited Health Provider; avoidance of any conviction for professional misconduct or negligence; and zero upheld complaints regarding health that are found by the Commissioner to be valid (VIC-GOV, 1995b: 217–219). As detailed in the ‘Monitoring Arrangements’ section above, this data are audited and validated by the contract administrator assigned to each private prison.

The new prison set to open at Ravenhall in 2017 will be evaluated using a bundle of performance measures that include both SDOs and KPIs.

Performance According to Established Measures and Inspections

The performance audit of private prisons in Victoria, carried out by the Auditor-General in 1999, found that the SDOs did not encourage contractors to provide good services. Further, the auditor saw the SDOs as too quantitative, lacking key areas of performance, including staff training. The report further noted that PLFs could be paid when the SDOs had only been partially achieved (VAGO, 1999: 5). Equally, the report omitted financial information due to commercial-in-confidence rules (*ibid*: vi-viii; see also English, 2007).

Following the Kirby Report (2000), a greater emphasis has been placed on ‘outcomes’, rather than ‘inputs’ and ‘outputs’, as was the case before 2000. The Office of Correctional Service Review (OCSR) audits data collected by private prison contractors each year that related to their performance targets.

At a broader level, private prisons have shown poor performance in key areas of review. For example, the Victorian Auditor-General’s report, *Addressing the Needs of Victorian Prisoners* (2003), identifies Fulham Correctional Centre as the worst offender at keeping adequate records to monitor prisoners’ progress. The report identifies that 46% of prisoners at Fulham did not have their progress recorded on their local management plan (VAGO, 2003: 63).

The Victorian Ombudsman has also expressed concerns about the performance of private prisons. In a 2008 statement, the Ombudsman observed that complaints had risen by 100% (to 129) at Fulham and 400% (to 443) at Port Phillip since 2006. In the case of Port Phillip, this equates to more than one complaint for every two prisoners (Sydney Morning Herald, 2008)

Owing to the problems in accountability outlined above, the performance of Fulham and Port Phillip against the SDO measures is often vague. For example, the OCSR reviewed both Port Phillip and Fulham between 2012 and 2014, with findings reported in the DOJ Annual Report (See DOJ-VIC, 2013, 2014). However, the information provided amounts to less than one page of material in total. Changes to prison operations are listed, for example, the introduction of suicide prevention measures at Port Phillip, and tighter drug screening practices at Fulham (DOJ-VIC, 2014: 164–165). However, it is not made clear whether these changes are a result of non-compliance with minimum standards, or if the PLF at each prison was affected.

In addition, Port Phillip prison was the subject of an inquiry by the Victorian Ombudsman in 2013. This inquiry focused on the transfer of children from the youth justice system to Port Phillip, a maximum security prison. However, this material was not included in the OCSR evaluation of Port Phillip, which formed part of the DOJ Annual Report in 2013.

In 2015 the Victorian Ombudsman released a report titled 'Investigation into the Rehabilitation and Reintegration of Prisoners in Victoria'. This report covers both public and private prisons, and makes use of performance data that were not available to the general public. The Ombudsman's report examines the relationship between education, mental health, and case management and recidivism rates. The report notes that both Port Phillip and Fulham prisons consistently failed to achieve the monthly benchmarks for case management, based on a review of the 2013–2014 financial year and the first three quarters of 2014–2015 (Ombudsman-VIC, 2014: 43). The Ombudsman also notes that Port Phillip prison had failed to meet its benchmark for prisoner-on-prisoner assaults for every month between July and December of 2014 (*ibid*: 27). The finding regarding assaults at Port Phillip was based on an internal report from the prison, and this data are not generally available to the public.

Innovations

As suggested above, the introduction of private prisons was driven by a need to replace infrastructure, rather than to introduce innovations. Contracts do not contain a specific innovation bonus, as is the case in Western Australia.

Despite this, private providers still claim that valuable innovations have been introduced into Victorian prisons. G4S asserts that several innovations have been introduced at Port Phillip prison. These include removing the limit for the number of prisoners that can be admitted in one day; increasing out-of-cell time; raising the quality of out-of-cell time; high levels of activity time; introducing 'privacy locks' on cells; changes to staff–inmate relationships; a scheme for prisoners to provide support to other inmates who are at risk of self-harm; an entrepreneurial mentoring scheme for young prisoners; treatment for prisoners with severe cognitive impairment in partnership with public services; and a 'lives in transition' program for inmates who are about to leave prison (G4S, 2009: 3–4).

Whilst a variety of innovations have been cited by G4S, concrete claims about their effects are difficult to substantiate. For example, G4S asserts that the introduction of privacy locks on cells has lowered staff costs by reducing the level of supervision needed (*ibid*). Use of 'privacy locks' means that prisoners have a key to their own cells, and may therefore lock their possessions away whilst out of cell and prevent thefts by other prisoners. Custodial officers possess keys that will override privacy locks, and prisoners' keys do not open cells that have been locked by custodial officers. However, there is no clear evidence of the associated benefits. Likewise, although G4S claims to have raised the quality of services by introducing schemes to reduce prisoner self-harm, no data are provided in support of this assertion (*ibid*).

G4S also appears to take credit for the 'Lives in Transition Program' that is run by the Prison Fellowship, a Christian non-for-profit. Crucially, this program was implemented in Victoria at Barwon (public) Prison before being transferred to Port Phillip in 2007. As a consequence, it is not an example of innovation that originated in the private sector that has been transferred to the public sector, but rather the reverse (Victorian Government Law Reform Committee- [Inquiry into alternative dispute resolution](#) 5 June 2008).

No similar list of innovations has been offered by GEO for Fulham Correctional Centre.

