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Outsourcing—For and Against

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Outsourcing—For and Against

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Major Issues

Over the last decade there has been a substantial shift in the Commonwealth Government's approach to service provision. Whether a service is provided *by* government or *to* government, there is an increasing likelihood that a non-government organisation will play a role. 'Outsourcing' is the term used to describe the situation where a government agency enters into a contract with an outside supplier to provide goods or services that had previously been provided internally. It is not synonymous with 'contracting' or 'competitive tendering' because it also implies that in-house bids have been discouraged or disallowed. However, in attempting to measure outsourcing, we are, to some extent, reliant on information about government contracting. It has been estimated that approximately 100 000 Commonwealth Government contracts valued at \$10 000 or more are in operation at any point in time and that the dollar value of contracting rose by four per cent in 1999–2000.

Australia joins other Anglo-American countries in this trend. The United States, the United Kingdom, New Zealand and Canada are also increasingly reliant on the private and voluntary sectors for the provision of services—possibly due to our relatively low levels of taxation, leading to greater budgetary pressure, or perhaps to a more general willingness to converge the public and private sectors.

As the Commonwealth's experience with outsourcing grows, it is becoming apparent that this approach can fundamentally change the character of service delivery. For this reason, its implications—both positive and negative—warrant serious attention from policy-makers. Parliamentary committees have shown a strong interest in this issue and this paper refers to some of their findings.

The purpose of this paper is to provide an introduction to the major arguments that are used to support and criticise outsourcing. Their relevance will, of course, vary according to the service being outsourced, and how well the contract is managed. It is also important to note that there is disagreement among commentators and policy makers regarding each of these arguments.

Four important arguments used to defend outsourcing can also be used to criticise it. These relate to efficiency, quality, accountability and the strength of civil society.

Other reasons invoked to support outsourcing include the following:

- it assists agencies to focus on core business, and
- opportunities for industry development may be enhanced.

Other reasons invoked to criticise outsourcing include the following:

- the effectiveness of the Australian Public Service Values and Code of Conduct may be undermined
- outsourcing may enhance the potential for corruption, and
- some services may be unsuited to outsourcing for economic, ethical or other reasons.

This paper supports the view that outsourcing raises important questions for policymakers. For example, how can governments harness the benefits of outsourcing while eliminating or ameliorating the problems, and are there situations in which outsourcing is an undesirable option? One possible response is to increase the use of contracting *within* the public sector, thereby securing efficiency gains while avoiding some of the potential problems associated with outsourcing.

It also contends that citizens and taxpayers would benefit from the establishment of a comprehensive framework for managing service delivery which ensured that:

- decisions to outsource were made with reference to a broadly accepted set of principles
- appropriate safeguards protected the rights of citizens, and
- the public service demonstrated a high level of expertise in contract management.

Introduction

Outsourcing has been defined by the Industry Commission¹ as:

an arrangement whereby a contracting agency enters into a contract with a supplier from outside that agency for the provision of goods and/or services which typically have previously been provided internally—not necessarily involving competitive bids.²

These goods or services may be delivered *to* government (e.g. information technology services³) or *on behalf of* government (e.g. employment services).⁴ Outsourcing is not unique to the public sector. Companies also outsource a range of services, including information technology, recruitment, payroll and cleaning.⁵ While this paper refers to outsourcing in general, it is important to remember that outsourced activities vary significantly in scope, complexity and implications. Outsourcing is related to, but not the same as, the sale of government assets and the use of private funding for government-initiated infrastructure projects. The term should not be used synonymously with 'contracting' or 'competitive tendering' because, in a public sector context, outsourcing implies that the service used to be provided by the government, and also that in-house bids have not been encouraged or allowed. These terms are used in this paper only when directly referring to studies of contracting or competitive tendering.

Outsourcing is a potent symbol of contemporary Australian governance. First, it is a component of the microeconomic reform agenda that was initiated by the Hawke and Keating Governments and continued by the Howard Government.⁶ This agenda emphasises a reduced role for government in such areas as industry protection, regulation and the provision of services. Policies have included tariff reform, financial deregulation, corporatisation, privatisation and the extension of the 'user pays' principle. It also promotes the public sector's adoption of private sector practices and emphasises the pursuit of greater public sector efficiency.⁷ Second, it is consistent with the public service's growing emphasis on securing identified results.⁸ Third, it complements the Howard Government's philosophy of promoting partnership with charitable and private sector organisations.⁹

The Hawke, Keating and Howard Governments, as well as State and Territory governments, have expanded the use of outsourcing into new, and sometimes sensitive, areas. Examples include ambulance communications (Victoria), information technology (South Australia and the Commonwealth), detention centres (the Commonwealth) and defence support services (the Commonwealth). The expansion of outsourcing has led

some commentators to raise concerns about its potentially detrimental effects on clients and taxpayers.¹⁰

The purpose of this paper is to introduce the reader to the arguments employed to support outsourcing, as well as the arguments used to criticise it. Some examples have been provided to illustrate these arguments.¹¹ The paper does not weigh up the competing arguments, nor does it draw conclusions about the desirability of outsourcing. However it does conclude that there is scope to protect the interests of clients and taxpayers more effectively through the development of greater expertise and appropriate safeguards.

The debate over whether to outsource a government service is complicated by the critical issue of contract management—that is, how well the public service handles the tender process, drafting of the contract and oversight of the contractor. This paper presents the arguments for and against outsourcing on the basis that sound contract management practices are applied.¹² However, there is some evidence to suggest that the public service needs to improve its contract management skills if it is to maximise the benefits of outsourcing.¹³

Scope of Outsourcing by the Commonwealth Government

Value of Contracting

The use of outsourcing by Australian governments is not new.¹⁴ However, its level and scope are growing markedly. When the Industry Commission released its report, *Competitive Tendering and Contracting by Public Sector Agencies* in 1996, it noted that gazetted service contracts let by the Commonwealth budget sector had increased fourfold between 1991–92 and 1994–95.¹⁵ The Commission estimated that the Commonwealth public sector would contract approximately \$8 billion of services in 1996.¹⁶

A more recent official figure is not available. However, since 1996 the Howard Government has undertaken significant outsourcing of information technology (IT) services (estimated to be worth \$1.2 to 1.3 billion over five years) and employment services (approximately \$3 billion over three years). In May 2000, the Minister for Finance and Administration announced that the Department of Finance and Administration and the Office of Asset Sales and IT Outsourcing would jointly implement the market testing of Commonwealth activities and services, commencing with corporate services.¹⁷ Some agencies, such as the Department of Finance and Administration, have already outsourced some corporate services. Even policy advice is not exclusively provided in-house. For example, in 1997 and 1998, several private sector organisations provided the Minister for Employment, Workplace Relations and Small Business, with advice regarding waterfront reform.¹⁸ In May 2000, a senior representative of the Department of Finance and Administration estimated that approximately 100 000 contracts valued at \$10 000 or more would be in operation at any one point in time.¹⁹ That

Department's annual report for 1999–2000 estimated that the dollar value of contracting by the Commonwealth rose by four per cent that year.²⁰

Core Versus Non-Core Business

At the Commonwealth level, non-core business is more likely to be outsourced than core business.²¹ However, employment services have been outsourced, although it is clear that their provision is part of the core business of the Department of Employment, Workplace Relations and Small Business. Similarly, the management of detention centres could also be considered to constitute core business.

