



**Presentation by Stephen Nathan, researcher, Prison Privatisation International report, UK.**

**Overview of prison privatisation**

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Good morning, it is always a pleasure to be with my EPSU colleagues. And it is particularly significant to be in Athens this week.

For those of you who do not know me, I have been independently researching and writing about the international growth and the negative impact of prison privatisation for more than 20 years.

However, while I can give you some good news there is also much bad news.

Fortunately I do not have to convince anyone here about why prison privatisation should be opposed. But I do want to stress that the implementation of Public Private Partnership contracts - PPPs - even if they do NOT include contracting out the jobs of prison officers - is also a serious, long-term threat to public services and society as a whole.

For now, companies accept this semi-private prison model particularly in Europe because it provides guaranteed revenues and profits for 25 years or more. But these contracts are only a foot in the door to convincing governments to implement the full concession model.

In 20 minutes it is not possible to provide a complete international overview of recent developments so here is a snapshot. Please forgive me if I miss some important details that you think are relevant to your countries. EPSU will publish a copy of my full presentation after the event.

The first thing to say is that since their re-emergence in the USA in the 1980s and their subsequent international spread, private prisons - in



whatever model - have not shown to provide better working conditions for staff or better outcomes for prisoners.

Nor has the industry proven its claims for cost savings, innovation or that the use of competition has driven up public sector standards.

Despite this evidence The GEO Group, the second largest private prison and immigration detention centre operator in the US with contracts in the UK, Canada, Australia and South Africa, stated last week that the company is experiencing “one of the largest opportunities in the history of the industry.”

This is because government decisions to use private companies for prisons and immigration detention and removal centres are ideological and nothing to do with implementing best criminal justice practice.

In criminal justice systems generally and prisons in particular the handful of private corporations that have developed this ‘market’ since the late 1980s say they expect to benefit from the surge in outsourcing that will follow as austerity measures are imposed.

As Serco, the leading private criminal justice services operator in the UK and which also operates a PPP prison in Germany and other prison contracts in Australia and New Zealand has noted:

“With the recent substantial increase in fiscal deficits, governments are increasingly seeking new ways to fundamentally transform the efficiency and productivity of essential services. We believe that this will result in both a broadening of opportunities in existing markets and the continued development of new markets, both in the UK and overseas.”

In the United States, as at December 2009 eight per cent of the 2.4million prisoners were in private facilities. This rate had increased from 6.3% in 2000 and 7.1% in 2005.<sup>1</sup>

This percentage is overshadowed by Australia, which has around 17 per cent of prisoners (and 100 per cent of immigration detainees) in private facilities

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<sup>1</sup> Bureau of Justice, Prisoners in 2009, December 2010  
[www.bjs.ojp.usdoj.gov/content/pub/pdf/p09.pdf](http://www.bjs.ojp.usdoj.gov/content/pub/pdf/p09.pdf)



while England and Wales now has 11 per cent of its prisoners as well as the majority of its detained immigrants held privately.

South Africa has three per cent of its prisoners in two, 3,000-bed prisons but the government is currently commissioning another four 3,000-bed prisons.

So far no administration in the world has attempted to privatise its entire prison system.

But in the US, under the guise of austerity measures a number of states are dramatically increasing the use of private prisons. Last year the State of Arizona tried to sell nine of their ten prisons. In Florida, which already has seven privately run prisons, the State plans to privatise 16 prisons. This could lead to 5,000 public sector job losses. A new law will also enable the privatisation of the state's probation services.

Ohio is planning to sell five prisons in order to gain \$200m from the sale and save \$6.6m per year in operating costs. According to the Ohio Civil Service Employees Association the starting wage for state employees is US\$36,000-\$37,000 but the private sector only pays US\$28,000 - \$31,000.

Some states are also using austerity to implement sentencing reforms to reduce prisoner populations. Others such as New York and Michigan are closing prisons. These are measures that criminal justice reformers have long argued for.