Significant Incidents

In 2012 there was a riot at Fulham Correctional Centre and, notably, this was not mentioned in the OCSR reports cited above ([Rioting prisoners from Fulham Prison in Sale were protesting against a change in toothbrush brand](#) *The Australian*, 19 January 2012). Though the 2012 riot was attributed to changes in amenities, including removal of pay TV, this event took place after the CPSU had expressed serious concerns about staffing levels. The reduction of staffing levels whilst inmate numbers were rising was believed to be a contributing factor in the failure to control inmates.

In addition, Fulham and Port Phillip prisons have both experienced significant levels of industrial action, but for the most part these have not been reported by the OCSR.

The industrial action that took place at Fulham in 2012 arose because of issues related to staffing levels and did not appear in the OCSR report for that year. At the time, the union applied pressure for the inclusion of minimum staffing ratios into the workplace agreement. This was backed by the shadow corrections spokeswoman, Jill Hennessy, who released information in 2012 demonstrating that Fulham had 3.7 prisoners per custodial officer, compared with a state average of 2.3 prisoners to each guard ([Prison staff level cited on rioting](#) *The Age*, 17 February 2012).

Moreover, no mention is made of the industrial action by the CPSU at Port Phillip in 2014. This strike occurred as a protest against attempts by G4S, the prison operator, to reduce the number of prison officers at the facility by up to 10% ([Port Phillip Prison in lockdown over crowding dispute](#) *The Age*, 5 July 2014).

Perhaps more alarmingly, the reports from the OCSR do not mention the two deaths that occurred at Port Phillip in 2014 ([Two prison deaths in a week](#) *The Age*, 15 July 2014).

In summary, owing to the catastrophic failure of the Deer Park contract, Victoria has the worst experience of prison privatisation of any state in Australia. Equally concerning is the most recent report from the Auditor-General into rehabilitation, which indicates that both Port Phillip and Fulham prisons are failing to meet performance targets on case management.

There is also a lack of cost data, making it impossible to judge whether privatisation in Victoria has delivered savings to the taxpayer. However, the general trend would suggest the relative costs of corrective services in the state have increased.

Summary

While Victoria has the highest proportion of inmates held in private prisons in any state in Australia, it is the most difficult to assess in terms of accountability, costs and performance.

In terms of accountability, there are a number of significant shortcomings in the Victorian system, most of which were brought to the public's attention in the Kirby Report (2000). The independent review revealed just how little the public knew about Victoria's private prisons, including problems with the delivery of crucial services such as health and training, and the inadequate levels of staff training and high staff turnover (Kirby, 2000: 4–5, 48). The monitoring arrangements also came under criticism within the Kirby Report because there were no requirements to report problems to the public (*ibid*: 41). The contracts are now publicly available but they still reveal little about the fees and bonuses paid to private operators for services provided and cost data associated with prison operations. The DCS annual reports provide limited additional information, and whilst the state Ombudsman handles complaints, they do not report prison-by-prison data to help determine the pattern of these complaints. Attempts from the outside to encourage further transparency in Victorian private prisons have faced considerable legal barriers. Valerie Sands (2004: 145) notes the costs and associated difficulties with engaging in FOI requests in the state.

In terms of costs, Victoria is the hardest to assess and there is no evidence to support further privatisation on these grounds. Some cost information is available to the public, but significant aspects of the contracts remain censored. Indeed, it appears that the per prisoner cost of incarceration has risen despite increased privatisation in the state. Notably, the arrangements in Victoria include the transference of responsibility for the design, build and ownership of prison infrastructure, exposing Victoria to particular risks should these prison operators fail. The costs associated with these contracts are poorly understood.

In terms of performance and efficiency, targets are available but outcomes are not. This makes it difficult to assess the performance of private prisons in Victoria.

A number of additional problems arose in relation to contractual arrangements specific to Victoria wherein private providers, rather than being responsible for prison operations, are also in charge of prison design, construction and financing (DCFM or BOOT contracts). The Kirby Report (2000) observed that the ownership of the prison by the contractor made it difficult to replace private prison operators who were underperforming. In addition, these more-involved contractual arrangements failed to provide sufficient safeguards against poor performance (*ibid*: 39). A case in point is the mismanagement of Deer Park resulting in the re-acquisition of the prison at great initial cost (\$21m) and the ongoing expenses associated with service delivery. This experience points to the unique set of significant risks for the public that the DCFM/BOOT model brings, which in turn intensifies the need for evidence-based policymaking.

The Victorian government is currently building a new 1,000-bed private prison at Ravenhall. GEO is responsible for design, construction, financing, maintenance and operations (including custodial services). For the first time in Australia, the contract includes incentive payments for reductions in reoffending but given the complexity of post-release issues, how this will work in practice is unknown. Overall, the Victorian approach to prisons has seen really significant changes to the sector, and whilst there have been improvements in terms of public availability of information, there is still a long way to go before the public are able to assess the impact private operators have had on the sector. Indeed, it appears that the per prisoner cost of corrections in Victoria has risen despite the increased reliance on private contractors.

Private Prisons in Western Australia

At a Glance

As of 2015, Western Australia has 16 prisons, two of which are privately operated. These facilities are Acacia Prison, located in Wooroloo, and Wandoo Reintegration Facility, located near Murdoch. Acacia is a medium-security prison, which is expanding its capacity to 1,426 inmates, making it the largest prison in Australia. Wandoo Reintegration Facility is a small prison, with capacity for approximately 77 inmates. Since being established, Wandoo has been used for short-term incarceration of young offenders. In 2014, there were 5,030 inmates within the Western Australian prison system, of which 20.4% were held in privately operated facilities (Productivity Commission, 2015: Table 8A.1).

According to data from 2014, private prisons in Western Australia incarcerate 20.7% of the total inmate population, accommodating 1,040 prisoners out of a state total of 5,030 (Productivity Commission, 2015: Table 8A1). This is higher than the average for Australia (18.5%), and is the second highest for any state in the country, behind Victoria (31.8%) (*ibid*: Table 8A1). However, as noted below, the capacity and utilisation of Acacia Prison has increased considerably since 2014. The private prison share of incarceration in Western Australia can be expected to rise over the next three to five years if the new prison to be constructed is indeed tendered for private operation.

