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Serco Australia Pty Ltd

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www.serco.com/aspac

Mr Peter Achterstraat AM
NSW Productivity Commissioner

Email: ProductivityFeedback@treasury.nsw.gov.au

Dear Mr Achterstraat,

Serco welcomes the opportunity to make a submission in response to the NSW Productivity Commission's Green Paper 'Continuing the productivity conversation' for which I commend the Commission.

Serco is an Australian proprietary limited company providing services on behalf of a range of Australian governments and in the private sector across the portfolios of defence, health, transport, justice, immigration and citizen services.

In these sectors Serco partners with governments, agencies and companies in providing services to government and supporting the management of critical national infrastructure, particularly in the operation of hospitals, correctional facilities, detention centres, transport services, and defence facilities.

Across Australia, Serco employs over 11,000 people and through our work we engage thousands of smaller businesses many in the local communities we serve.

The ambition of the NSW Productivity Commission to shape a clearer productivity agenda for New South Wales is greatly appreciated and more so now than ever. The COVID-19 virus has created a global health and economic crisis meaning the challenges faced by governments are significant – New South Wales is no exception.

We were pleased to see that many of Commission's views regarding smarter, more flexible regulations, support for innovation, competition and economic growth offer a sense of future thinking and a positive drive for recovery and growth. It was particularly heartening to see that a flexible, outcomes-focused regulation is seen as a vital way to support the recovery from COVID-19.

Many of the Commission's recommendations touch on key government service areas that could be made more collaborative, broadened in their scope or made more future focused. We give examples of this below under the three key areas of regulation and innovation, education and infrastructure referencing our experience from across Australia and around the world. Finally, we look at the direct impact on government services from the COVID-19 pandemic and discuss the need for increased agility moving forward.

I would like to reiterate that the Green Paper has provided a sense of forward thinking that is both reassuring and exciting for business operating in NSW and I commend the Commission for this. Serco would be delighted to engage with the Commission or central agencies to discuss these opportunities further.

Should you need to contact me, I can be reached via my Chief of Staff, [Redacted]

Yours sincerely,

[Redacted Signature]

[Redacted Name]
[Redacted Title]
[Redacted Contact Info]

Summary

This response to the Productivity Commission Green Paper 'Continuing the productivity conversation' provides insights from a private sector perspective with a focus on education, infrastructure and innovation regulation.

Within this framework Serco also encourages the Commission to consider public sector productivity and a broader approach to the contestability of public services. These are of crucial importance for consistent and substantial improvements in productivity, allowing for the enhancement of quality of life and opportunity, and creating quality jobs. This response also provides a private sector insight on the substantial changes to public service provision during the COVID-19 pandemic, and the importance of addressing these challenges clearly, early and with productivity as a central focus.

Serco agrees with the Commission's criteria for recommendations in the Green Paper that focus on the greatest productivity gains, feasibility, implementation by the state and alignment with other NSW Government priorities. Increased contestability and market comparators often meet these criteria while allowing global best practice, constructive partnerships and innovation to become part of public sector services. We hope to see the Commission explore options for this in its final report.

In this paper we broadly refer to contestability as being a situation where the performance of service providers is benchmarked and they face the threat of competition if there is persistent failure to deliver.
 – Gary L. Sturgess (2012) *Diversity and Contestability in the Public Service Economy*, NSW Business Chamber.

It is Serco's view that all these elements will be crucial for the state's recovery from the pandemic, but also to build the foundations of productivity for decades to come. Contestability has a strong role to play in managing the current economic and financial restrictions without reducing services or increasing fees, taxes and charges.

Serco Australia

Serco Australia is an Australian proprietary limited company. Serco provides services on behalf of a range of Australian governments and in the private sector in portfolios of defence, health, transport, justice, immigration and citizen services. These services include:

- Management and rehabilitation of offenders in prisons in New South Wales, Queensland, Western Australia and New Zealand;
- Provision of onshore immigration facilities and detainee services;
- Delivery of non-clinical services at Fiona Stanley Hospital in Perth;
- Management of the Australian Defence Force medical equipment fleet repair, maintenance and calibration, as well as the pharmaceuticals and medical consumables supply chain;
- Provide clinical services to ADF personnel on sites across Australia;
- Road safety in Victoria through its traffic camera services;
- Public transport advice for travellers in Perth, Brisbane and New South Wales;
- Service support and case management for Australian Government Agencies;
- Maintenance of Melbourne's parks and gardens.

Serco is owned and operated by Serco Group plc (Serco Group), a company incorporated in the United Kingdom and listed on the London Stock Exchange. Serco Group provides services throughout Europe, North America, the Middle East and Asia Pacific.

