



LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

12th Assembly

Public Accounts Committee

Correctional Industries

Public Hearing Transcript

4.00 pm, Monday, 11 April 2016

Litchfield Room, Parliament House

Members: Mrs Robyn Lambley MLA, Chair, Member for Araluen
Ms Natasha Fyles MLA, Member for Nightcliff
Ms Nicole Manison MLA, Member for Wanguri
Mr Gerry Woods MLA, Member for Nelson

Witnesses: Department of Correctional Services
Mr Mark Payne, Commissioner and Chief Executive
Mr Rob Steer, Deputy Commissioner

Madam CHAIR: On behalf of the committee I would like to welcome everyone to this public hearing this afternoon on correctional industries. I welcome to the table to give evidence to the committee Mr Mark Payne, the Commissioner of the Northern Territory Correctional Services and Mr Rob Steer, the Deputy Commissioner of the Northern Territory Correctional Services. Thank you for spending this time with us this afternoon.

This is a formal proceeding of the committee and the protection of parliamentary privilege and the obligation not to mislead the committee apply. This is a public hearing and is being webcast through the Assembly's website. A transcript will be made for use of the committee and may be put on the committee's website. If at any time during the hearing you are concerned that what you will say should not be made public you may ask the committee to go into a closed session and take your evidence in private.

Please state your names and positions and provide us with an opening statement if you wish.

Mr PAYNE: Thank you, Madam Chair. My name is Mark Payne, I am the Commissioner and the Chief Executive Officer for the Northern Territory Department of Correction Services.

Mr STEER: My name is Rob Steer, Deputy Commissioner of Department of Correctional Services.

Madam CHAIR: Thank you.

Mr PAYNE: We thank you for the opportunity to again present to the committee in respect of the operations of the Northern Territory correctional industries and provide some answers that you put to us following our presentation on 4 February 2016.

In addition to that, some additional questions that were posed following the tour of the correctional facilities out at Darwin Correctional Centre, particularly in respect of Kings Caravans.

We have prepared a rather extensive response. I seek your leave or direction in terms of whether you would me to read this on to the transcript or just to speak broadly in respect.

Madam CHAIR: I think that to speak broadly would be adequate.

Mr PAYNE: Thank you. Without doubt after appearing before the committee in February we have gone back and reviewed virtually every aspect of Northern Territory correctional industries. Mainly in respect of the advice that we took from the committee surrounding established practice and established protocols, but the absence of policy and written guidelines in respect of many of the important elements. As a result of that I am very pleased to provide you advice that the Northern Territory correctional industry's overarching policy has been completely revised and has been reissued. I provided copies of that for you today.

Some of the key points that came out of that were the express policy advice to our organisation that NTCI does not, and is not to, compete with industry. So in addition to that, the policy states there is to be no disadvantage when agencies or companies are looking to partner with us. There are to be no advantage or exclusivity given regarding those who might partner with NTCI in delivering a good service to the public of the Northern Territory or to the open market.

In addition to that, the policy goes on to identify the basis for good practice and standard operating procedures. It essentially forms a firm foundation for the documents that we are in the process of drafting across the agency for correctional industries.

Some of the things that were raised that we have responded to were about the Correctional Industry Advisory Council. Work has been done by the deputy, Mr Steer, and the Director, Mr Tim Cross in respect of reviewing the membership and terms of reference for the advisory council. That work we believe will be finalised by the end of May 2016. We see no reason why the advisory council would not prescribe to the recommendations we will be making under the review.

In addition, the information kit was one of the process that were raised. The information kit identifies and provides businesses with a simple guide on how to register an expression of interest to correctional industries. The kit includes a step-by-step guide, a flow chart, the various forms that are necessary, an impact statement template, some form letters and example contracts. We believe that work will be done by the end of May 2016.

In addition, a checklist for business development for our own staff who are managing this we put together an internal checklist. We call it the private sector correctional industry process hierarchy and checklist. It is soon to be put into use by our departmental staff in respect of all potential private sector businesses. We see that this checklist will be introduced at the end of April; it is in the final stages.

Also the impact statement template, that how to guide is currently being developed. The industry capability network, whilst we are already consulting with the NT Industry Capability Network when those business opportunities arise to ensure that there are more competitors in the market. We have had a look at that and we think our relationship with the network stands pretty securely. But we see that as something that obviously has to be incorporated in the checklist and it has been.

One of the factors raised was around grievance handling and the lack of a defined policy. That policy is now in draft form. We expect it to be finalised, promulgated and made operational by the end of June 2016. The complaints register similarly has been initiated and that will be in process by the end of April 2016. Some of the other issues raised were the number of complaints over the past three years that have been received. I can report back to the committee that in 2012 there was one complaint. In 2013, 2014 there were zero and 2014, 2015 there were two complaints that were lodged with us.