History

In the early 1990s, the Western Australian Prison Officers' Union agreed to a reform package based on the agreement by the Liberal/National Party coalition government that prison privatisation would not take place before the end of 1997 (Roth, 2004). In 1998, the Western Australian government sought expressions of interest from the private sector to construct and manage a new prison, which would become Acacia Prison in Wooroloo-South. The construction of Acacia Prison coincided with a rise in the prison population by approximately 33% from 1997 to 1999. This saw the inmate population rise from 2,234 inmates to 2,973 (ABS, 1999: 6). Accordingly, the need to expand the capacity of the prison system was an important factor in the introduction of private sector custodial services. In addition to the alleviation of crowding pressures, the introduction of private prison providers was intended to help reduce recidivism, introduce new innovations and seek cost efficiencies (OICS-WA, 2003: iv). The philosophy behind Acacia, as Western Australia's first private prison, was to have a modern 'campus-style' facility, dealing with minimum- and medium-security prisoners.

CCA was the eventual winner of the tender process for Acacia Prison. CCA was originally a subsidiary of the Corrections Corporation of America, which operated other private prisons in Australia, including Deer Park women's prison in Victoria and Borallon prison in Queensland. However, CCA was subsequently sold to the French multinational Sodexo, which rebranded the subsidiary as Australian Integrated Management Services (AIMS) (Roth, 2004: 11). Thus, while CCA received the original contract it was AIMS that first operated the prison in late 2000, when Acacia finally began receiving prisoners (OICS-WA, 2003: iv).³ The service agreement for Acacia Prison excluded remand activity, and this has remained absent from Acacia's operations. When constructed the planned operating capacity of this prison was originally 750 inmates, but has subsequently almost doubled. In 2008, Acacia began to introduce new bunks to existing cells, enlarging its inmate capacity to 1,000 prisoners. Subsequently, in the 2010–2011 financial year, construction of new facilities began at Acacia in order to accommodate

³ The selling of CCA to Sodexo marked the start of a general withdrawal of CCA from the Australian custodial services market.

another 387 prisoners. Works were completed in 2015, giving Acacia Prison capacity to house 1,426 inmates.

The first contract period was affected by a number of issues due to inaccurate staffing level estimates, poor accountability structures within the contracting company, and poorly defined corporate decision-making structures (see OICS-WA, 2003: Chapter 7). As a result of the failure of AIMS to make significant improvements, the management of Acacia Prison was put out to tender again when the contract came up for renewal in 2005. Serco Australia was the successful bidder, winning the contract ahead of AIMS and Management and Training Corporation (MTC). Serco Australia began operating Acacia Prison as of 16 May 2006.

Initial reports by the DCS and Office of the Inspector of Custodial Services (OICS) on Serco's management of Acacia Prison were positive, despite staff retention problems. In an effort to address these concerns, it was agreed that private sector prison officers would be guaranteed the same pay increases as their colleagues in the public sector. While this meant that their salaries increased at the same rate as public sector prison officers in Western Australia, it did not ensure comparable pay and conditions across the sector and meant that public sector workers were on consistently higher wages (DCS-WA, 2008: 5).

Wandoo Reintegration Facility opened in 2012, on the old site of Rangeview Remand Centre in Murdoch. Wandoo is a minimum-security prison for young men. This prison is operated by Serco Australia, who won the contract through a tendering process in which Serco's bid was the only submission. As of 2015, Wandoo Reintegration Facility has an operating capacity of 77 inmates. However, Wandoo has not been used to full capacity, often operating with only half the maximum number of prisoners ([Underused young men's prison at Wandoo may become women's jail as overcrowding plagues Bandyup](#) ABC News, 4 July 2014). The contract for Wandoo is for management and maintenance only; the underlying land and buildings are owned and controlled by the state (DCS-WA, 2013a: 6).

There has been one major policy debate over the privatisation of prisons in Western Australia over the last ten years. This was initiated by the Treasury, which requested the ERA to conduct an 'Inquiry to Consider the Efficiency and Performance of Western Australian Prisons'. Terms of Reference for this inquiry were issued in October 2014, followed by a raft of discussion papers by the ERA: an 'Issues Paper' on 11 November 2014, a Discussion Paper on 18 March 2015 and a Draft Report on 9 July 2015. The terms of this inquiry were broad, including calculation of cost data and the creation of performance benchmarks, and did not specifically centre on privatisation. Nor was privatisation recommended directly. Instead, this inquiry suggested that 'commissioning' be introduced to expand the options for the provision of prison services in Western Australia. The ERA has said that commissioning would require the creation of a dedicated unit within the DCS to handle tenders from public, private and not-for-profit actors that wished to be involved in providing aspects of custodial services. The intent behind introducing commissioning is to foster system-wide change within correctional facilities in Western Australia, without necessarily privatising all aspects of the system. The ERA final report proposes privatisation of some facilities by the DCS so that prison services will become a contestable market, in that even if there are only a few market participants, they argue that these actors would remain competitive due to the threat of market entry by new service providers. From the ERA's perspective, commissioning is intended to introduce 'contestability' into the corrective services market, pressuring market participants (both public and private) to raise productivity, lower costs and gain efficiencies through innovation. However, there are concerns that the claims of contestability are implausible given the nature of the market for prison services and further, the costs associated with the departmental reforms required to introduce commissioning remain unknown (Andrew, Baker and Roberts 2015).