Serco Group partners with governments, agencies and companies seeking operational, management and consulting expertise in the justice, immigration, health, aviation, business process outsourcing, defence, education, environmental services, facilities management, home affairs, information and communications technology, knowledge services, local government, science and nuclear, transport and employment sectors. As is the case for Serco Australia, Serco Group's primary business is service provision to government and the management of critical national infrastructure; particularly in the operation of hospitals, correctional facilities, detention centres, transport services, and defence facilities.

Serco Australia has its national office located in the Sydney CBD and we employ some 1300 people across the state. We are proud to deliver NSW's Transport Information Service for Transport for NSW, where our innovation has increased the use of self-service options and digital channels, reducing call times and costs.

In addition, we operate the newly built Clarence Correctional Centre and have created 600 long-term jobs in the Northern Rivers region.

We also provide services in NSW for the Federal Department of Immigration and Border Protection and the Department of Defence. We operate a range of sites in Sydney and the regions for these contracts.

Across Australia, Serco employs over 11,000 people and through our work we engage thousands of smaller businesses - many in the local communities we serve.

Introduction

As the Commission rightly notes in the context of COVID-19, governments across the globe face tougher economic times with considerable pressure on finances, while needing to manage dynamic challenges to service delivery – New South Wales is no exception. It can be thought in this kind of climate that the policy solution is to reduce spending, reduce services, and/or increase fees, taxes and charges. However, Serco is keen to see, alongside the Commission's recommendations, a closer look at the structure and provision government services and their performance and opportunities for improvement.

We are hoping to see the Commission examine ways that the government can be an increasingly collaborative and strategic partner to the private sector and NGOs while providing improved public services with increased efficiency and productivity. As part of this we ask the Commission to consider whether there are areas of the public sector which could be open to competition. This would help in forming new and viable markets, making providers more responsive to the concerns of customers, stimulating innovation, driving productivity reform and improving service delivery for all NSW citizens.

Many of the Commission's recommendations touch on key government service areas that could be made more collaborative, broadened in their scope or made more future focused. We give examples of this below under the three key areas of regulation and innovation, education and infrastructure. Finally, we look at the direct impact on government services from the COVID-19 pandemic and discuss the need for increased agility moving forward.

Forward-looking regulation supports competition and innovation

Serco agrees with the Commission's view that New South Wales needs smarter, more flexible regulations that support innovation, competition and economic growth. It is particularly heartening to see that a flexible, outcomes-focused regulation is seen as a vital way to support the recovery from COVID-19.

Serco supports the Commission's recommendations 4.1 and 4.2 to extend the operation of some COVID-19 regulatory changes, such as digital solutions for legal and administrative processes, as this provides further opportunities for government transformation.

We also support the Commission's recommendations around implementing and reforming regulation to support new technologies and competition, as we think there are real opportunities for increased productivity through allowing for contestability in the provision of government services. The private sector is ready to support the government in providing efficient and targeted public services, innovative solutions and quality, enduring outcomes for citizens. In this context we think that the Commission could look at further areas where the NSW Government could work with the private sector to increase productivity in the state.

We understand that governments have a number of central aims when providing public services, in particular; ensuring public services are easy to use and access, provide a quality customer experience and deliver government objectives. Working with specialists from the private sector can help not just meet these aims but expedite these outcomes and Serco would encourage the Commission to investigate the opportunities for public/private partnerships in this context.

Bringing together committed private partners to work with government can provide considerable productivity improvements, especially in areas such as transformation and innovation where public/private partnerships can achieve more ambitious and creative results, faster.

However, to achieve this, we have found that governments in a strategic partnership must firstly have both the transformation capability and high-level sponsorship to create the foundation for change. This includes a clear understanding of the outcome to be achieved, and a mature approach to service design and commissioning that elicits the best possible response from potential suppliers.

Following on from this there must be an effective authorising government environment to speed up approvals and empowered public servants working without hierarchy across silos to remove unintended structural barriers. Without the above points the private sector partner cannot fully leverage the agility and value they can bring.

It should also be noted that contestability in the delivery of public sector services need not exclude contestable interest from the public sector. In this sense, a good acquisition and commissioning environment can help raise standards and provide transparency and opportunity for all stakeholders.

The Commission could investigate cases where this has been done well and what mechanisms deliver on outcomes the most effectively. Serco believes best practice to be a trusted strategic partnership model for the delivery of highly sensitive, crucial public services. In our experience this requires:

- Collaborative, integrated approach between government and public sector partners.
- Deep understanding of community needs and expectations.
- Fostering and sharing continuous improvement and innovation learnings.
- Earliest possible involvement of service partners so efficiencies designed in from the start.