Also in the US over the last 30 years almost half of the nation's correctional health services have been contracted out. But the prison health care industry is restructuring to cash in on new opportunities.

As PHS Correctional Healthcare pointed out this year: "Today we see the current economic climate with its public sector budget shortages increasing the potential benefits of contracted correctional healthcare."<sup>2</sup>

It is important to understand US developments in private corrections not only because some US companies operate in Europe and some European

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<sup>2</sup> PHS Healthcare White Paper, Contracting Alternatives, January 2011, [www.phscorrections.com](http://www.phscorrections.com)



companies operate in the US but because of the well-documented transfer of criminal justice policies across the global economy.

Developments in the UK are also important to consider.

As the international consultancy firm and promoter of privatisation PricewaterhouseCoopers pointed out some years ago: “The UK has been the main engine and laboratory of Public Private Partnerships in Europe.”<sup>3</sup>

England and Wales - which is one prison administration - has the most privatised criminal justice system in Europe. There are privately financed, designed, built and operated prisons, secure training centres for children, courts, probation hostels and police complexes. The private sector also runs immigration detention and removal centres, electronic monitoring services, prisoner escort and transportation and a range of non-custodial services in public sector prisons.

The public sector is being further undermined by the government’s insistence that the voluntary sector - which traditionally has lower wages and worse conditions - plays a greater role in providing services. This has led to multinational companies forming joint ventures with NGOs to bid and win prison contracts. This is a concept that will spread.

And last September the UK government implemented another new form of privatisation: the Social Impact Bond. This allows private investors to finance schemes where NGOs and charities provide services to prisoners with the aim of reducing reoffending rates to set targets. If the targets are met, the investors will receive returns of between 7% and 13% on their money. The scheme is extremely controversial and has many ideological and practical problems. Not surprisingly the first scheme is being implemented at a private prison.

However without knowing if it works the government is extending the Bond model and the financiers see it as the way forward. Social Impact Bonds are already regarded as a new international asset class.

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<sup>3</sup> The Importance of PPPs at European Level, Ian Wootton, PricewaterhouseCoopers, Copenhagen, 16 November 2005.



Also in the UK contracts based on ‘payment by results’ are to be implemented throughout the criminal justice system.

Finally I must mention market testing, also pioneered in the UK and possibly coming to other countries.

This is where public prisons have to bid against the private sector for a contract to continue operating. Until recently in England no existing public prison had been contracted out. However in April the company G4S won a contract to run Birmingham prison, the first existing public prison to be privatised.

Market testing is to be extended to all prisons and probation services in England and Wales and is being promoted by the industry as a model to be copied elsewhere.

### **Elsewhere in Europe**

Elsewhere in Europe only Estonia has so far rejected PPP prisons on the basis of cost comparisons. The Czech Republic’s PPP prison has been delayed due to some difficulties.

France already has some 30 semi-private prisons but the Justice Ministry has just launched a programme of 25 new prisons through PPPs over the next 8 years - projects with a capital expenditure of €5.8 billion. Twenty three prisons will be in France and two will be overseas in Réunion and French Polynesia. The programme is planned to be operational by 2019 and includes:

- \* the construction of 25 new prisons and seven extensions to existing facilities;
- \* the maintenance and renovation at a further 15;
- \* and the closure of 36 sites.

This is despite inconclusive evidence of cost savings and better outcomes for prisoners in France’s PPP prisons. I am sure that our French colleagues will be able to explain more fully what they mean when they say that the new prisons are dehumanizing.



Yet this French semi-private prison model is also being promoted and copied despite being unproven. There are PPP semi-private prisons in Hungary, some German states and in Chile where Sodexo has the majority of the PPP prison contracts that exist.

Last September at a construction conference in Cyprus an executive of French company Bouygues described France's PPP prisons model in detail and while not specifically arguing for new PPP prisons he did say that in Cyprus "all the conditions are set for a successful implementation of public-private-partnering."<sup>4</sup>

In Belgium the federal government has a programme for seven new PPP prisons. Contracts for three have been awarded so far. Two 25-year PPP prison contracts in Dendermonde and Beveren have been won by a consortium of Royal BAM Group NV and the Dexia and ABM Amro banks. The detention centre in Marche-en-Famenne in the Walloon region will be financed, built and operated by a consortium including French companies Eiffage and Sodexo and the DG Infra private equity fund which is sponsored by Dexia and Gimv.