As of 2015, the prison system in Western Australia became significantly overcrowded, although the DCS officially repudiates this claim (ERA, 2015a: 11–12; [WA jails 'chronically overcrowded'](#) The West Australian 3 May, 2015). The overcrowding is due to a rapid increase in the number of inmates held in correctional facilities since 2004. The number of people incarcerated in Western Australia rose from 3,150 in 2004 to 4,100 in 2009 (Morgan, 2010: 57), and has continued to rise by 22.7%, reaching

5,030 as of 2014 (Productivity Commission, 2015: Table 8A.1) and by 7.4% to 5,402 prisoners as of late 2015⁴ (DCS-WA, 2015c: 5). The addition of more than 2,000 extra prisoners in the last 11 years has placed a significant strain on the custodial system. This overcrowding has been partially addressed through the expansion of Acacia Prison. It is also expected that the overcrowding problem will necessitate the creation of a new prison by 2018, according to the Commissioner of Corrective Services, James McMahon ([New prison could be needed within three years due to rising jail population: commissioner](#) ABC News 11 June 2015). Overcrowding is a particular issue for the Bandyup women's prison, and a new women's remand facility is planned for the publicly run Hakea men's prison, but construction has been delayed because of budgetary constraints. Media reports, including interviews with the Minister for Corrective Services, Joe Francis, indicate that this new prison could be constructed and managed under a DCFM arrangement similar to Acacia Prison⁵ ([New WA prison could be built through public-private partnership: Corrective Services Minister](#) ABC News, 15 June 2015).

Accountability

There are a number of processes that have the intent of creating accountability for private prisons in Western Australia; these will be reviewed in turn and include: the public disclosure of contractual agreements between prisons and the government; monitoring of private prisons by the DCS; the disclosure of each prison's performance within annual reporting of individual prisons, the DCS and the Western Australian Ombudsman; and independent inspections of each prison via the OICS and the Auditor-General of Western Australia.

Contracts

Detailed contracts, both for Acacia Prison and Wandoo Reintegration Facility, are available online via the DCS website. The documents available for Acacia Prison include the contract signed with Serco for operation of the facility as of 2006, along with the maintenance agreement for the prison, and the schedule's annexures to the prison services agreement. Serco also includes a copy of the contract on its own website. The maintenance contract for Acacia is between the government and Sodexo. The contract between Serco and the state government for the operation of Wandoo Reintegration Facility is a single document, also available online via the DCS. The previous version of the Acacia contract, between the state government and AIMS, is no longer available via the DCS website as of 2015.

The contract for Acacia Prison is not censored using commercial-in-confidence restrictions, as is the case in other states. However, some details are omitted from the Wandoo contract, including the formulae for calculating amounts payable to the contractor, but are included in annual reports on that facility, as detailed below. Full disclosure of KPIs is given, as are the amounts to be paid for each aspect of each contract. These particulars are discussed in detail below.

Monitoring Arrangements

Onsite monitoring is an explicit requirement of the Acacia and Wandoo contracts, and monitors have been in place since the opening of each prison in 2001 and 2012 respectively. The monitors are

⁴ While it is outside of the data collection period for this project, it should be noted that the actual figure as at 24th May 2016, was 6228, representing a 13% growth in 1 year [Extract from Hansard](#) (Assembly Estimates Committee A- Tuesday, 24 May 2016, p29b-38a) putting significant pressure on the sector to recruit additional prison officers ([260 new prison officers urgently sought for WA jails as numbers escalate](#) ABC News 25 May, 2016)

⁵ On 2nd June 2016, it was announced that the preferred operator for the new women's facility would be Sodexo ([Sodexo picked for new prison](#) Business News Western Australia, 2 June 2016)

responsible for validating performance data gathered by the contractor. However, their reports are not made directly available to the public. Instead, the monitors report to the DCS, which includes their findings in an annual report for each prison. Details as to how contract monitors undertake their work remains opaque, both in terms of the time they spend on site and their independence.

Details of the monitoring arrangements are set out in the relevant contracts, but each includes a management board composed of state employees and employees of the contractor. Acacia Prison is required to submit reports on compliance with KPIs on a quarterly basis. At Wandoo, this reporting takes place every month. In each instance, the contractor is required to gather and store data. However, the onsite monitor is also given access to facilities, data and personnel.

Failure to meet KPIs results in abatement of regular payments to Serco as the contractor. The contractor is able to seek mitigation of abatements, citing extenuating circumstances.

Annual Reports

The DCS in Western Australia provides both an annual report for the custodial system in general, and separate annual reports for each of the privately operated prisons. As of October 2015, there are two publicly available annual reports on Wandoo, and 12 annual reports for Acacia starting from 2001–2002.

The format of the reports is consistent, but not identical, across time. Topical layout of the reports may vary, but the empirical data on which the documents draw remain largely the same. The reports refer directly to agreed performance measures and to quantitative data. They also directly connect empirical data to the PLF outlined in the contracts.

Annual reports of the DCS are available online from 2001–2002 onwards. These reports also collect data on both private prisons, and occasionally include evaluation of the state of each facility (see, e.g. DCS-WA, 2003a).

Independent Inspector of Prisons

Western Australia has had an Independent Inspector of Prisons since 1999. The *Prisons Amendment Act* (1999) established the OICS. This Act amended the *Prisons Act* (1981), and is the same legislation that was used to establish the legal framework for private prisons in Western Australia. Since the creation of the OICS, Acacia has been inspected five times. Reports for these inspections were tabled in parliament in 2003, 2006, 2008, 2011 and 2014. Wandoo Reintegration Facility has been inspected once since it opened in 2012. This report was tabled in parliament in 2015.

The OICS is an independent body, and has conducted announced inspections of Western Australian private prisons, and makes these reports available to the public online.

During the existence of the OICS there have been two Chief Inspectors. The first was Richard Harding, an academic whose work focuses on the privatisation of prisons. After Harding left the post in 2008, Neil Morgan assumed the role of Chief Inspector. Neil Morgan is a Professor of Law who has published several works on the issue of sentencing.