The trend towards outsourcing core government functions has intensified the debate about the desirability of outsourcing because the nature of government service delivery, and therefore citizenship, is perceived to be at stake. Questions of accountability and the potential erosion of the Public Service Values and Code of Conduct are two important issues which derive much of their significance from the sensitivity of the services being outsourced.

Another issue yet to be resolved is how (and by whom) core business is defined. While office cleaning might clearly constitute non-core business, IT outsourcing raises more complex questions, particularly for science agencies.²² It is possible that one of the legacies of the whole-of-government IT outsourcing program will be greater autonomy for agencies in determining whether an activity should be classified as core or non-core for the purpose of deciding whether to outsource.

The Global Context

Australia is not alone in expanding its use of outsourcing. A 1997 report by the OECD²³ documented a range of case studies, including:

- Denmark contracting out hospital cleaning services
- Iceland contracting out residential treatment homes for children with behavioural and emotional problems
- the Dutch Tax and Customs Administration contracting out printing services
- New Zealand contracting out audit functions
- United Kingdom Inland Revenue contracting out information technology services, and
- the Indianapolis Airport Authority (USA) contracting out the management of the airport.

Anglo-American democracies, in particular, have enthusiastically adopted outsourcing. This may be due to their relatively low levels of taxation, leading to greater budgetary pressure, or perhaps to a more general willingness to converge the public and private sectors. The United Kingdom was an early convert, with the introduction of compulsory competitive tendering for local government services (with provision for in-house bids) in 1980 and the subsequent contracting of other functions. However, New Zealand²⁴ has been portrayed as implementing a particularly comprehensive contracting agenda. The federal structures of the United States,²⁵ Canada²⁶ and Australia make these countries' approaches more difficult to characterise. However, all three have increased their use of outsourcing since the 1980s. For example, in 2000, the United States Federal Government purchased more than \$87 billion in services, a 24 per cent increase (in real terms) from 1990.²⁷ It is difficult to find information on outsourcing in Canada and it is possible that Canadian governments have adopted the approach less enthusiastically than their counterparts in other Anglo-American democracies. However, a 1994 overview by the Treasury Board Secretariat indicated that the annual growth rate of contracting for the Federal Government had been significant, particularly in areas such as translation and interpretation services, dental services, consultancies and welfare services.

The Debate about Outsourcing

Outsourcing is an issue that generates controversy in several different contexts:

- to some extent, outsourcing is an issue that divides the major parties. Although the Hawke and Keating Governments expanded the use of outsourcing, it is identified more strongly with the Coalition. The Australian Labor Party has distanced itself from the Coalition's approach by announcing that, under a Beazley Government, outsourcing would be subject to a public interest test and in-house bids would be facilitated²⁸
- outsourcing can divide the government of the day and parliamentary committees (including some members of the governing parties). The concerns of committees often revolve around accountability provisions (see discussion under 'Accountability' in the following section)
- commentators (e.g. academics and journalists) disagree about the merits of outsourcing, and
- there is disagreement between groups with a direct interest in the issue (e.g. public sector unions, who stand to lose members, and the private sector, which stands to make profits).

At stake are values and interests. Values might include the importance of accountability and the efficient use of public resources. Decisions about outsourcing can set different values in competition, forcing difficult choices to be made and introducing ideological considerations. Examples of interests at stake include value for money (taxpayers and the government), the maintenance of public sector jobs (public sector unions), profit (private

sector), expanding role in society (voluntary sector), autonomy (executive government), scrutiny of the executive (the Opposition, parliamentary committees, the Auditor-General, the Ombudsman and the media) and service quality (clients).

This paper focuses on arguments over which there is some basic common ground—that is, people generally agree that efficiency, high quality and accountability are good things, even if they disagree about whether outsourcing enhances them. Therefore it does not discuss issues over which there is fundamental conflict, such as whether outsourcing is harmful because it reduces public sector employment, or whether it is good because it enhances the growth of the private sector relative to the public sector. Similarly, the paper focuses on arguments that relate to the public interest rather than to sectional interests (such as the rights and welfare of public sector employees).

The arguments that follow can be viewed in two ways. They can be understood as the 'ammunition' of those who argue for and against outsourcing in general terms. Alternatively, they can be viewed as factors which may need to be considered when individual outsourcing proposals are raised. The purpose of this paper is to introduce the reader to the main arguments in this debate. This has involved simplifying complex issues and presenting them relatively uncritically.

Arguments used to Defend and Criticise Outsourcing

Four critical issues—efficiency, quality, accountability and the strength of civil society—are invoked as arguments both supporting and criticising outsourcing.

Efficiency gains and cost savings

Efficiency gains and subsequent cost savings are commonly cited as reasons for outsourcing. For example, the IT outsourcing program was promoted as a means of saving approximately \$1 billion over seven years.²⁹ While much of the literature supports the view that outsourcing is likely to result in cost savings, it also identifies a number of factors that may impact on the existence or extent of such savings. There is no single answer to the question of whether outsourcing saves money. This is because of differences between situations, the range of factors that need to be considered, and measurement issues, all of which are discussed below.

