PRIVATE SECTOR INVOLVEMENT
IN
PRISON INDUSTRIES

Presentation to
Correctional Industries Association
of Australasia 1991
PRIVATE SECTOR INVOLVEMENT IN PRISON INDUSTRIES

This paper has been prepared to introduce a formal session, dealing with Private Sector involvement in Prison Industries, at the 2nd Annual "Correctional Industries Association of Australasia" Conference in Melbourne on Tuesday, 1st October, 1991.

The paper deals specifically with Prison Industry within a Prison environment. In this context it does not deal with work release programs which could be considered, in a technical sense, to represent the most preferred form of Private Sector Prison Industry.

1. INTRODUCTION

The introduction of Private Sector involvement in Prison Industries in New South Wales evolves specifically from Government policy. That policy is based on:

a) Reducing the scale of the Public Sector by providing the private Sector opportunities to manage and operate traditional Public Sector functions.

b) Minimising infrastructure required to manage and operate Prison Industries.

c) Fulfilling Prison Industry policy objectives by providing 'real world' work responsibilities to prisoners as a basis of enhancing post release employment opportunities.

d) Maximising the opportunity for Prison Industries to contribute positively to reducing the costs of Corrections.
Delegates would be aware that arising from Government policy we have embarked over recent years on an ambitious program of CSI expansion. The magnitude of that expansion, beyond mandatory sourcing, has largely saturated traditional market opportunities within the Public Sector. Private Sector involvement in Prison Industries therefore provides the only realistic opportunity to match productive capacity of an increased range of Business Units with market opportunities.

2. **DEFINITION**

Private Sector Involvement in Prison Industries, in pure form, might be represented by a model where the Private Sector manages, supervises and operates a Prison Industry Business Unit within a Correctional system. In the most diluted form it simply represents sales of Prison Industry products/services to the private sector.

The importance of this diluted form of Private Sector involvement should not however be understated. Indeed, in most Correctional jurisdictions it is unusual for Prison Industries to have the autonomy to sell their products and services to the Private Sector. Importantly, in our experience sales to the Private Sector are an essential pre-requisite to developing the necessary commercial attitudes and disciplines to enable more advanced levels of Private Sector Involvement to be implemented.
For the information of delegates, we utilise the following classification grid to assist in defining the various Private Sector involvement models:

**Level 1**

Private Sector management of Business Unit including direct supervision of prisoners; provision of continuous marketing opportunities; provision of capital infrastructure; payment of prisoner wages; payment of lease fees to CSI.

**Level 2**

Private Sector management of Business Unit with supervision assistance of prisoners provided by CSI staff; provision of continuous marketing opportunities; provision of capital infrastructure; payment of prisoner wages; payment of lease fees to CSI.

**Level 3**

CSI Business Unit productive capacity dedicated to specific private sector organisation involving continuous marketing opportunities but utilising CSI staff and capital infrastructure. Payment based on fee for product/service output.
Level 4

Partial productive capacity of CSI Business Unit dedicated to specific private sector organisation utilising CSI staff and capital infrastructure. Payment based on charge for product/service output.

Level 5

Sale of Corrective Services Industries products/services to private sector.

3. STATUS

Since the last CIA meeting in December, 1990 significant progress has been made in introducing Private Sector Involvement to Prison industries in New South Wales.

At the 30th September, 1991 the following initiatives were in place:

<table>
<thead>
<tr>
<th>Institution</th>
<th>Business Unit</th>
<th>PSPI Level</th>
<th>No. of Prisoners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Muswellbrook</td>
<td>Rural gate manufacture and other metal products</td>
<td>1</td>
<td>16</td>
</tr>
<tr>
<td>Glen Innes</td>
<td>Logging and Sawmill operation</td>
<td>2</td>
<td>55</td>
</tr>
<tr>
<td>Emu Plains</td>
<td>Plastics Recycling</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Long Bay</td>
<td>T-Shirt Manufacturing</td>
<td>2</td>
<td>50</td>
</tr>
<tr>
<td>Mulawa</td>
<td>Plant Nursery</td>
<td>3</td>
<td>25</td>
</tr>
</tbody>
</table>
The CSI Business Plan for the 1991/92 financial year provides for eight additional PSPI Business Units to be introduced. This is expected to be achieved by the 31st December, 1991. This embraces at least 11 Private Sector Prison Industry initiatives which are at the stage of contract formulation and which will provide further work responsibilities to 220 prisoners.

