

Outsourcing government is a corporate takeover

By Elisa Barwick

In an article published by Michael West Media, independent journalist Geordie Wilson exposed the dire consequences of the effective privatisation of the Australian Public Service. With documents from Freedom of Information requests, Wilson revealed a mammoth secret rip-off of taxpayers in his 8 September piece, [“Outsourcing Government Itself: inside the hidden privatisation of the public service”](#).

Some of the most egregious consequences of the policy to privatise the public sector include:

- Even senior policy advisors, advisors to government ministers, department directors and executives are employees of private companies.

- Government accountability is distorted as private contractors are not covered by annual reports, government registers or other checks and balances. “Bureaucrat fiefdoms have emerged instead.”

- Taxpayers are paying a premium for outsourcing. Reports Wilson: “One document we found showed a private staffing firm was paid \$133,000 to buy an outsourced staff member for one year. The usual salary for the role was only \$65,000. The difference in price was pocketed entirely by the labour hire firm.” In many cases the labour hire firm doesn’t even do the interviewing and vetting to secure new workers.

- Nearly 40 per cent of the staff at the Department of Infrastructure is outsourced; Defence has 1.5 times as many private staffers as public servants; Home Affairs outsourced 1,082 positions (2019-20), including intelligence analysts.

Wilson traces a recent increase in pace of this outsourcing to Finance Minister Mathias Cormann’s staffing caps, which have driven many new hires to be made off the books. There is no evidence, writes Wilson, “that money is being saved”—it is merely an accounting trick. Furthermore, FOI requests do not apply to private staff, creating a new layer of secrecy, as seen in the case of off-shore detention centre management; Home Affairs Minister Peter Dutton has proposed outsourcing visa processing as well.

Exhuming the bodies responsible

The history of the drive to privatise the public sector corresponds with the neoliberal infiltration of both major political parties by individuals and institutions connected to the City of London-founded global think tank complex the Mont Pelerin Society (MPS), which was specifically created to dictate economic policy globally and destroy sovereign nation-states. This neoliberal faction guided the take-down of the Australian public sector through a series of mostly ideological Royal Commissions, Commissions of Audits and Budget Reviews. In the name of fiscal conservatism, they implemented a raft of economic reforms which ravaged the ability of governments to respond to economic crises, disasters and other emergencies.

The 1974-76 Coombs Royal Commission on Australian Government Administration began to redefine the purpose, structure and organisation of government bodies and the public service. The commission was chaired by H.C. “Nugget” Coombs, who directed monetary policy from his positions at the head of the Commonwealth Bank and then Reserve Bank, on behalf of what he called the “international freemasonry of central bankers” conceived by the Bank of England’s Montagu Norman (p. 16). The Coombs commission made recommendations on budgetary processes, personnel management, rules regarding statutory bodies and regular efficiency audits. The mantra of efficiency became synonymous with



austerity in neoliberal parlance. The commission launched “a major effort to rationalise welfare policies and their administration” and introduced competition for provision of services with outside sources.

Whilst most recommendations were ultimately implemented, Prime Ministers Gough Whitlam (Labor) and Malcolm Fraser (Liberal) sidelined much of Coombs’s advice and resisted the neoliberal assault on various other fronts, with a Whitlam government review in 1973 calling for enhanced government expenditure and Fraser opposing most of the 1981 Campbell Committee report on liberalisation of banking.

In the 1970 and 80s many governments began outsourcing public functions “on a substantial scale”, according to a 1997 NSW Parliamentary Library report, [“Outsourcing in the Public Sector”](#). Formal policies and guidelines on competitive tendering and contracting were developed. Compulsory competitive tendering (CTC) was introduced in some states, with Victoria mandating that local councils allocate 50 per cent of total expenditure through CTC. All road construction and maintenance funded by federal grants, nationwide, became subject to tender. Outsourcing, the report noted, is but one mechanism of transferring government responsibilities to the private sector. Other reforms included: service management contracts; licensing or franchising of activity; contracting out; corporatisation; and privatisation. “In-house” reforms included: benchmarking; best practice analysis; managerialism; performance measurement and budgeting; systems analysis; total quality management; and re-engineering.

The 1980–81 Review of Commonwealth Functions recommended a more limited role for governments and that some public functions be handled by the private sector. This extended to statutory monopolies Australia Post and Telecom. A series of 18 subsequent audits and budget reviews, both state and federal, rammed through a free market approach to delivery of services and a general downsizing of government. A 1992 Tasmanian review, for instance, recommended “commercialisation, corporatisation and privatisation of certain government functions”, according to a 2014 research paper by Daniel Weight from the Economics Branch of the Australian Parliamentary Library, [“Budget reviews and Commissions of Audit in Australia”](#).

Victoria’s 1992-93 Commission of Audit, commissioned by Liberal Premier Jeff Kennett, was seeded by a report prepared by Mont Pelerin think tanks the Tasman Institute and

the Institute of Public Affairs (IPA). The report, “Victoria: an agenda for change”, was instigated by business group consortium and MPS front Project Victoria, which with other MPS groups scripted all of Kennett’s policies. Members of other government reviews were involved in the report, including IPA ideologue and former Treasury official Des Moore, and prominent IPA and Centre for Independent Studies (CIS, another MPS think tank) member Robert Officer, who later led the Howard government’s 1996 Audit Commission along with MPS member and CIS founding member Maurice Newman. The Project Victoria report demanded “a major restructuring of the expenditure programs of the Government of Victoria, as well as a broad-based strategy for increasing productivity and living standards, by privatising, corporatising and contracting out many current services of government.”

(Another MPS ideologue, CIS contributor Ian Harper, would play a leading role in the 2012 Victorian Independent Review of State Finances which pushed privatisation of welfare delivery, early childhood education, state housing and outsourcing of all services, with government only stepping in when a private provider failed. Harper was a member of the 1996 Wallis Financial System Inquiry which created bank regulator APRA and gave banks extraordinary reach via financial deregulation, the damage from which would only be revealed in the next Financial System Inquiry in 2014.)

In 1992, the Independent Committee of Inquiry into a National Competition Policy commissioned by Labor Prime Minister Paul Keating intervened into this intensifying process. Chaired by Prof. Fred Hilmer, a one-time director of Macquarie Bank, its 1993 report pushed to standardise various government reforms but went a step further, taking aim at government regulations that impeded the free market. The Council of Australian Governments (COAG) endorsed the Hilmer Re-

view in 1994, agreeing to a package of competition policy reforms—which brought us such crimes as dairy deregulation—and the Australian Competition and Consumer Commission and the National Competition Council were born.

A National Commission of Audit called by Liberal PM John Howard in 1996, examined which government programs and services could

be abolished or provided more efficiently by the private sector. It consolidated guidelines for competitive tenders and contracts and subjected public service managers to cost-effectiveness reviews for all activities. The final report “set out a framework of principles” to assess certain government activities in order to improve Commonwealth financial management, with sections on: Should the government be involved?; Improving efficiency and effectiveness; performance monitoring; benchmarking and fiscal responsibility.

In good times the impact of these policies is not so obvious, but today’s crisis reveals it has put lives at stake. Privatisation is not about more efficient delivery of public services—it is a mechanism to loot nations and concentrate profits into the hands of a select few, an extension of the corporatist (a.k.a. fascist) merger between governments and megabanks which caused the economic breakdown and financial crisis now sweeping the globe.



Fred Hilmer, the Macquarie Bank executive who wrote the competition report. Photos: Wikipedia