Supporting the mainstream view, the Industry Commission argued in 1996 that competitive tendering and contracting (CTC):³⁰

can and generally does reduce the ongoing costs of agencies' service provision. Seventy-five per cent of surveyed Australian and overseas empirical studies found that CTC reduced the ongoing costs of service provision: savings ranged from 10 to 30 per cent in over half of the services studied.³¹

The Commission went on to argue that, although there was limited knowledge of the costs associated with transition, contract management and internal management, contracting would still generally provide net savings for the Commonwealth.³² A survey by CTC Consulting found savings under outsourcing in fourteen of the sixteen categories investigated.³³ Professor John Quiggin, of the Australian National University, agreed that outsourcing is likely to result in cost savings, but argued that they are likely to be relatively small. Thus he concluded that 'CTC processes should not be applied in a manner that conflicts with higher priority policies'.³⁴

According to Monash University researcher Dr Graeme Hodge's 2000 report, *Privatisation: An international review of performance*, contracting (whether to a private or public sector organisation) offers significant cost savings. He notes that:

There was no general tendency for private provision to be any more cost-effective than public provision of services under contract.³⁵

Hodge's findings raise the possibility that efficiency gains from contracting may be due more to the discipline imposed by the enforcement of a written agreement than to the efficiency of the private sector. If this is correct, then one way to capture the efficiency benefits of contracting while avoiding the potential problems discussed below, could be to make greater use of purchaser-provider relationships within the public sector.³⁶

As the following factors demonstrate, cost savings from outsourcing are not a foregone conclusion. Like the other issues discussed in this paper, efficiency gains are variable and need to be determined on a case by case basis.

Differences between Situations

Cost savings vary depending on the service being outsourced. Graeme Hodge's 1996 study, *Contracting Out Government Services: A Review of International Evidence* found that contracting delivered an average cost reduction of around 9–14 per cent. Some services (e.g. cleaning) delivered significant gains, while others (e.g. corporate services) did not. The review found no difference between the effectiveness of contracting through the private or public sectors. It also found that the changed environment could lead to efficiency improvements in areas that had not been outsourced:

Results for agency costs in areas adjacent to those areas actually contracting services showed effect sizes of around two thirds that of those areas contracting out. It was concluded that although these areas were not themselves actually contracting out services, the threat of competition and the acquisition of new financial performance knowledge itself also led to real performance improvements.³⁷

The Australian National University's Professor Richard Mulgan, a commentator on issues relating to government outsourcing, outlines his overall 'rules of thumb' thus:

Savings are most likely from contracting out where the required service can be easily specified and monitored, and where a competitive market of potential suppliers exists independent of government patronage. Cleaning, catering and rubbish services are standout successes world-wide. Conversely, if the service is complex and requires constant quality control, savings tend to be eaten up by monitoring costs. If there are few alternative suppliers, governments can easily become captive to monopolistic exploitation.

Wider economic effects also need to be considered: will a decision to outsource stimulate local economic activity and develop local skills? Or will the contract be awarded to an overseas company which will import its own expertise and repatriate the profits?³⁸

Range of Factors for Consideration

Cost savings can vary significantly depending on the circumstances. Several factors need to be considered in determining whether it will be more cost-effective than in-house provision. These include the following:

- the benefits of flow-on effects to the rest of the community in those cases where outsourcing enhances the efficiency of the public sector. Businesses that purchase government services may save money, and citizens may enjoy improved services and/or lower taxes. Labour-saving efficiency gains will make labour available for other productive activity, although costs associated with unemployment may need to be offset against this benefit³⁹
- the cost of managing the contract. This cost varies, but Hodge refers to estimates placing it at approximately two per cent of the value of the contract⁴⁰
- the risk of money being lost if a contractor goes out of business. For example, \$600 000 in advance payments to the agency, Job Power, was reported to have been exposed to loss after the employment agency became unviable⁴¹
- the possible loss of taxation revenue resulting from payments being made to contractors (with relatively great opportunities for tax evasion) instead of public servants (with relatively small opportunities for tax evasion)⁴²
- the cost of unemployment assistance in those situations where displaced workers are unlikely to find new employment. For example, Hodge refers to a 1995 study in the United Kingdom which calculated that local savings of £16.4 million were outweighed by national unemployment costs of £24.4 million. However, he also refers to a United States Department of Defense study which found that employment displacement costs were very slight compared with the department's estimated savings, and⁴³
- the potential costs resulting from the inflexibility of a contract. One of the advantages of outsourcing is that the purchaser's requirements are specified in the contract and the

contractor is required to deliver them for an agreed price. However, this can entail reduced flexibility for the purchaser. If an unanticipated service is required, the government may have no option but to purchase that service from the contractor, who will enjoy monopoly status.⁴⁴ There is also the potential for an incumbent contractor to 'capture' an agency's future business if the latter does not retain the expertise to assess its requirements.

Measurement Issues

Different measurement methodologies may result in disagreement over the extent of savings generated by outsourcing. The Auditor-General's report into IT outsourcing documents such a disagreement between the Auditor-General and the Department of Finance and Administration.⁴⁵ Similarly, ScreenSound's claims that IT outsourcing has been more expensive than in-house provision have been disputed by the Office of Asset Sales and IT Outsourcing.⁴⁶

Quality

It has been argued that non-government providers may deliver a superior level of service. For example, the former Commonwealth Department of Health and Family Services described contractors as having the potential to be innovative, flexible and responsive. Direct government provision was said to have a tendency to:

provide a 'one-size-fits-all' service regardless of the needs of specific communities or individuals.⁴⁷

The submission went on to say that contracting could:

provide greater flexibility in terms of the scale of operations, employment arrangements, the mix of industry players involved, the service delivery approaches including the quantity and mix of services supplied, the range of expertise, geographic spread, and the time frame of operation.

Non-government organisations, it can be argued, bring a different approach to client service. For example, Samuel Gregg from the Centre for Independent Studies has argued that:

the Federal Government should be commended for recognising that the state is not always the best organisation to help the needy, but also for acknowledging that religious bodies are among the few organisations that can provide the disadvantaged with more than just material assistance.⁴⁸

Outsourcing may also provide clients with a choice of service providers. For example, the Job Network enables job seekers to select an agency to assist them. As well as potentially enhancing quality through competition between providers, a greater range of service

delivery options may mean that clients find a provider that suits their particular requirements.