Public-private partnerships also provide the opportunity to engage the best people from public and private sectors to build and provide the best service solutions for citizens. Technology alone cannot successfully transform government services: meaningful transformation happens when you combine the skills of the most talented people inside and outside of government.

Public-private partnerships provide:

- Unique skills blend of experienced executive and senior public servants
- Access to service transformation experts
- Global experience applied to local projects
- Agility
- Deep understanding of government imperatives, blended with global best practices.

The outcomes can then be:

- Accelerated productivity
- Quality and cost outcome delivered faster than government agencies alone.

Partnerships of this kind are best when they have long lasting positive outcomes such as learnings that are passed back to commissioning government agencies. These can be used to extend the benefits from the strategic partnership to continuous improvement within the agency itself. Together partners can better build coalitions of support who see tangible benefits to their public sector roles every day.

The potential for productivity gains from competition is also significant, given the considerable costs society pays for continuing out-dated forms of delivery where public services are delivered through an uncontested monopoly or service design that favours activity over outcomes.

There can be debate around methodology and data quality regarding the evidence about what works and under what circumstances. Such debate is not problematic if public sector monopolies and contested public sector services are both measured. Such measurement is getting easier to do, for example through benchmarking alternative providers and in sectors where public and private providers deliver comparable services, economists have been able to benchmark performance.

A particularly relevant area is public transportation where studies highlight possible financial gains in rail passenger, buses and ferries of around 10% - 24%. In areas like healthcare, financial improvements of more than 20% were not unusual based on studies of contracting for hospital support services – cleaning, catering, laundry, portage and the like – in the UK, Australia and Denmark. In some cases, savings were significantly more.

The potential for dynamic and mutually beneficial partnerships is noteworthy and the many ways this can be done to ensure positive outcomes are vast, particularly for supporting government priorities. In this context we are keen to see the Commission look in more detail at the way government services are provided and by who in the next set of recommendations.

Serco would be delighted to engage with the Commission or central agencies to discuss these opportunities further.

Infrastructure

Serco agrees with the Commission that infrastructure investments are among the most expensive and impactful decisions governments make and particularly notes the importance of the right projects having long-lived benefits. But we would like to suggest that while poor choices in the early stages of an infrastructure decision can impose substantial costs on society, choosing badly throughout the life of the asset can be just as financially damaging.

In this sense we agree with the recommendations 6.3, 6.4, 6.5 that would ensure good business case evaluation, generate innovation in infrastructure and ensure efficiency in the public transport network. However, to more closely align with the goals of the State Infrastructure Strategy, Serco would like to see the Commission investigate the longer-term approach to maximising the overall benefits of public investment, optimising the management, use, and performance of existing assets.

Serco has worked with state and national governments across numerous sectors including transport, health and defence to create lifetime plans for high value assets to maximise the benefit of citizens over decades. Management of assets once they are in place is a key factor in ensuring that the value of key decisions, investment by the state and reliance on these services from the population can be appreciated.

We have done this through the development and operation of Intelligent Transportation Systems (ITS) for national highways, state-wide transportation networks, major cities, counties, and municipalities. We enable our customers to define a vision of an advanced intelligent transportation system that best suits their needs, roll it out quickly, achieve high levels of efficiency and safety from day one, and then monitor and analyse performance based on agreed metrics.

In Hong Kong, Serco worked with KML Engineering to design, supply and install the HK\$82.6 million system for the Shenzhen Western Corridor. The system has 11 gantries incorporating eight full-function, Chinese-English Variable Message Signs, lane control systems, and variable advisory speed restrictions, and includes links to external applications such as weather and structural monitoring systems.

Serco also manages, operates and maintains the new Lung Shan and Cheung Shan Tunnels in Hong Kong. The Lung Shan Tunnel is the longest road tunnel in Hong Kong. Under the contract, Serco is responsible for traffic operations management, incident response, and maintenance and repair work for all tunnel equipment.

In Dubai the Serco-operated Dubai Metro network, ConMon, monitors real time switch health, critical room temperatures, Vehicle Control Centres and rail temperature among other things. There are intelligent alerts for preventative and predictive maintenance of critical systems and alarms for deteriorating conditions reducing unpredicted failures. This helps to eliminate issues before actual failure, monitor regimes aligned to system criticality and reliability KPIs and ensure that the asset can work well day to day and into the future.

Clarence Correctional Centre in NSW is the most state-of-the-art and innovative correctional facility in Australia. The centre features the most technologically complex and advanced infrastructure, and Serco is contracted to operate and maintain the facility for the next 20 years.