4. **N.S.W. EXPERIENCE**

There is little doubt that Private Sector involvement in Prison Industries is the most positive initiative we have taken over recent years. Remarkably, prior to our Private Sector Prison Industry experience many Correctional purists suggested that Private Sector Involvement would in some way nullify implementation of the fundamental policy objectives of Prison Industries. This has not been our experience.

Indeed by introducing Private Sector based technical and commercial disciplines to Prison Industry the implementation of Prison Industry policy objectives has been enhanced. This has been achieved by replicating 'real world' work responsibilities and expectations identical to that which would be expected in community based workplaces. The prisoner development implications are obvious.
Additionally, each of our Private Sector partners have displayed a positive commitment to the training of prisoners in both technical and employability skills. In the case of the M.I. Manufacturing Pty Limited P.S.P.I. at Muswellbrook, the company has provided, at its expense an out of work hours 'life skills program' (outline attached).

The successful performance of each and every Private Sector Prison Industry initiative has now provided the environment which facilitates additional Private Sector partners being recruited. This process is expected to accelerate in the years ahead.

Our long term (10 years) strategic objective is to have a form of Private Sector Involvement in all CSI Business Units throughout the N.S.W. Correctional system.

5. **IMPLICATIONS**

The introduction of Private Sector Involvement in Prison Industries does not come easily or without significant time and effort on the part of Prison Operations and Prison Industries management and Institutional Managers. I refer to a number of key items which have been encountered.
a) **Correctional Interface**

An important pre-requisite to introducing Private Sector Involvement was the commercialisation of our existing Business Units. Historical difficulties in providing an adequate level of commitment to on-time deliveries, quality assurance and recognising the needs of commercial based businesses within a prison environment had to be recognised and addressed prior to encouraging Private Sector Involvement. This provided a clear indication to potential Private Sector partners that we could provide a friendly Institutional Management interface.

This is an absolute pre-requisite. If an attempt is made to introduce Private Sector Involvement without recognising the needs of the Private Sector partners it is likely the initiative will be a failure. In such circumstances the opportunity for introducing further initiatives would be forfeited.

b) **Industrial**

The term privatisation is very deliberately not used. It engenders a very emotive threatening reaction from staff. The term Private Sector Involvement, indicating a co-operative non-threatening team approach, is therefore preferred.
There is no doubt however, that Private Sector involvement whether in Prison Industries or through other functions engenders a deal of uncertainty and is seen by existing staff as threatening their jobs. It is imperative therefore that dialogue takes place with relevant Trade Unions and Institutional staff. Our experience is that when properly enunciated fears associated with Private Sector involvement are reduced or removed.

In N.S.W. Private Sector involvement in Prison Industries has not been subject to industrial action. There have however been some attempts to marshall external union objections in terms of Prison Industry implications of employment within the community. Our approach at this level is to ensure the Prison Industries Consultative Council is properly briefed and endorses all proposed initiatives.

c) Economic

The negotiation of acceptable economic arrangements is in my view directly related to the level of credibility the Prison Industry jurisdiction commands. Therefore, in our earlier negotiations we were somewhat hamstrung in obtaining ideal economic returns. However, as our level of credibility has grown, so to has our ability to negotiate more favourable economic arrangements.
Notwithstanding the above, the economic performance of Private Sector Prison Industries provides a significant level of improvement upon that of traditional Prison Industry. In each and every case, all direct and indirect overheads involved are recovered through income generated. A number of our Level 1 Private Sector Prison Industries now provide positive economic returns beyond meeting all direct and indirect costs.

d) **Prisoner Wages**

There is undoubtedly a view, fuelled by United States Private Sector Prison Industry models, that prisoners working within Private Sector Prison Industries should be paid award rates of pay. In N.S.W. we reject this proposition.