The three contracts are worth €60m-80m and are expected to open in June 2013 to add 1,044 beds to the system.

There will be another new prison in the Walloon region but the contractors have not yet been identified.

BAM also recently won a PPP prison contract in Germany. In October 2010 the State of Lower Saxony awarded the company a 25 -year €50.5million contract for a 300 bed prison in Bremervoerde. The company will manage the facility and provide administration support, catering, provision of education and training, social and health care services, perimeter security and workplaces for 135 prisoners.

In Denmark the government recently announced plans for its first PPP prison and, in Spain, Barcelona's new Remand Centre will hold 1,200 prisoners and there will also be a new prison at Tàrrega both commissioned as PPPs.

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<sup>4</sup> David Labardin, Bouygues, 'PPP which one? For what? How?' Sixth Real estate and Construction Conference 29 September 2010



Meanwhile, Spanish companies have won a contract to finance, design, build, maintain and operate some services at a new prison in Peru, the first PPP prison in that country.

### **Electronic Monitoring**

I must also quickly mention the growth of the industry that provides the technology and runs the services to electronically monitor offenders. Electronic monitoring is promoted as a cheaper alternative to incarceration. But its use is not only controversial in terms of whether it provides positive outcomes for offenders but since the majority of services are provided by private companies there are serious implications for workers' pay and conditions. And with the growth of electronic monitoring a new criminal justice profession is developing.

Last week in Evora, Portugal, the Seventh European Electronic Monitoring Conference took place for justice ministry decision-makers, probation services, and academics. Not surprisingly the event was sponsored by electronic monitoring companies and designed to promote the industry and win new government contracts.

As one of the conference organisers noted: "Electronic Monitoring is increasingly being used in Europe and in other countries across the globe."

Elmo-Tech one of the major technology suppliers has European contracts in Denmark, Sweden, The Netherlands, Estonia, Russia, Belgium, Germany, Luxembourg, Austria, Switzerland, Italy, Serbia, Portugal, Spain and Israel.

It is no surprise therefore that major multinational prison operating companies such as Serco, G4S and The GEO Group all have substantial electronic monitoring interests. After all, it makes good business sense for them if a prison administration decides to incarcerate fewer offenders by using electronic monitoring.

### **Some good news**

The good news is that in November 2009 the Supreme Court of Israel ruled that the transfer of prisoners to private sector management was unconstitutional and it would undermine prisoners' human rights. As a result



the government had to buy back the privately financed and built prison it had commissioned and it is now run by the state.

This is not a legal precedent for the rest of the world but it is an important decision to campaign with.

In New South Wales, Australia, unions and community organisations recently won a partial victory when the government only privatised the management of one prison instead of two. It was a small victory but an important lesson in organising through coalitions.

In Latin America and the Caribbean there has been some significant rejection of prison privatisation, notably in Colombia, Costa Rica, Mendoza in Argentina, and the Dominican Republic.

In Scotland when the SNP government was elected in 2007 it managed to halt one private prison that the previous administration had planned. However, due to advice that it would be legally complex and too expensive to buy out the two existing prison contracts the government unfortunately backed away from its pre-election commitment to take back the private prisons.

### **Conclusion**

In conclusion, it is true that the international forces promoting privatisation are very strong.

But as this period clearly shows, the so-called free market has failed society as a whole and there is an opportunity to convince the public that there should be no market in criminal justice services and that privatisation should be rejected.

There is also an opportunity to develop progressive policies for the reduced use of incarceration and smaller prison and criminal justice systems as well as decent working conditions for public service workers and more humane conditions for those who have to be imprisoned.

Thank you for listening. I hope there is time for some questions and discussion.