The evidence on this issue is inconclusive⁴⁹ and quality is also invoked as a reason *not* to outsource. A parliamentary committee inquiring into outsourcing of welfare services heard evidence that the cost of tender preparation had 'forced many small agencies to divert resources away from the provision of services', and that continuity of service could also be compromised.⁵⁰ A study of the welfare sector by Dr Ann Nevile from the Australian National University also raised concerns that competitive tendering might result in reduced service quality if:

the level of collaboration and learning between government and non-government organisations (and between non-government organisations) continues to decline and administrative costs continue to rise.⁵¹

Even the spectre of financial penalties for poor service does not necessarily ensure high standards. Poor information technology service delivery to the Department of Communications and the Arts is reported to have cost the department about \$3 million and resulted in a penalty of almost \$900 000 being levied on the contractor.⁵²

Another aspect of the quality issue is the wider role that government service provision may play in a community. While a particular outsourced service may continue to be delivered, associated benefits (such as regional employment) that may have accompanied government provision of the service may be eroded.⁵³

In evaluating quality levels under outsourcing, care must be taken to distinguish between contract failure and market failure. A problem may indicate poor contract management (e.g. selection and monitoring of a provider) rather than demonstrate the unsuitability of outsourcing that service. For example, a prison riot under private management does not necessarily demonstrate that prison management should not be outsourced.⁵⁴

Accountability

In this context, accountability refers to the capacity of clients and citizens to secure an explanation and, where appropriate, redress for actions taken by contractors on behalf of the government. While some types of accountability (ministerial and managerial) can be said to be maintained or enhanced by outsourcing, other types (the capacity for scrutiny and redress) may be significantly undermined.⁵⁵

According to the Minister for Finance and Administration, ministerial responsibility is not diminished by the use of contractors. He noted that:

At the end of the day agencies remain accountable to the Government, to the Parliament through their Minister; and to their clients, whatever method of service delivery is used.⁵⁶

This view appears to be supported by the experience of the Minister for Immigration and Multicultural Affairs. Concerns about the quality of service provided by privately managed detention centres have been raised, and responded to, in Parliament.⁵⁷

Contracting may enhance managerial control. For example, by requiring a contracting agency to specify clearly the service to be delivered and the allocation of responsibilities, it is easy to identify the cause of any failure.⁵⁸ Similarly, Professor Mulgan argues that:

Managerial accountability is increased where detailed contractual provisions allow ministers or government officials to exercise more effective control over contractors than they do over subordinates in their own departments.⁵⁹

However, he goes on to note that other aspects of accountability (e.g. investigations by the Auditor-General and the Ombudsman) may suffer from outsourcing. Therefore, for sensitive services (e.g. detention centre management), he suggests that relatively strict accountability requirements be included in contracts.⁶⁰

Concerns about accountability revolve around two questions.

Will Citizens have Access to Information about How their Money has Been Spent?

Scrutiny of expenditure by the Executive may be undertaken directly by citizens, or on their behalf by parliamentarians, the Auditor-General, the Ombudsman or the media. Because this is such a critical component of democratic practice, a framework has been developed to facilitate such scrutiny. The framework includes the investigatory powers of parliamentary committees, the Auditor-General and the Ombudsman; Freedom of Information legislation; annual reports; and parliamentary questions, with or without notice. However, some commentators are critical of this framework's capacity to deliver effective scrutiny of outsourced expenditure. The Commonwealth Auditor-General has commented that:

As a result of contracting out to the private sector, the flow of information available to assess performance and satisfy accountability requirements has, on the whole, been reduced.⁶¹

One issue that has captured attention is the effect of commercial-in-confidence contractual provisions on scrutiny. This has been criticised by parliamentary committees and the Auditor-General. The Senate Finance and Public Administration References Committee has commented that:

At almost every estimates hearing, information is denied senators on the grounds that it is commercially confidential. Without recourse to an independent arbiter acceptable to both sides, this results in an impasse unsatisfactory to all.⁶²

The same Committee argued that:

Once a contract has been awarded, the bulk of its provisions should be in the public domain.

As for those matters that are commercially confidential:

The need for confidentiality for even those limited aspects should not exist at the outside beyond the life of the contract and the onus should be on the contractor to argue for confidentiality at any level.⁶³

The Auditor-General revisited this issue in 2001, recommending measures that would open contracts to greater scrutiny. He also discussed the more liberal approach taken by the United States, Victoria and the Australian Capital Territory.⁶⁴

Another issue is access to contractors' premises by the Auditor-General. The Auditor-General can enter Commonwealth premises in order to examine documents. However, this right of access does not automatically apply to the premises of contractors.⁶⁵ The Joint Committee of Public Accounts and Audit raised this issue in 1999. The Committee recommended that the Auditor-General should have access to:

the premises of a contractor for the purpose of inspecting and copying documentation and records directly related to a Commonwealth contract, and to inspect any Commonwealth assets held on the premises of the contractor.⁶⁶

In 1998, the Senate Finance and Public Administration References Committee had also voiced its support for this view, recommending:

as a bare minimum, that standard contract clauses, tailored as necessary by specific clauses to reflect the particular circumstances of each contract, be used as the means of providing audit access to relevant third party information and records.⁶⁷

Will Clients have Access to Redress for the Actions (or Inactions) of Contractors?

Administrative safeguards apply to services delivered directly by the Commonwealth Government. A dissatisfied client can take a grievance to the Ombudsman, an administrative review tribunal or the courts.⁶⁸ Rights of access to information are provided under the *Freedom of Information Act 1982*.

These remedies are not always available when a contractor delivers the service on behalf of the government.⁶⁹ Privately initiated legal action may be possible, but some remedies are restricted to situations where there is a contract between the contractor and the recipient.⁷⁰ Access to tribunals is generally less expensive than access to courts. Therefore, legal action under contract law is also likely to be more expensive than under administrative law, depending on whether the latter is initiated in a court or a tribunal.

Strength of Civil Society

Civil society is the independent realm of activity and debate that plays an important role in fostering discussion and nurturing values. It also provides citizens with alternative perspectives from those promoted by political parties. It includes such organisations as trade unions, churches, businesses, voluntary associations and the media. Here also, outsourcing could be argued to strengthen or undermine civil society.