With regard to the communication strategy, it was an important issue that was raised with us. The strategy is being developed between a member from the Northern Territory Correctional Industries and our media unit. That will be finalised and implemented by the end of June 2016.

We are also conducting currently a jurisdictional review of correctional industries across the jurisdictions. We want to identify good past practice examples that we can introduce to improve NTCI operations.

Again an issue around pricing policy was raised, this is being developed now and is currently under review and again finalised by end of June. Our draft marketing policy is also

being developed and is to be finalised by the end of May 2016. With regard to procurement we can advise that the department of procurement unit has reviewed all of the NTCI areas and is working through each of them to arrange procurement action. Existing contracts of food and cleaning products are to be renewed in 2017 and tenders for building materials will be advertised at the end of June 2016. The procurement unit operates independently of correctional industries.

Regarding the staff practice code, a draft policy has been developed and is being reviewed and we expect that will be finalised at the end of June 2016. Also, training for NTCI staff of all these policies we are developing will be provided. It is expected to be ongoing, but our initial training will be finalised by July 2016 when all the policies are available to us.

That rounds off the majority of the issues that were raised with us, particularly about the policy issues and the process procedures and SOPs that flow on from those.

Madam Chair, we have brought copies of all of our draft documentation we are working on at the moment, should the committee be interested to see the stages we are up to in respect of those documents. We are happy to provide them either now or at any stage by letter or simply tendering them to you today if you so choose.

Madam CHAIR: Thank you. Just flicking through the responses you have given to the many questions on the Kings Caravans proposal to establish their Northern Territory factory within the Darwin Correctional Centre. Is this a done deal?

Mr PAYNE: Absolutely not.

Madam CHAIR: Okay. So you are still in negotiations?

Mr PAYNE: Still negotiating.

Madam CHAIR: Obviously, it was me who crafted these questions. I thought this is a good example of an industry that potentially will go into a correctional centre within the Northern Territory. Let us have a close look at this and how the expenses of this business operating in a correction centre can possibly compare to the same business operating in the open market.

Having a quick flick through, it seems that if you have not secure the deal or put a contract in place you have a long way to go. There are no details on the rent. Obviously, for any business, wages are the most expensive part of the costs and they will be substantially lower than normal because you are not paying super, and you are not paying insurance around safety. I forget what it is called, no workers insurance and you are not paying full wages. Those expenses will be considerably reduced.

I can see you put that most prisoners will not have the numeracy and literacy skills or the work ethic or the experience to function in a full capacity. Having said that, you only intend to employ one initially in this operation and then up to three in the first 12 months.

I think this needs to be scrutinised very closely and it is a great example given that it is not up and running. I guess I am not asking you a question I am just reflecting on your responses that you have given us today. I do not see how this can stack up. Rent and wages are the biggest expense of any business. I am a business owner. I have been for many years.

Unless the rent is considerable and at a market with incremental increases based on CPI each year and unless you are paying full wages I cannot see how this business will have nearly the same operating costs as the equivalent business in the open market. Therefore they will be at a distinct advantage I would think.

Given the number of workers you are having participate in this program are so few, that is not going to make a substantial difference to offset the lower costs if you know what I mean.

I am intrigued by this and I would like to follow this. Rob you are looking a bit concerned.

Mr PAYNE: Madam Chair I think that the confusion is that the commencement with one employee moving to three, those are Kings Caravan employees. We anticipate employing a significant number of ...

Madam CHAIR: Oh sorry, I have just read it very quickly. I have only had it for five minutes.

Mr PAYNE: Yes, I completely understand.

Madam CHAIR: Most of the product will go interstate?

Mr PAYNE: Absolutely.

Madam CHAIR: So it is not servicing a local market?

Mr PAYNE: There is a local market here in the Northern Territory.

Madam CHAIR: But not exclusively, I mean it is not like the bakery goods or ...

Mr PAYNE: As we understand it, and of course we are not experts on the caravan industry, but as we understand it.

Madam CHAIR: Neither am I, no definitely not.

Mr PAYNE: One of the things we understand is that the market is extremely competitive for a price, therefore it will offer locally made caravans to the market in Darwin for sale, as well as the supply of caravans to an on-site facility tourist park here.

The cost of bringing up caravans that are manufactured interstate or overseas, as we understand it, makes the proposition for local production viable. One of the elements is the access to the Darwin wharf ...

Madam CHAIR: Port.