The performance measurement criteria used by OICS reports change over time and sections of each OICS report are not necessarily carried over into successive reports. Rather, these reports focus on key issues revealed during each inspection, and on historical events in the life of each prison. For example, reports into Acacia Prison since 2007 have focused on the expansion of the prison and the attendant problems of this process, including staff shortages and cross-deployment of custodial officers (e.g. OICS-WA, 2011: 19).

State Ombudsman

As is the case in other states, the Western Australian Ombudsman handles prisoner complaints. Since 2000, several of the annual reports of the Western Australian Ombudsman contain information pertaining to Acacia Prison. These reports, dating back to 2000–2001, are available online, and although the format of the reports changes over time, they do contain a breakdown of complaints against both public and private prison providers (2008–2009 onwards). The Ombudsman also prepares special reports on specific issues from time to time. The 2006 ‘Own Motion Investigation into the Department of Corrective Services’ Grievance Process’ discusses Acacia Prison at length, and compares it to the public system.

The level and pattern of complaints are discussed in more detail in the performance and efficiency section below.

Auditor-General

The Auditor-General of Western Australia is responsible for scrutinising public sector financial and service performance and identifying any potential wastage. They routinely report their findings to parliament, including any information generated as a result of special investigations.

Two investigations by the Auditor-General’s office have addressed the issue of the cost of incarceration after 2000. These are the *Management of Offenders on Parole* report of 2011, and the *Management of Adults on Bail* report of 2015, neither dealt significantly with the delivery of services in privatised prisons. Details of these reports are discussed where relevant below.

Additional Factors in Accountability

Prisons in Western Australia are also monitored through the Independent Visitors Scheme (IVS) and the Aboriginal Visitors Scheme (AVS). However, reports from the IVS and AVS are submitted to the OICS and DCS, but are not made publicly available.

Additionally, the Mahoney Inquiry (2005) (‘Inquiry into the Management of Offenders in Custody and in the Community’) mentions Acacia Prison several times, but does not diverge from similar findings expressed by the OICS in the same period.

Finally, the Community Development and Justice Standing Committee (CDJSC) 2010 report *Making Our Prisons Work: An Inquiry into the Efficiency and Effectiveness of Prisoner Education, Training and Employment Strategies* makes several references to conditions at Acacia Prison as part of its investigation. These findings are listed below where relevant.

Overall, private prisons in Western Australia are the most scrutinised within Australia. Unlike other states, private prisons are required to submit annual reports to parliament by the DCS. Despite this, not all of the relevant information is publicly available (particularly with regard to how costs are calculated and allocated operationally), but it does suggest that the Western Australian system allows for a clearer picture of the functioning of private prisons than has been possible in other states.

Costs

As is the case in other states, the major cost of private prisons for the Western Australian government is the contracted fee paid to the private operator, and any additional payments for contract variations. The following section will explore how this fee is calculated and the associated ‘costs for prisoner per day’.

Cost of Contracts

Cost information for Acacia and Wandoo are available through the contracts published online. According to service agreement information the fee paid to the contractor (Serco) for operating Acacia Prison has two elements – the Operation Payment and the PLF. The PLF is not a separate amount, but rather is a portion of the Operation Payment that is paid on the basis of performance. The lowest band of prison occupancy (0–600) corresponds to an Annualised Operation Payment of \$27,364,154, and an Annualised PLF of up to \$1,368,208 (GOV-WA, 2006b: 123–126). The highest potential cost for the private operation of Acacia Prison is at a level of occupancy between 1176 and 1194 inmates, at which point the Annualised Operation Payment will be \$44,168,988 and the Annualised PLF is up to \$2,208,449 (*ibid*: 123–126). These levels were presumably calculated on the basis that Acacia Prison was officially at 800 inmates when the contract was signed in 2006. As noted above, Acacia has since undergone significant expansion. Fees are also adjusted annually with reference to the Consumer Price Index.

The Acacia Prison Services contract outlines specific rewards for innovation as part of the PLF. An annual bonus of up to \$250,000 may be paid to the contractor, in the event that the contractor demonstrates that significant innovations have been implemented at Acacia Prison. Examples of innovation include a new technology, or a new system or procedure, which either reduces costs or improves quality of services. In the event that the state pays the contractor an innovation bonus, that relevant innovation becomes the intellectual property of the state and can be implemented at other facilities (GOV-WA, 2006a: 65–66). Further examples of innovations that have arisen from the private operation of Acacia Prison are covered in the innovations section.

The most recent annual report for Acacia Prison covers 2012–2013, and gives a payment of \$47,609,841 as a Service Fee and a PLF of \$1,998,126 (DCS, 2013: 10). This gives a total cost of \$49,607,967 for running Acacia in the 2012–2013 contract year.

Unlike the contract for Acacia Prison, the publicly available copy of the contract for Wandoo Reintegration Facility does not include formulae for calculating the amounts payable to the contractor. Instead, the section marked ‘Payment Mechanism’ (Schedule 3) is flagged ‘confidential’ and is redacted (See GOV-WA, 2012). However, annual reports on Wandoo Reintegration Facility still disclose the amounts paid to the contractor by the state each year, which are calculated according to the Daily Average Prison population (DAP). The 2012/2013 report indicates that the Wandoo contract was paid at a level of \$9,650,688 out of a projected budget of \$10,033,485 (DCS-WA, 2013a: 8). The reasons for this reduced cost are covered later.

However, unlike the public sector, the ERA was unable to provide a breakdown of the operational costs of private prisons. This prohibits a detailed examination of the strategies used to achieve cost efficiencies.