It can therefore be argued that the inclusion of not-for-profit organisations in government service delivery can strengthen civil society—by empowering non-government actors, decentralising service provision and encouraging community ownership of local problems and their solutions.⁷¹ It has been argued that in New Zealand:

Many voluntary sector service providers saw an opportunity to develop and deliver programmes in more innovative and responsive ways with Maori groups in particular seeing a chance to deliver services by Maori, for Maori.⁷²

However, it can also be argued that civil society may be weakened if the independence of organisations is compromised as a result of close ties with governments.⁷³ A stark, and fictitious, example would be if a media outlet failed to criticise government policies effectively because its parent company enjoyed a close commercial relationship with the government. While there appears to be no evidence to suggest that charities have modified their advocacy role as a result of entering government contracts, this remains a possibility that needs to be considered.⁷⁴

Other Argument in Defence of Outsourcing

Proponents of outsourcing have advanced a number of reasons for its adoption. Early defences of outsourcing often emphasised cost savings and the enhanced capacity to focus on core business. While these reasons are still given, outsourcing is now also promoted for a wider range of reasons, some of which have already been discussed. The significance of this broader rationale was underlined by Prime Minister Howard when he described the development of the employment services market as 'a unique social experiment'.⁷⁵

Focus on core business

The outsourcing of non-core functions (e.g. corporate services) has been promoted on the grounds that it assists the agency to focus on its core business. In 1997, the Minister for Finance and Administration promoted the outsourcing of IT services partly on the basis that:

Governments should get out of what is not core business for government.⁷⁶

Essentially, this argument states that government agencies should focus on matters requiring their direct attention (e.g. policy and program development).⁷⁷ By shedding functions such as corporate services, they may be able to streamline their organisations and save money.

Industry Development

A potential benefit of outsourcing can be its impact on local industry development. The Industry Commission argued that competitive tendering and contracting could provide opportunities for firms to:

expand the scale and scope of their activities, to increase their knowledge and skill base, and to gain experience which may help in entering export markets.⁷⁸

The Government has highlighted the benefits of IT outsourcing for the local IT industry. For example, the Minister for Finance and Administration and the Minister for Communications, Information Technology and the Arts observed that approximately 120 small to medium enterprises were involved in the Australian Taxation Office's IT contract with EDS Australia. The Ministers concluded that the IT outsourcing initiative contributed to:

the growth of Australian IT industry, increasing international competitiveness, and providing jobs and increased business opportunities, including in regional Australia.⁷⁹

Other Arguments Raising Concerns about Outsourcing

Parliamentarians and commentators have raised several other concerns about outsourcing. These are discussed below.

Potential Erosion of Australian Public Service Values and Code of Conduct

Government employees are bound by the Public Service Values and Code of Conduct enshrined in the *Public Service Act 1999* (see box for values). In discussing these values, the Minister assisting the Prime Minister for the Public Service, The Hon. Dr David Kemp, noted that:

The Australian Public Service is defined by its Values. They are an essential underpinning to high performance in organisations and are central to the public interest aspect of public sector employment. They are a manifestation of the democratic society that we serve and they reflect the expectations of that society.⁸⁰

APS Values

The Australian Public Service:

- is apolitical, performing its functions in an impartial and professional manner
- is a public service in which employment decisions are based on merit
- Provides a workplace that is free from discrimination and recognises and utilises the diversity of the Australian community it serves
- has the highest ethical standards
- is openly accountable for its actions, within the framework of Ministerial responsibility to the Government, the Parliament and the Australian public
- is responsive to the Government in providing frank, honest, comprehensive, accurate and timely advice and in implementing the Government's policies and programs
- Delivers services fairly, effectively, impartially and courteously to the Australian public and is sensitive to the diversity of the Australian public
- has leadership of the highest quality
- Establishes workplace relations that value communication, consultation, co-operation and input from employees on matters that affect their workplace
- Provides a fair, flexible, safe and rewarding workplace
- Focuses on achieving results and managing performance
- Promotes equity in employment
- Provides a reasonable opportunity to all eligible members of the community to apply for APS employment
- is a career-based service to enhance the effectiveness and cohesion of Australia's democratic system of government, and
- Provides a fair system of review of decisions taken in respect of employees.

Non-government contractors are not necessarily required to uphold these standards. For example, religious organisations (including those that are members of the Job Network) enjoy some exemptions from the operation of federal anti-discrimination law. The reported difficulties experienced by the Human Rights and Equal Opportunities Commission in preparing relevant guidelines that are acceptable to religious organisations underlines the sensitivity of this issue.⁸¹

It is not clear why different service and employment standards should apply to public and private sector organisations that engage in similar work on behalf of the Commonwealth. If the upholding of these values contributes to better service delivery or an appropriate employment framework for those employed with public money, then why should the same standards not apply when the service is delivered by a contractor?

Potential for Corruption

The transparency and purity of tender processes and contract oversight are critical in preventing perceptions of corruption. Because outsourcing establishes a legitimate framework in which public money can contribute to private sector profit, there is a risk that it could be abused by Ministers or bureaucrats to reward businesses for favours such as political donations or lucrative future employment opportunities.⁸² The employment of former United States military personnel by defence firms has prompted concern that procurement decisions might be tainted by the self-interested actions of government employees.⁸³

Some Services Inappropriate for Outsourcing

Some services may be too sensitive to be outsourced. Examples of contentious issues include the following:

- the outsourcing of the management of prisons and detention centres for asylum seekers has raised concerns about the treatment and rehabilitation of clients and the safety of staff and the community. Publicly managed prisons have not been free of criticism. However, some commentators argue that accountability problems and the need to generate a profit make it less likely that the public interest will be served under private management⁸⁴
- the Kennett Government in Victoria faced public anger when it outsourced some responsibilities of the Victorian Auditor-General, and⁸⁵
- The *Review of the Whole of Government Information Technology Outsourcing Initiative* noted the sensitivities attached to the IT needs of agencies such as the Bureau of Meteorology and the Commonwealth Scientific and Industrial Research Organisation and recommended that outsourcing should only proceed 'subject to careful decision on what, if any, elements should be outsourced'.⁸⁶

Some government activities may be unsuited to outsourcing for other reasons. It has been argued that the Australian Defence Force (ADF) faces significant staff morale and retention problems, partly because of the impact of outsourcing. The Defence Review 2000 Community Consultation Team reported that:

The Commercial Support Program (CSP)—the outsourcing of support functions—was singled out as a major contributor to low retention rates. There was concern that the CSP has led to the de-skilling of Defence. This outcome was not logical in a technology-based force.⁸⁷

The Consultation Team also reported that, apart from business groups:

many people considered that the outsourcing of support functions had been taken too far and was impacting negatively on the operational capabilities of the Defence Force.⁸⁸

Outsourcing may raise particular sensitivities for an organisation such as the ADF due to its unique role, structure and history. It is important that such sensitivities are given appropriate consideration.

Conclusion

This Current Issues Brief has sought to present the major arguments employed to support, as well as criticise, the use of outsourcing by the Commonwealth Government.