Mr PAYNE: Yes, the port facility for export, but also to get the caravans from around Australia also makes it ...

Madam CHAIR: Commissioner, I am not an expert on this issue, comparing a business in the correctional centre with a business in the open market. What is going through my mind is that for the sake of this academic exercise, at this point, it would be very good to get an independent person in to make that judgment. From my perspective, the main reason we have undertaken this inquiry is because there is concern in the community that correctional industries, in some cases, is competing with the open market. To use this as an example would be very useful for the purposes of this inquiry, if not anything else.

Mr WOOD: I do not quite agree, because the records show that there were only two complaints, and on one here there were no complaints. I know there has been a complaint

about bread, but I am not getting complaints. I am not saying we should not look at this properly, but I hope we do not go to the other side of the debate because I am very much a supporter of our prisons operating industries.

I have been to other prisons in New South Wales and Victoria and seen industries operating. It is an important part of a bigger picture, which is the rehabilitation of members of prison who we do not want to come back again. We hope we give them some skills.

If we look at it in isolation – and I understand, Madam Chair, where you are coming from – that is not exactly fair. I have not received these complaints. I know you had the complaint about the bread.

Madam CHAIR: I have had many complaints, member for Nelson.

Mr WOOD: Okay. I have not had any complaints ...

Madam CHAIR: Informal.

Mr WOOD: I have not had any complaints about the Darwin prison, which is a big prison. We have the Batchelor Institute doing a lot of work on the rails on the bicycle path. They have built cattle stockyards and done lots of other work. You might say there are people in Darwin who can do that sort of work too, but I have not heard people complaining about that.

I think that you are right that we need to make sure this is all hunky-dory, that people are paying the right amount of money for rent and for wages. But I do not want this committee to look like it is being negative about industries in prisons. I saw prisoners in Port Phillip prison which is a private prison. It is not the same as caravans for sure. They had a T-shirt factory and they were selling T-shirts out into the open market through a firewall. They were learning the skills of accountancy, stockkeeping and artwork, and Virgin Airways was buying those T-shirts for their staff.

The enthusiasm of people working in those industries is something that you have to see. We saw a little bit of it when we went out to visit prisons in the Northern Territory. I do think that whilst I understand where you are coming from I do think that the benefits far outweigh some of the possible negatives of the possibility of competition. Obviously we have to be careful but I do not want to let it go too much to one side and not highlight the benefits of what is happening.

Madam CHAIR: In response, and I do not want to use this as a forum for us to debate amongst ourselves. I guess it does not really matter what we think personally. It is about what your policy is and whether or not you are working within your policy. I think it is as simple as that.

I agree with you. I think it is a great program. It was wonderful, particularly for me, to go to the Alice Springs prison several weeks ago and see all of those people actively involved in work. It is fantastic. But if, and I have made myself clear, I think the concern is unfair competition with the open market.

Mr PAYNE: Yes and similarly we are applying through policy the same parameters that government looks at when they are providing goods or services to an open market. It is where a gap exists, that is a product is not produced in the Northern Territory such as caravans are a good example.

There are no caravans manufactured here so under that basis we are actually filling a gap. That is if a producer wants to come to the Territory and wants to enter into an agreement and produce something that fills a market gap that then has flow-on benefits. That is the philosophy and that is the policy that we will be applying.

The circumstances are that if someone in the Northern Territory started to produce caravans, it would create a circumstance where we would have to step out of that arrangement or broker a similar arrangement with the competitors in the market. But that is part of the policy basis or the philosophy upon which NTCI operates - to create and grow business opportunities where there are gaps in the Territory.

One of the difficulties is trying to establish where a gap exists with a producer who wants to take advantage of an opportunity to establish it through prison industry. Getting that circumstance to fall into place can be difficult. We are very fortunate with Kings Caravans, but we take on board it is imperative to ensure the transaction upon which this enterprise is based must be completely transparent and open for public scrutiny. We would engage in such a way to ensure that that occurs.

Mr WOOD: A question on policy in relation to supplying product to government departments. Is there any difficulty with the government growing vegetables for the Darwin hospital?

Mr PAYNE: No, there is not. In fact, government reserve the right to provide services to themselves, and we can operate under those guidelines.

Mr WOOD: So that really does not come into this policy?

Mr PAYNE: No, it does not.

Madam CHAIR: If there are no more questions, I had one. I read in the early material sent through soon after the last hearing. It was a part of the philosophy of correctional industries. I found it very interesting. It was worded to the effect that correctional industries feels it has a responsibility to provide services and products that do not exist in the local market. How does that fit in with the open market?

You are a prison with prisoners inside. I am wondering. I found it interesting and perhaps a little incongruous with what your main purpose is in society.