The structure of both our Public Sector and Private Sector based Business Units is such that we step away from mechanisation in order to maximise labour intensity. This is a very deliberate process to maximise the number of prisoners employed within Prison Industry and who are exposed to Vocational Development programs. As a result of this approach the efficiency of our Business Units is significantly comprised. It is not unusual for levels of labour intensity six times the commercial equivalent being utilised. Under such circumstances payment of award rates of pay is quite unrealistic.
Further, we believe that direct wage payments to prisoners need to be balanced against the need for prisoners to contribute to reducing the costs of their incarceration. In this regard, it should be noted that in many U.S. jurisdictions the net amount actually paid to prisoners working within Private Sector Prison Industries is little different to that being paid within traditional Industries. There exists simply a high gross payment and a high deduction representing the costs of incarceration, victim compensation, tax and health care contributions.

e) Negotiations

The negotiations which need to take place with potential Private Sector partners following sourcing of opportunities is a difficult process. When balanced against the need to establish high levels of probity in Public Sector accountability the process indeed presents a formidable challenge.

There exists no easy solution. The process by which the Private Sector partner and Prison Industry management each seek to obtain the most favourable economic return presents a whole new set of demands to Prison Industries management. It is clear that this process provides potential hazards in substantiating that the public benefit has been maximised and in eliminating the possibility of corrupt practices.
It is proposed in New South Wales that shortly this process will be covered by clear corruption prevention measures which will be accomplished in consultation with the Corruption Prevention Branch of the Independent Commission Against Corruption.

Naturally, this necessitates that all aspects of sourcing Private Sector Involvement, subsequent negotiations and initial and ongoing financial arrangements be appropriately formalised and subject to ongoing review.

f) Contractual Agreements

Without doubt this aspect provides the most frustrating and daunting aspect of introducing Private Sector Prison Industry. Our Private Sector partners commonly suggest that the positive spirit developed through the negotiation process is destroyed once draft contractual agreements are received from solicitors. Equally, intended business relationships appear to become bogged down in endless legalese. There also appears to be a reluctance by solicitors to gather the respective parties round a table where matters in dispute can be quickly resolved.
Although in N.S.W. CSI now briefs private solicitors, this in essence has not accelerated the contract formulation process. We hope that as we gain experience in this aspect of contemporary Prison Industry management our difficulties will recede.

6. **SUMMARY**

In N.S.W. we are totally committed to implementing Government policy in relation to Private Sector Involvement in Prison Industries. It has represented a most exciting dimension to the development of Corrective Services Industries in accord with Government policy and contemporary Correctional management expectations.

To summarise:

a) Private Sector involvement in Prison Industries provides a clear indication of the positive level of performance that can be achieved within Prison Industries. No longer does it remain a theoretical ideal. This has significant implications in turning around the traditional culture which for so long has prevented the potential of Prison Industries from being realised.
b) Private Sector involvement in Prison Industries enables Correctional Administrators to concentrate on managing Corrections and therefore direct their endeavours to core activities. It passes over responsibility for technical, commercial and marketing pursuits to those with the experience and motivation to do it better.

c) Private Sector involvement within Prison Industries provides a significantly improved level of economic performance. Coupled with the establishment of a Corrective Services Working Account within N.S.W. we are now in a position to finance the provision of new Private Sector Prison Industry initiatives.

In a period of deep business recession, Private Sector Prison Industry has provided extreme optimism for the successful development of Corrective Services Industries in New South Wales.

WAYNE RUCKLEY
Executive Director
Corrective Services Industries
ST HELIERS PERSONAL DEVELOPMENT WORKSHOPS' TOPICS

Venue: St Helliers Conference Room, Muswellbrook
Time: 6.00pm - 8.00pm

<table>
<thead>
<tr>
<th>DATE</th>
<th>ACTIVITY</th>
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<tbody>
<tr>
<td>April 22</td>
<td>My goals for 1991</td>
</tr>
<tr>
<td>April 29</td>
<td>The art of goal setting</td>
</tr>
<tr>
<td>May 6</td>
<td>Developing positive self image</td>
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<tr>
<td>May 13</td>
<td>Understanding conditioning influences</td>
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<tr>
<td>May 20</td>
<td>Affirmations - how to use them positively</td>
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<td>May 27</td>
<td>Decision making</td>
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<td>June 3</td>
<td>Motivation</td>
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<td>June 10</td>
<td>Effective time management</td>
</tr>
<tr>
<td>June 17</td>
<td>Financial planning</td>
</tr>
<tr>
<td>June 24</td>
<td>The art of positive thinking</td>
</tr>
</tbody>
</table>

EMPLOYMENT WORKSHOPS

* Job interviews
* Job tickets
* Education, i.e. forklift ticket
  welding ticket
  riggers ticket
  computer training, etc.