Cost Per Prisoner Per Day

Western Australia is identified by the ERA as having the third most expensive prison system in Australia, as measured by cost of incarceration per prisoner per day. According to the Productivity Commission *Report on Government Services* (2015), the cost of the Western Australian custodial system per prisoner per day was \$352 in 2012–2013, compared to a national average of \$292 (ERA, 2015b: 37). In the ERA Discussion Paper of 18 March 2014, Acacia is identified as the cheapest prison in Western Australia, measured in terms of cost per prisoner per day. The cost of running this prison is listed by the ERA as \$137.15 for 2012–2013 and \$183 per prisoner per day for 2013–2014 (ERA, 2014: 13, Figure 4). However, this increase in per prisoner per day cost may be due to the inclusion of overheads by the ERA.⁶ However, the same document identifies Wandoo Reintegration Facility as the third most expensive

⁶ This is only an estimate as the ERA report did not disclose how costs per prisoner per day were being calculated.

facility in the state (*ibid*) at a cost of \$580 per prisoner per day. Even in the event that Wandoo is fully occupied, the cost would still be \$370 per prisoner per day, well above the state average (OICS-WA, 2014: v).

In the ERA's Final Report, they note that: 'the ERA agrees cost per prisoner per day is an inappropriate measure of prison performance, particularly in Western Australia where few, if any, prisons are directly comparable' (ERA Final Report p32).

It is important to note that despite additional cost-related disclosures by the ERA, the formula for costs per prisoner per day varies, making comparisons difficult. In contrast, the OICS Report on Acacia Prison (OICS-WA, 2011: 9) contains a rough formula for calculating the cost of private prisons but fails to explain how overhead costs incurred by Acacia and Wandoo prisoners are allocated. It also skews data because some high-cost activities, such as remand, are borne by the DCS. Equally, neither facility incarcerates high-cost inmates, namely women and maximum-security prisoners.

Performance and Efficiency

As detailed in the accountability section above, several bodies gather data on the performance of private prisons in Western Australia, and make their data publicly available, including the DCS and the OICS. A number of relatively clear performance measures have been used to evaluate the two private prisons in Western Australia. The following provides an overview of their use in prison assessment and an overview of private prison performance in relation to these targets. Meeting these performance targets forms the basis of each prison's contractual agreement with the government. These KPIs are also used as a reporting framework for each prison and thus provide some level of transparency in relation to whether each prison has met the targets stipulated in its contract with the Western Australian government. KPIs may be altered over time, in order to improve performance at each prison. However, evaluation of performance is not limited to these measures, but also includes qualitative evaluations of the standard of service provision. This is particularly the case for the OICS reports.

Performance Measures

Western Australia uses publicly available KPIs to measure the performance of its two privately run prisons. The KPIs for Acacia Prison in the most recent annual report are broken into four areas: Safety and Decency in Custody (two measures); Offender Management and Interventions (six measures); Pathways to Reducing Offending (two measures); and Corporate (two measures). Targets that denote compliance with each performance measure are listed (DCS-WA, 2013b: 12).

The contract for Wandoo Reintegration Facility lists 19 KPIs. Nine of the KPIs relate to specific events that will result in a reduction in fee. These include deaths, escapes, losses of control, unlawful release, unlawful detention and failure to comply with a Performance Improvement Notice (PIN) (GOV-WA, 2012: 142–143). Ten KPIs relate to measures taken on a regular basis. These are serious assaults; self-harms; urine analysis; staffing levels; employment of prisoners once released; prisoners engaged in constructive work; education; facilities maintenance; and the results of a Customer Satisfaction Survey (*ibid*: 144–146). Serco also conducts regular Staff Satisfaction Survey's, the results of which are not made public.

The contracts that set out the relationships between the Western Australian government and the private providers of prison services are sometimes referred to as Service Level Agreements (SLAs), as they form a framework for establishing verifiable levels of service provision. The recent ERA discussion of Western Australian prisons argues for a similar use of performance measures and SLAs within public prisons (See ERA, 2015b: Chapter 5).

Performance According to Established Measures and Inspections

Private prisons in Western Australia have had a mixed record of performance, particularly with regard to the management of the Acacia Prison contract. Acacia was an underperforming prison during its tenure under AIMS. The OICS report of 2003 stated that Acacia had been placed on an informal 'Alert List' due to underperformance (OICS-WA, 2003: 11) and kept under close observation for the years leading up to the tendering process of 2005.

In a similar vein, the state Ombudsman annual reports note a very high level of complaints by prisoners from the outset at Acacia Prison. The 2001–2002 report indicates 177 complaints at Acacia, which is the highest level of any prison in Western Australia (Ombudsman-WA, 2002: 35). This trend is sustained in the 2002–2003 report, which finds that Acacia was the origin of 245 complaints out of a total of 670 (i.e. 36.57%) against prisons in Western Australia (Ombudsman-WA, 2003: 32). This level of prisoner complaints declined somewhat in the following year, to 133 out of 544 (24.45%) complaints about Western Australian prisons being directed towards Acacia (Ombudsman-WA, 2004: 29). This declined further to 107 out of 494 (23% of total) complaints in 2005, which was the last year AIMS was contracted to run Acacia Prison (Ombudsman-WA, 2006b: 28).

After the award of the contract to Serco in 2006, initial performance was criticised in the annual reports for Acacia Prison. Only 72.4% (\$1.1 million) of the PLF was paid to Serco for the 2006–2007 contract year, on the basis of failures to meet KPIs for reviewing prisoner sentence plans, and having inmates engage in structured activity (DCS-WA, 2007: 52, 57). In the 2007–2008 contract year, Serco only received 68% of the PLF (\$960,000), largely due to failure to review prisoners' sentence plans on schedule (DCS-WA, 2008: 12).

In subsequent years, the performance of private management at Acacia Prison steadily improved. By 2011, the OICS identified Acacia as one of the best performing prisons in Western Australia. On the basis of this performance, Serco was granted the right to continue running Acacia Prison for another five years, ending in 2016 (OICS-WA, 2011: vii).