Mr PAYNE: Madam Chair, I think ...

Madam CHAIR: Do you know what I am alluding to?

Mr PAYNE: Yes, I do indeed, and that comes down to the basic tenant for which the Department of Correctional Services exists. Our overriding philosophy is to hold, let me start again. Our overarching requirement and duty to the public is to maintain an environment where people are sentenced or housed securely, safely and humanely.

There is an overarching requirement as well for us to ensure that when we release them they are less of a danger to society than when they first came into custody. That is part of the rehabilitation element of correctional services.

You cannot do that simply by getting prisoners, and I am not being facetious, to dig holes and then fill them back in. We need to provide prisoners when they leave our custody with some tangible benefit which they can bring out into their lives and society that contributes

without an ability to work to have some qualification. It feeds one of the essential elements that create the cycle of crime. Poverty essentially feeds the cycle of crime.

Without employment, without education and without prospect you are going to find it very difficult as a prisoner to not end up back in prison. One of our key indicators for correctional services is the extent that we prevent people, or give them an opportunity for not, coming back into custody, reducing the rates of recidivism.

That is the incongruous part of what you are alluding to.

Madam CHAIR: No, it is not. The point that I read was that correctional industries said that they have a community responsibility to fill a gap in the market.

Mr PAYNE: I believe that what is proposed by that is that the only entry into the market is where there is a gap. I would have to go over that material.

Madam CHAIR: It is just worded very interestingly.

Mr PAYNE: We are very careful and cautious and certainly the committee brought to our attention some examples where we have walked very close and then crossed over the line, particularly with the hot dog bun scenario. But it is really important for us to ensure that if we are going to engage in the provisions of good and services that it is where a market gap exists to do so.

Madam CHAIR: Just a final question, with this Kings Caravan proposal. Given that the whole Northern Territory operation will be situated within the prison, will the public have access to all financials involved in this business?

Mr PAYNE: The public having access to ...

Madam CHAIR: Yes.

Mr PAYNE: I do not believe that will be the case.

Madam CHAIR: Yes, because it will be fully based here. Is that correct?

Mr PAYNE: It will be fully based here.

Madam CHAIR: So there will be no transparency really?

Mr WOOD: You have to be a bit careful.

Mr PAYNE: Yes. Those elements that will be business-in-confidence ...

Madam CHAIR: Well, these are the issues we need to talk through.

Mr PAYNE: Those elements that will be business-in-confidence – there are quite a number of businesses that have contracts with government where some of those elements remain business-in-confidence.

Madam CHAIR: But this is quite unique, is it not? A full business operating out of a Northern Territory prison is unprecedented, is it not?

Mr PAYNE: For the Territory, yes, but not ...

Madam CHAIR: For the Northern Territory, exactly.

Mr PAYNE: Yes, for the Northern Territory, to my understanding.

Madam CHAIR: So how will we ever know? How can we do an analysis whether this business will, in fact, be advantaged by being in the prison if we do not know what the full financials are?

Mr PAYNE: Again, Madam Chair, you spoke about those financials being freely available to the public, as opposed to being made available to government. In this instance, where government has, through the Department of Correctional Services and NTCI, has business arrangements, they are completely transparent, not only to government through the estimates, but also through panels or circumstances such as the PAC.

Madam CHAIR: It is a curious situation, is it not? It is peculiar, and never happened before.

Mr PAYNE: That is right. It is the way of the future in the way we have looked at the costs associated with providing correctional services. It is simply the way of the future we have seen overseas and interstate for governments to be able to produce correctional services and reduce the costs associated with those services.

Madam CHAIR: But not at the expense of private enterprise?

Mr PAYNE: Absolutely not. That is the fine line. That is why we endeavour to, and our policies require us to operate in market gaps.

Mr WOOD: It might be worth finding out from other states how they make sure there are no uncompetitive industries. My knowledge of the business is New South Wales. I presume you could go through the Ombudsman or someone to check if people felt there was some unfair advantage.

Mr PAYNE: I can say that the same rules do not operate in interstate jurisdictions. They compete with private enterprise. They are in competition. We have a policy in the Northern Territory that we will not compete with private enterprise. So that is where we need to be a bit careful when we look at interstate jurisdictions that operate under a different government policy. They compete ...

Mr WOOD: I did not realise that I just thought they working under the same policy as here. But they have industries and they compete?

Mr PAYNE: Yes they do.

Madam CHAIR: Okay, that concludes our hearing on correctional industries. Thank you to the Commissioner, Mr Mark Payne and the Deputy Commissioner, Mr Rob Steer.

The committee concluded.