The Centre comprises 65 buildings, 3,000 metres of high security perimeter fencing and onsite infrastructure, including a wastewater treatment plant and electricity substation. Throughout the site there are in excess of 200,000 fixed and loose assets managed by Serco on behalf of the New South Wales Department of Communities and Justice.

Serco provides an integrated Facilities Management solution at Clarence Correctional Centre, which delivers a number of significant innovations to maintain the centres assets. A purpose designed, dedicated Computer Aided Facilities Management Software solution is the primary operational management tool used to monitor and control all facilities and maintenance activities across 18 separate services lines.

Throughout the design and construction phase of Clarence Correctional Centre, Serco developed several innovations based on our experience in managing large asset environments. This includes a zero waste to landfill philosophy, equipping the centre's two waste facilities with the necessary equipment and infrastructure to sort and bail the recovered resources for subsequent sale.

Serco has also installed a system for Sensor-less daylight harvesting, utilising daylight modelling created during the design phase of the project. This will ensure that artificial light is firstly dimmed, then modulated throughout the day to account for natural sunlight entering each space. Modelling indicates that this will reduce power usage by 1,029MWh per year, subsequently removing 16,860 tonnes of CO2 emissions over the life of the contract and deliver significant savings to the forecast replacement rate of light fittings.

Serco's experience at the Clarence Correctional Centre has shown the value of developing highly detailed building models with federated services linked to each asset's metadata during the design and construction phase of a project. The development of such models and information is increasingly important to those involved in the ongoing operation and maintenance. Allowing the infrastructure owner to operate and maintain their assets in this way ensures the best possible future opportunities to harness innovations in data, machine learning and Building Information Management modelling.

In what is the largest outsourced health contract in Australia, we provide services to Fiona Stanley Hospital, one of Australia's most advanced public healthcare facilities. We deliver 25 facilities management services at the 783-bed tertiary hospital and perform to 480 key performance indicators. In both Australia and New Zealand, we also provide holistic primary healthcare, allied and non-clinical services to prisoners at our justice facilities.

We are also one of the most successful hospital support service providers to the Hong Kong Hospital Authority. Since 1996, we have been providing facilities management services to local public hospitals in Hong Kong, including our current contract at the 1600-bed tertiary Prince of Wales Hospital.

- We handle more than 1.5 million calls each year through one of our hospital helpdesks.
- We produce more than 850,000 freshly cooked meals on site for patients each year.
- Since the hospital opened, we have catered for more than 3,000 different combinations of dietary requirements.
- We undertake more than 1,000 patient and equipment movements in just one day in one of our Asia Pacific health contracts.
- We use 18 automated guided vehicles to reduce workplace injuries and improve efficiencies.
- We handle an average of 17,000 face-to-face hospital reception enquiries each month.
- We use a state-of-the-art building management system with more than 150,000 data monitoring points.
- Our cleaning team services more than 40,000 rooms or areas each month.
- In 2015, we renegotiated gas and electricity contracts achieving cost savings of over 50%, delivering more than AU\$4 million in savings to Western Australian taxpayers over two years.
- We manage the Australian Defence Force medical equipment fleet repair, maintenance and calibration, as well as the pharmaceuticals and medical consumables supply chain.

Serco also works with the Australian Defence Force delivering a diverse range of services for managing critical defence assets at bases around Australia. For example, the Fleet Marine Services Contract delivers various technical services for the Royal Australian Navy (RAN) solutions to facilitate the repair and maintenance for Navy ships. These services help support the smooth operation and the dynamic needs of the Naval bases.

Each Navy ship has a docking cycle, between 12 months to 5 years, at which stage it will need to be dry docked and then have a comprehensive maintenance which takes about a month. Serco manages both the logistical challenge of ensuring docking requirements for the vessels are done in a cost-effective manner and the scheduling challenges of required ship downtime so that the operational requirements of the client are met. Our engineering, maintenance and support systems are established in such a way that downtime for naval assets is minimalised, while also ensuring economic efficiency.

Serco works to meet the Navy Seaworthiness standard, defined as "the supply of an asset/platform that delivers mission capability and reliability throughout the product's lifecycle". Achieving Seaworthiness results in an is both operationally effective, whilst achieving those goals in a safe and reliable manner. This finely tuned defence asset management system delivers material seaworthiness outcomes and provides compliance with the Australian Defence Force's dynamic requirements.

COVID-19

The global pandemic has changed the way that governments around the world have provided services to their citizens and even how these services are viewed. This necessity has meant that new ways of operating have had to be enabled faster and more dramatically than has been seen in decades. The changes implemented and the uncertainty the pandemic has created for the coming years has led to some significant improvements in how services are provided to citizens. This also impacts how productivity can be maintained or improved even under restrictions. We would like to highlight some of the ways Serco has worked with governments around the country over this period.