In line with the assessment of the OICS, the Ombudsman recorded a drop in the level of complaints originating from Acacia, to 50 out of a total of 355 (14%) (Ombudsman-WA, 2006b: 28). The level of complaints has continued to fall to 22 (7% of total) in 2007 (Ombudsman-WA, 2007: 25). This trend is maintained from 2007 onwards, with the share of inmate complaints directed against Acacia Prison being lower than the proportion of total Western Australian prisoners held in this facility (see, *inter alia*, Productivity Commission, 2008: Table 8A1; Productivity Commission, 2015: Table 8A1).

It is also important to note that most cost reductions in private prisons have come through reductions in staffing levels and reductions in the overall level of experience of these staff. The most recent OICS report on Acacia points to performance problems arising from staffing – such as high staff turnover, staff experience levels and sub-optimal staff deployment decisions – which has meant certain prison services, such as fitness programs and medical services, have been limited. In addition, inadequate staffing levels were found to have led to the escape of four inmates from the privately managed Wandoo facility in 2015 (OICS-WA, 2015).

Whilst Serco has a strong record of contract compliance from 2006 to 2013, the most recent OICS report shows a number of issues arising in relation to lower staffing levels. The first issue relates to prisoner dissatisfaction with waiting times for health visits. The waiting time for a doctor's appointment stood at six weeks as of 2014, which was attributed to low staffing levels combined with Acacia Prison medical staff also having responsibility for prisoners held at Wandoo (OICS-WA 2014: 56). The OICS report of 2014 also observes that, when compared to public prisons, Acacia '... appeared to be too short-staffed on too many occasions' (*ibid*: 73). Staff at Acacia Prison have expressed concerns that the workforce at the prison is increasingly inexperienced, due to high staff turnover (*ibid*: 29). Moreover, the practice of cross-deployment of staff created significant problems. For example, recreational officers being cross-deployed to custodial tasks has resulted in the termination of fitness programs and closure of the prison

gym on several occasions (*ibid*: 50). Cross-deployment was also found to be interfering with prisoners' purchase of goods, due to the need for staff to approve town spends (*ibid*: 52).

Wandoo prison has had more frequent performance issues since it opened in 2012, particularly with regard to security. Two inmates escaped in December 2013 while carrying out community service work in Alfred's Cove. These prisoners were re-captured the next day, with Serco being fined \$25,000 for the incident. This was followed in January 2014 by an incident where several craft knives were lost from the facility art room, with Wandoo having to be locked down while the issue was resolved ([Serco in new bungle](#) *The West Australian*, 31 January 2014)

Wandoo was issued with its first PIN in 2013, and a subsequent PIN in 2014, for an incident where keys were taken offsite and a number of occasions when tools had not been properly accounted for and controlled (DCS-WA, 2014b: 11–12). Serco was therefore instructed to address these shortcomings. The DCS report on Wandoo for 2013/2014 indicates that Serco made improvements in accordance with the PIN (DCS-WA, 2014b).

Notably, Wandoo prison has also been criticised for being under-utilised. Whilst most prisons in Western Australia are oversubscribed, and contain more prisoners than their design capacity allows, Wandoo has frequently held too few prisoners. In an effort to increase utilisation, Wandoo has had its age band increased over time, finally arriving at 18–28 in order to intake sufficient numbers of candidates. This under-utilisation is reflected in lower payments to the contractor, given that payments are based on Daily Average Population as discussed in the costs section above. However, it is not considered non-compliance with contract, as the number of prisoners held at the facility is not within the control of the private operator.

Innovations

Innovation is an important component of measuring performance for each prison and is specifically incentivised within the contract between Serco and the DCS. Up to \$250,000 per year is available as an 'innovation bonus' for the introduction of any new system or process that demonstrably reduces costs or increases performance beyond the expectations already set out within the contract. The contractor may apply for the bonus, at which point the DCS becomes owner of the innovation in exchange for the funds.

The focus of this scheme is to make custodial services more efficient on a systemic level. This is indicated in the DCS 2012/2013 report on Acacia Prison, which notes the importance of 'system-wide learning', a theme that is also repeated in the ERA Draft Report of 9 July 2015. One focus of this system-wide learning is the Custodial Management System (CMS) Kiosk, which was first implemented by Serco at Acacia Prison, and which is being trialled at Boronia Pre-Release Centre as of 2012 (DCS-WA, 2013a). This system was introduced in 2011, and consists of an ATM-style interface that allows prisoners to view account balances, purchase items through the canteen or town spends, check appointments, and receive messages and notices from staff. This system also includes a mechanism for tracking prison movements, through scanning of fingerprints when individuals enter or leave specific areas. However, this aspect of the system has not always functioned well in practice. The OICS report on the implementation of CMS at Acacia also notes that the introduction of this system has not noticeably increased staff presence on prison units by reducing other responsibilities (See OICS-WA, 2014: Chapter 6). Moreover, it should be noted that the CMS system has been in place in the UK for some time, and as such, its status as a genuine innovation is questionable.

During Serco's stewardship of Acacia, they have introduced menu choices for inmate meals. This system includes a choice of three options at dinner, including a vegetarian meal, and the innovation has been linked to a reduction in food wastage.

Significant Incidents

There have been some significant incidents at Wandoo with four inmates escaping on 21 August 2015. Although all four inmates were later captured, Serco was accused of having under-staffed this facility, enabling the escape to take place ([Forklift escape: Serco warned on Wandoo prison staffing](#) Perth Now, 30 August 2015). The escape was attributed both to low numbers of custodial staff and to increasingly dangerous prisoners being transferred to the facility in order to address under-use. Although Serco denied having been notified of under-staffing problems, documents released to the media established that the private provider had indeed been made aware of this issue by the prison officers union, WAPOU (*ibid*).

Summary

Western Australia represents the most sophisticated example of prison privatisation in Australia, using the services of two private prisons to manage a fairly dramatic rise in prison inmates over the last 20 years. Drawing on the experiences of states such as Queensland and Victoria, Western Australia uses detailed contracts to incorporate performance measures and to embed systems for monitoring and accountability.

