

The Australia Institute

Research that matters.

WORKING TITLE: When governments outsource political risk

AUTHOR: Richard Denniss

PUBLICATION: AFR

PUBLICATION DATE: 3 May 2016

LINK: <http://www.afr.com/opinion/refugee-centres-detention-contracts-outsource-risk-20160502-gok7tg#ixzz47XifQb1R>

As Transfield Services found out last year, governments don't just outsource service delivery, they outsource political risk. And while Scott Morrison was promoted from immigration minister to Treasurer because of his "success" in "stopping the boats", he left the Belgiorno-Nettis family, Diane Smith-Gander and Transfield Services shareholders to take the heat and pay the price. Well played, Scott.

Politicians may be poor economic managers, but they are great blame shifters. While the contracts for providing "detention services" were allegedly lucrative, history suggests that politicians are better judges of political risk than the companies that once queued up for the right to lock up women and children.

Companies often think that ideological or financial objectives motivate the desire of politicians to outsource but what governments are really buying with taxpayers' money is reduced transparency and some safe political distance. There is no good reason that the Department of Immigration could not operate detention centres, except of course that public servants are accountable to the Parliament, rather than the minister.

Pesky things like the Public Service Act and Senate Estimates oblige public servants to be open about process, problems and government priorities. Contracts with the private sector, on the other hand, allow ministers to claim "commercial in confidence" rather than take responsibility for incompetence or malfeasance taking place on their watch. Put simply, Broadspectrum, formerly Transfield Services, was paid a lot of money to help conceal what was happening to asylum seekers.



Rally protest at Transfield head office over its operation of the immigration centers. **EDDIE JIM**

Late last year when the No Business in Abuse campaign started to put pressure on the companies paid to govern the Pacific gulags, the chairwoman of Broadspectrum, Diane Smith-Gander, [declared she had a "real sense of pride" in her detention business.](#)

That sense of pride was not, however, shared by the son of the founder of Transfield, Franco Belgiorno-Nettis, who last year [withdrew the right of Transfield Services to continue to use the Transfield name,](#) after he was forced by artists to step down as chairman of Sydney's Biennale Arts Festival. Nor was the sense of pride shared by a number of private and institutional investors who participated in a high-profile campaign.

Transfield, and its main detention centre contractor Wilson Security, were so "proud" of their efforts in allegedly conducting covert surveillance on Australian Greens senator Sarah Hanson-Young (whom they code named "Raven") that they sought to conceal their actions from a Senate inquiry. [Both companies](#) are now subject to a Senate privileges committee inquiry.

Similarly the release of the Panama Papers makes clear that Wilson Security is involved in complex tax schemes designed to minimise tax.

And then last week the PNG government declared the Manus Island centre was illegal and it is now to be shut down. At that point the board of Broadspectrum abandoned its long-running efforts to fend off a takeover from the Spanish services company Ferrovial. Almost immediately Ferrovial issued a statement clarifying that it would not pursue a renewal for either the Manus Island or Nauru detention centres. It seems they saw neither pride nor profit in such work.

In recent weeks Westpac, citing concerns about money laundering, decided to cease providing banking services in Nauru, the only other country running camps for those seeking refuge in Australia. Westpac's withdrawal leaves Bendigo and Adelaide Bank as the only Australian bank providing banking services to the Nauru government and, in turn, the only bank facing demands from Australian customers to withdraw.

Dr Richard Denniss is Chief Economist at The Australia Institute [@RDNS TAI](#)

First published by the Australian Financial Review - [here](#)