Clearly, these arguments will have varying degrees of relevance depending on the service to be outsourced. In some situations, effective contract management may be sufficient to protect the public interest. Other circumstances may require an enhanced accountability framework. Some services may be unsuited to outsourcing for reasons of sensitivity, or because they can be provided more efficiently and effectively from within the public sector. Under direction from Congress, the Comptroller-General of the United States has convened the Commercial Activities Panel:

to gather views on the principles and policies that should govern decisions concerning whether particular functions should be performed by the public sector or the private sector.⁸⁹

The panel is due to report in May 2002 and its findings may be of interest to Australian policy-makers.

There is evidence to support the argument that, where outsourcing is used, it should be undertaken within a comprehensive, and thoughtfully devised, framework of safeguards. Such a framework would attempt to resolve (or at least ameliorate) the problems identified, while capturing the majority of the benefits offered by outsourcing. It might include:

- an extension of administrative law to contractors
- ethical and accountability requirements similar to those applying to the public service
- restrictions on the employment of former senior public officials by companies that had benefited from the decisions of those officials, and
- demonstrated expertise in contract management by relevant staff.

Such a framework is likely to reduce the potential cost savings generated by outsourcing. Ultimately, therefore, policy makers may need to choose between competing priorities, such as cost savings, accountability, individual rights, service quality and ethics.

Many factors need to be considered in determining whether outsourcing is appropriate. This paper has introduced some of these factors in a general context, but each situation

needs to be examined on its own merits. The issue of outsourcing has become politicised, although it is an area where multi-party endorsement of a coherent set of principles would be valuable. Regardless of which party wins the 2001 election, it may be useful for a range of parliamentarians to collaborate on developing a public interest test for outsourcing. By incorporating the views of Government, Opposition, minor parties and independents, and front- and back-benchers, they may be able to establish a framework that is respected by all sides of politics as well as the wider community.

Endnotes

1. The Industry Commission has since been subsumed into the Productivity Commission, which was formed in 1998.
2. Industry Commission, *Competitive Tendering and Contracting by Public Sector Agencies*, AGPS, Melbourne, 1996, p. xix. The report is available at www.pc.gov.au. Consistent with this definition, this paper will not consider the merits of replacing grants to community organisations with contracts.
3. For an account of the outsourcing of information technology services, see Rose Verspaandonk, 'The whole-of-government IT outsourcing initiative' (Electronic Brief on the Internet, available at http://www.aph.gov.au/library/intguide/pol/it_outsourcing.htm)
4. There are some important differences between services provided to government agencies and those provided on their behalf. However, several of the issues raised apply to both types of outsourcing. The potential sensitivity of outsourcing services to government was underlined by the debate about the outsourcing of information technology services. See Rose Verspaandonk, 'The whole-of-government IT outsourcing initiative' (Electronic Brief on the Internet, available at http://www.aph.gov.au/library/intguide/pol/it_outsourcing.htm) for information about this debate.
5. In determining whether to outsource, the private sector is subject to different constraints from the public sector. For example, when the Commonwealth Bank of Australia outsourced its information technology requirements to EDS Australia, it reinforced the partnership by buying a 35 per cent stake in the latter. See the Commonwealth Bank's media release of 26 September 1997 at www.commbank.com.au.
6. For a useful account of this agenda, see Chapter 3, 'The Politics of Restructuring' in Owen E. Hughes, *Australian Politics*, Third Edition, Macmillan, South Yarra, 1998.
7. For a chronological account of Australian public management initiatives, see Rose Verspaandonk, 'Changes in the Australian Public Service 1975–2000', *Chronology no. 1*, Department of the Parliamentary Library, 2000–2001 (available at <http://www.aph.gov.au/library/pubs/chron/2000-01/01chr01.htm>).
8. Agencies are required to achieve specified outputs in the pursuit of specified outcomes.
9. For example, see the Prime Minister's speech to the Melbourne Press Club on 22 November 2000 (available at www.pm.gov.au).

10. For example, Marie Coleman, 'Dubious value of outsourcing', *Canberra Times*, 10 November 2000, and Chris Tolhurst, 'Sometimes it's better to do the job in house', *Australian Financial Review*, 6 September 2000.
11. While these examples *illustrate* a range of situations and considerations, they do not prove the desirability or otherwise of outsourcing.
12. See the Organisation for Economic Cooperation and Development's policy brief, *Best Practice Guidelines for Contracting Out Government Services* for a concise outline of these practices. The brief is available at <http://www.oecd.org/puma/pubs/index.htm>. See also the Australian National Audit Office's *Contract Management Better Practice Guide* and the Commonwealth Auditor-General, 'Some issues in contract management in the public sector', speech delivered to the Australian Corporate Lawyers Association and Australian Institute of Administrative Law conference, Canberra, 26 July 2000. Both are available at <http://www.anao.gov.au>.
13. Problems with the outsourcing of the Commonwealth's information technology provision illustrate this point. See also JCPAA, *Report 379: Contract Management in the Australian Public Service*, Commonwealth of Australia, Canberra, 2000. The report is available at www.aph.gov.au.

While sound contract management is critical for maximising all of the benefits of outsourcing, it is particularly important in securing quality. Because cost is an important consideration in awarding a contract, there is a possibility that the winning tender will have underestimated the real cost of delivering the service to a high standard. In such a situation, it is important that the contract specifications leave no room for dispute.

14. For examples and discussion, see Kylie McIntosh, Jason Shauness and Roger Wettenhall, *Contracting Out in Australia: An Indicative History*, Centre for Research in Public Management, University of Canberra, Canberra, 1997. For an account of Commonwealth and State/Territory initiatives up to 1996, see Simon Domberger and Christine Hall, 'Contracting for public services: A review of Antipodean experience', *Public Administration*, Spring 1996.
15. Industry Commission, *Competitive Tendering and Contracting by Public Sector Agencies*, AGPS, Melbourne, 1996, p. 74.
16. Industry Commission, *Competitive Tendering and Contracting by Public Sector Agencies*, AGPS, Melbourne, 1996, p. 3.
17. Minister for Finance and Administration, Media Release, 9 May 2000, available at www.dofa.gov.au/media.
18. The Hon. Peter Reith MP, House of Representatives, *Debates*, 15 July 1998, Answer to Question on Notice.
19. Senate Finance and Public Administration References Committee, *Hansard*, 12 May 2000.
20. Department of Finance and Administration, *Annual Report 1999–2000*, Commonwealth of Australia, Canberra, 2000, p. 33.