All states in Australia lack a comprehensive approach to private prison accountability. Considered within this broader context, Western Australia appears to have the most developed regulatory architecture to enable oversight. Contracts are available to the public, and they provide details about performance targets and payment structures. These contracts explicitly require onsite monitoring, but as is the case in many other states, the monitor is not required to make their report available to the public. The OICS conducts regular inspections of prisons, and their reports are made available to the public. As is the case in other states, the Ombudsman handles prisoner complaints but does not report on these on a prison-by-prison basis. Lastly, unlike other states, the Western Australian DCS provides separate annual reports for each private prison, making it easier to assess their performance and costs on an annual basis.

In terms of costs, Western Australia provides a significant amount of information to the public when compared to other states. This includes the overall cost of contracts and the cost per prisoner per day. Cost outcomes at Wandoo and Acacia have been very different, highlighting the challenges associated with managing costs in complex prison systems. Despite the level of disclosure in WA, it remains difficult to assess the overall cost effectiveness of privatisation because of significant variability (such as the size, age, location of the prison and the prison population itself) across the sector.

In terms of performance and efficiency, Western Australia reports a significant amount of data. KPIs, SLAs and performance outcomes are all reported, as is information related to innovations within the prisons and incentives within the contract to engage in further innovation. At this stage, it is difficult to assess the level of innovation transfer in the sector.

Advocates for privatisation often refer to Acacia as an example of how private providers can deliver performance improvements and innovations. Care should be taken with these conclusions as Acacia Prison houses only medium-security prisoners, takes part in no remand activity, and occupies modern facilities that are the largest in Australia. These factors indicate that Acacia cannot serve as a generalisable example of prison privatisation. In addition, most cost reductions associated with private prisons are achieved through reductions in staffing levels and experience. As noted by OICS, over time, a lack of staff and associated reductions in their level of experience can produce performance related problems (OICS-WA, 2015).

Specifically, the case of Western Australia demonstrates that commercial-in-confidence arrangements for contracts in other states are unnecessary. Contracts can and should be in the public domain, because these appear to have had no negative effect on contractors in Western Australia and they open up space for much richer public dialogue about private prisons, both in terms of performance and costs.

Afterword

This report draws together publicly available information on private prisons in Australia for the first time. It is organised around three key themes: public accountability, costs, and efficiency and performance. We intend the report to provide a map for policy makers, and hope that it proves useful as we discuss prisons going forward.

There are limits to what can be achieved in a project like this, but it is clear that the future of prisons requires urgent attention and rigorous research.

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Biographies

Associate Professor Jane Andrew PhD, BCom (Hons), CPA

Dr Jane Andrew is an associate professor of accounting at The University of Sydney Business School. Jane has over 15 years' experience researching the impact of accounting information on public policy, public sector reform and public accountability. Jane's work has demonstrated the political nature of accounting information in policy settings, and the ways in which this impacts the development of evidence-based policy. Much of Jane's work has explored the use of accounting information to justify the inclusion of private providers in areas of public service that are traditionally viewed as core to government, such as prisons.

Over the last ten years, Jane's work on prisons has been widely cited and has featured in a number of public debates on the subject across Australia. She has published extensively in leading international journals and her book *In Government We Trust: Market Failure and the Delusions of Privatisation* (published by UNSW Press/Pluto Press) offers an extensive discussion of market-based reforms to prisons across the world, and similar reforms to other core services such as water, electricity and transport. She is committed to research that is both rigorous and relevant.

Jane is an associate editor for two leading international journals, *Critical Perspectives on Accounting* and *Abacus*, and she is also on the editorial boards of a number of other leading international journals such as *Accounting, Auditing and Accountability Journal* and *Advances in Public Interest Accounting*. Jane is also a member of CPA Australia.

Dr Max Baker PhD, BBus (Hons), CA

Dr Max Baker is a senior lecturer in the Discipline of Accounting at The University of Sydney Business School. Before his academic career, Max worked in a variety of roles for a number of large companies such as PricewaterhouseCoopers (PwC) and Macquarie Bank. Max's research has focused on the ways accounting both supports and inhibits stakeholder accountability in public and private sector settings. Max's keen interest in accountability has meant that much of his work has examined the ways in which managers respond to deepening community expectations that they optimise organisational goals while acting responsibly. Max's research has revealed some of the ways in which accounting can be used to reconfigure stakeholder expectations of private and public sector organisations. More recently, Max has written about the relationship between accounting and the public accountability, costs and performance of private prisons.

Max's work has been published in a number of leading international journals, books and industry reports. In 2014 he was the recipient of the Emerald/EFMD award for best PhD thesis in the area of interdisciplinary accounting. Various media outlets often call on Max's expertise to inform public discussions, and as a consequence he has contributed to discussions on TV, radio and in newspapers. He is a regular reviewer for leading international journals such as *Accounting, Auditing and Accountability Journal*, *The Journal of Business Ethics* and *Critical Perspectives on Accounting*. Max is also a Chartered Accountant.

Dr Phil Roberts PhD, MA, BA (Hons)

Dr Phil Roberts is a research assistant in the Discipline of Accounting at the University of Sydney Business School. Phil has a PhD in political economy and is an expert on political and economic restructuring in Brazil. His broader interests in reforms to state and market relations have driven his involvement in this project.

Australia's prison population is rising, placing extraordinary pressure on the sector to deliver quality prison services to the public. Approximately 19% of the prison population in Australia are incarcerated in privately managed correctional centres; the highest per capita rate of any country in the world.

Despite this, very little is known about the true impact of privatisation on public accountability, costs, and performance. This report by Associate Professor Jane Andrew, Dr Max Baker and Dr Philip Roberts is the first of its kind to comprehensively review the state of private prisons in Australia.

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