The Serco team at Fiona Stanley Hospital (Western Australia) proudly supported the rapid establishment of the hospital's onsite COVID-19 Clinic and adapted the hospital to meet best practice COVID standards. In partnership with the Hospital Executive, staff from Serco FSH's Estates, Logistics, Supplies, Cleaning and Project Management teams worked around the clock to both plan and achieve this transformation.

This included transforming three sites in the hospital into COVID-19 Clinics in addition to installing 200 additional hand sanitizers units across the hospital, removing 3,000 chairs from public spaces, meeting rooms and waiting areas to meet social distancing requirements, transforming the Adult and Children's Emergency Departments to create separate 'infectious' and 'non-infectious' streams, IT improvement initiatives in clinical areas to support telehealth, remote access and single sign-on and introducing iPads in clinical areas so nurses can communicate with COVID-positive patients without having to don PPE and enter their room.

Away from healthcare other crucial services that Serco supports received a significant increase in demand while managing the significant restrictions. This included a surge workforce to support the Federal Government's program of business and citizen support. Serco stood up a new contact centre that commenced handling Services Australia Job Seeker calls only 10 working days after we first received access to the site. As a trusted partner of Government, we identified a new centre and then developed a solution that enabled the recruitment, training and skilling of an initial 60 staff and then grew that to 400 agents within a 10-week period.

At our ATO call centre, we worked with our client to ensure the maximum amount of staff could work from home over one weekend in July. On the Saturday, first contact was made with staff and by 9am Monday morning over 350 staff had been configured to work from home. The team continued to support the roll out of WFH configuration over the following weeks to a point where 93% of all staff in the Victorian ATO contact centres are now successfully working from home.

For NDIA, the Serco team worked with the Agency to test options for their technology to work outside the office to enable services to continue without compromising risk, performance, privacy and service delivery. Once a technical solution was found, a large-scale logistics plan supported the relocation of 300 people to work from homes. Each employee's desk set up required two screens, a large PC desktop, keyboard and mouse. As well as the hardware, the team procured and commissioned over 200 WIFI dongles. They organised home internet connections for over 20 employees to allow them to access the WFH option. The team assisted more than 300 employees to pack safely and securely the equipment required and carry out to cars, taxis and Ubers over a 5-day period. The team supported all employees to transition working from home, in particular assisting those with disabilities with bespoke requirements.

Prior to COVID Serco also utilised our rapid response ability with the deployment of a surge workforce for clinical staff to assist the ADF to respond to bushfire deployment in January 2020. This allowed ADF to support activities across affected areas while still accessing necessary medical needs.

The need for agility and preparedness over this time has led to Serco learning from our positions around the world, utilising developed systems to support organisations manage large and complex workforces at a lower total cost of operations. Deploying a mix of permanent, part-time, casual and temporary staff, our Enterprise Workforce Solutions allow our clients to focus on their core business, secure in the knowledge that they will have the right workforce mix to deliver on their operational and strategic needs.

Our solutions augment and integrate with existing management, systems and processes to deliver commercially assured and contractually backed performance. We have instituted a national Operational Support Centre to support organisation-wide labour management and scheduling processes, giving a 24/7 view of operational status, using a mobile first platform to streamline the interaction between staff and those responsible for rostering, managing attendance, and scheduling training.

Serco would be keen to see more examination from the Commission on what the COVID-19 impacts on government services might be over the short to midterm and what learnings we can take from the past nine months or so. As an organisation working in this space, we see this as critical to keeping the state both prepared and moving forward.

Conclusion

Serco is encouraged by the government's attention to this issue and the NSW Productivity Commission's Green Paper is a strong step in this important conversation. Serco whole heartedly agrees with the Commission's drive to achieve increased productivity as the central tool for improving our economic wellbeing and know the real-life impacts and improvements that productivity has for NSW citizens.

Improving productivity, across both the public and private sector, deserves our attention at this time more than ever before as we manage the volatile and unprecedented circumstances. In this context contestability can help manage a number of elements of government service provision while maximising the investments made by government.

New markets also generate innovation, encourage the business sector, help increase GDP and create new jobs. At a time of significant employment disruption generating new jobs in innovation and transformation sectors are going to help NSW to continue to position New South Wales as Australia's global hub, with Sydney as its gateway.

All of these elements create significant opportunities for the NSW Government, NSW businesses and ultimately all NSW citizens. Serco stands ready to help and would be delighted to engage with the Commission or central agencies to discuss these opportunities further.