21. In May 2000, Minister Fahey announced the implementation of 'market testing of Commonwealth activities and services, commencing with corporate services.' (media release, 9 May 2000, available at www.dofa.gov.au/media).
22. See for example, Selina Mitchell, 'Outsourcing risks trivialised: CSIRO', *The Australian*, 17 November 2000.
23. OECD, *Contracting out government services: best practice guidelines and case studies*, Public Management Occasional Papers no. 20, 1997.
24. See Jonathan Boston (ed.), *The state under contract*, Bridget Williams Books, Wellington, 1995 for an account of the New Zealand experience.
25. An influential book in the United States was David Osborne and Ted Gaebler's *Reinventing Government: How the entrepreneurial spirit is transforming the public sector*, Addison-Wesley, Reading, Massachusetts, 1992. For a critical account of the United States approach, see Nicholas Henry, 'The contracting conundrum in the United States: or, do we really understand privatization?' in Ali Farazmand (ed.), *Privatization or public enterprise reform? International case studies with implications for public management*, Greenwood Press, Westport, USA, 2001.
26. For example, regional Canadian governments have undertaken outsourcing of some social welfare services to the not-for-profit sector. For a discussion of initiatives in Ontario, see Philip de L. Panet and Michael J. Trebilcock, 'Contracting out social services', *Canadian Public Administration*, Spring 1998.
27. United States General Accounting Office, 'Contract management: trends and challenges in acquiring services' (statement by David E. Cooper to the subcommittee on Technology and Procurement Policy, Committee on Government Reform, House of Representatives, 22 May 2001), p. 1. Years refer to fiscal years and dollars are US dollars.
28. Senator John Faulkner, 'Re-invigorating Commonwealth Public Administration', speech delivered at the National Convention Centre, Canberra, 22 March 2001.

According to the Australian Democrats' Issue Sheet '98, Finance and Taxation (available at www.democrats.org.au), the party opposes contracting out 'of essential government services where this will lead to less accountability, higher costs to the public or a lowering of standards and access'.
29. John Fahey MP, media release, 7 November 1997, available at www.dofa.gov.au/media.
30. The Industry Commission's findings referred to competitive tendering and contracting (CTC), rather than outsourcing. CTC is a more general term that can be used to include the competitive provision of services in-house. In this paper, 'CTC' is used when referring directly to comments by the Industry Commission.
31. Industry Commission, *Competitive Tendering and Contracting by Public Sector Agencies*, AGPS, Melbourne 1996, p. 11.
32. *ibid.*

33. CTC Consulting, *Government Outsourcing: What has been learnt?* March 1999, p. 11. Factors affecting savings included the type of activity, the method of contractor selection and contract size.
34. John Quiggin, 'Competitive Tendering and Contracting in the Australian Public Sector', *Australian Journal of Public Administration*, September 1996, p. 56. The survey by CTC Consulting in 1999 (see footnote 33) found that savings could range from 46.4 per cent (for cleaning) to minus 8.6 per cent (for information technology).
35. Graeme Hodge, *Privatisation: An international review of performance*, Westview Press, Boulder Colorado, 2000, p. 119. This view is supported by the success of in-house bids in the United Kingdom. See F. Leslie Seidle, *Rethinking the delivery of public services to citizens*, The Institute for Research in Public Policy, Montreal, 1995, p. 44.
36. Centrelink is an example of a public sector organisation that delivers services on behalf of other government agencies.
37. Graeme Hodge, *Contracting Out Government Services: A Review of International Evidence*, Montech Pty Ltd, Melbourne, 1996, p. 54.
38. Richard Mulgan, 'Accountability the key to successful outsourcing', *Canberra Times*, 20 January 2001.
39. Industry Commission, *Competitive Tendering and Contracting by Public Sector Agencies*, AGPS, Melbourne 1996, p. 21.
40. Graeme Hodge, *Privatisation: An international review of performance*, Westview Press, Boulder Colorado, 2000, p. 125.
41. Laura Tingle, 'Job agency failure to cost \$600 000', *The Sydney Morning Herald*, 14 October 2000.
42. John Quiggin, 'Competitive Tendering and Contracting in the Australian Public Sector', *Australian Journal of Public Administration*, September 1996, p. 52.
43. Graeme Hodge, *Privatisation: An international review of performance*, Westview Press, Boulder Colorado, 2000, p. 110. According to Hodge, few reports on this issue were available.
44. In-house provision may also be 'uncompetitive' in that other providers cannot bid for a new service. However, there is no scope for monopoly exploitation if the service must be provided within the existing budget or at a price determined by the purchaser. Rather than all of the power being held by the supplier, significant power is held by the purchaser.
45. Auditor-General, *Implementation of Whole-of-Government Information Technology Infrastructure Consolidation and Outsourcing Initiative*, Audit Report no. 9, 2000–01, Canberra, 2000, ch. 7.
46. See ScreenSound's submission to the Senate Finance and Public Administration Committee's inquiry into IT Outsourcing (http://www.aph.gov.au/senate/committee/fapa_ctte/index.htm).
47. Submission, quoted in House of Representatives Standing Committee on Family and Community Affairs, *What Price Competition? Report on the Competitive Tendering of Welfare Service Delivery*, Commonwealth of Australia, 1998, p. 27.

48. Samuel Gregg, 'Welfare churches risk their souls', *The Australian*, 15 August 2000.
49. Hodge comes to this conclusion after examining a number of international studies on this issue. Graeme Hodge, *Privatisation: An international review of performance*, Westview Press, Boulder Colorado, 2000, p. 131.
50. House of Representatives Standing Committee on Family and Community Affairs, *What Price Competition? Report on the Competitive Tendering of Welfare Service Delivery*, Commonwealth of Australia, 1998, pp. 27–8. The report is available at www.aph.gov.au.
51. Ann Nevile, 'The implementation of competitive tendering in the Australian social welfare sector', *Just Policy*, April 2000, p. 23.
52. Selina Mitchell, 'IT department fines contractor \$900 000 for shortfall', *Australian*, 18 January 2001.
53. John Quiggin, 'Competitive Tendering and Contracting in the Australian Public Sector', *Australian Journal of Public Administration*, September 1996, p. 53.
54. For further discussion of this issue, see Simon Domberger and Paul Jensen, 'Contracting out by the public sector: Theory, evidence, prospects', *Oxford Review of Economic Policy*, vol. 13, no. 4, 1997.
55. See Administrative Review Council, *The Contracting Out of Government Services: Report to the Attorney-General*, Commonwealth of Australia, Canberra, 1998, for a more detailed discussion of these issues, including recommendations.
56. The Hon. John Fahey, 'Competitive Tendering and Contracting (CTC) in the APS: Challenges and Opportunities', speech at the Hyatt Hotel, Canberra, 25 March 1998.
57. For example, the use of tear gas by Australasian Correctional Management was raised in a Senate Estimates hearing on 30 May 2001.
58. Industry Commission, *Competitive Tendering and Contracting by Public Sector Agencies*, AGPS, Melbourne, 1996, pp. 5–6.
59. Richard Mulgan, 'Accountability the key to successful outsourcing', *Canberra Times*, 20 January 2001.
60. *ibid.*
61. Commonwealth Auditor-General, 'Some issues in contract management in the public sector', presentation to the Australian Corporate Lawyers Association and Australian Institute of Administrative Law conference on outsourcing, Canberra, 26 July 2000.
62. Senate Finance and Public Administration References Committee, *Inquiry into the Mechanism for Providing Accountability to the Senate in Relation to Government Contracts*, Commonwealth of Australia, Canberra, 2000, p. 5. The report is available at www.aph.gov.au.
63. Senate Finance and Public Administration References Committee, *Contracting Out of Government Services: Second Report*, Commonwealth of Australia, Canberra, 1998, p. 40. The report is available at www.aph.gov.au.

64. Commonwealth Auditor-General, *The use of confidentiality provisions in Commonwealth contracts*, *Audit Report no. 38, 2000–01*, AusInfo, Canberra, 2001.
65. The Auditor-General's United States counterpart has access to records, including those of subcontractors, for contracts of at least \$10 000 (Senate Finance and Public Administration References Committee, *Contracting Out of Government Services: Second Report*, Commonwealth of Australia, Canberra, 1998, p. 40).
66. Joint Committee of Public Accounts and Audit, *Report 368: Review of Audit Report No. 34, 1997–98, New Submarine Project*, Commonwealth of Australia, Canberra, 1999, Recommendation 5. The report is available at www.aph.gov.au.
67. Senate Finance and Public Administration References Committee, *Contracting Out of Government Services: Second Report*, Commonwealth of Australia, Canberra, 1998, p. 41.
68. For an outline of the administrative law framework, see Administrative Review Council, *The Contracting Out of Government Services: Issues Paper*, AGPS, Canberra, 1997.
69. In his 1999–2000 Annual Report, the Commonwealth Ombudsman noted that the current jurisdictional arrangements with respect to contracting can 'lead to some inconsistencies, and to some members of the public being denied immediate access to the independent and impartial service' offered by his office.
70. For a more detailed discussion of this issue see Administrative Review Council, *The Contracting Out of Government Services: Issues Paper*, AGPS, Canberra, 1997.
71. For a Canadian perspective on contracting with not-for-profit organisations in the social services sector, see Philip de L. Panet and Michael J. Trebilcock, 'Contracting-out social services', *Canadian Public Administration*, Spring 1998.
72. Linda Taylor, 'Unanticipated consequences of contracting out', *Public Sector*, December 2000, p. 19.
73. Reverend Tim Costello has explained his 'survival' as a critic of former Victorian Premier Jeff Kennett thus: 'He couldn't call the boss and have me sacked.' (Seamus Bradley, 'The highest stake', *The Age*, 22 December 2000).
74. For examples of opposing arguments on the merits of churches providing employment services, see William Brennan, 'Our quango which art in employment', *The Sydney Morning Herald*, 6 January, 2000, and Gordon Moyes, 'Christians with the patience of job-finders', *The Australian*, 7 January 2000.
75. *Statement on Ministerial Arrangements*, 19 December 2000.
76. The Hon. John Fahey MP, *Background Briefing*, 13 July 1997. The transcript of the program is available at www.abc.net.au.
77. For discussion of the distinction between core and non-core business, see Richard Mulgan, 'Identifying the "Core" Public Service', *Canberra Bulletin of Public Administration*, February 1998.
78. Industry Commission, *Competitive Tendering and Contracting by Public Sector Agencies*, AGPS, Melbourne 1996, p. 19. However, the Commission also noted that the specific use of

procurement to pursue industry development objectives could undermine firms' competitive advantage.

79. Minister for Communications, Information Technology and the Arts and the Minister for Finance and Administration, Joint Media Release, 22 November 2000, available at www.dofa.gov.au/media.
80. David Kemp MP, 'A New Act for a New Century', Address to mark the commencement of the Public Service Act 1999, Canberra, 2 December 1999. The speech is available at www.psmpc.gov.au.
81. Laura Tingle, 'Cabinet under pressure on job guidelines', *Sydney Morning Herald*, 21 September 2000.
82. For further discussion of this issue, and recommendations, see Patricia Randal, *The Contracting Commonwealth: Serving citizens or customers? Public accountability, service quality and equity issues in the contracting and competitive tendering of government services*, Public Sector Research Centre, University of New South Wales, Sydney, 1997. Hodge also discusses this issue (Graeme Hodge, *Privatisation: An international review of performance*, Westview Press, Boulder Colorado, 2000, pp. 142–4).
83. For discussion of this issue, see Nicholas Henry, 'The contracting conundrum in the United States: Or, do we really understand privatization?' in Ali Farazmand (ed.), *Privatization or public enterprise reform? International case studies with implications for public management*, Greenwood Press, Westport, USA, 2001.
84. Brian Toohey, 'Privatisation holds us captive', *The West Australian*, 27 November 2000, Kristine Gough, 'Private jails a 'failure'', *The Australian*, 29 November 2000, and Elisabeth Wynhausen, 'Profits from behind bars: private prisons on trial', *The Australian*, 4 December 2000.
85. Rose Verspaandonk, 'The Independence of the Auditor-General', *Research Note no. 16*, Department of the Parliamentary Library, 2000–01, available at <http://www.aph.gov.au/library/pubs/rn/2000-01/01RN16.htm>.
86. Richard Humphry, *Review of the Whole of Government Information Technology Outsourcing Initiative*, Commonwealth of Australia, Canberra, 2000, Recommendation 9. The report is available at www.dofa.gov.au/humphryreview.
87. Defence Review 2000 Community Consultation Team, *Australian Perspectives on Defence: Report of the Community Consultation Team*, Commonwealth of Australia, September 2000, p. 17.
88. *ibid.*
89. General Accounting Office media release, 22 May 2001 (available at www.gao.gov under 'Commercial Activities Panel'. Further information on the panel is available at this site.).