

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2009–10

Melbourne — 15 May 2009

Members

Mr R. Dalla-Riva
Ms J. Huppert
Ms J. Munt
Mr W. Noonan
Ms S. Pennicuik

Mr G. Rich-Phillips
Mr R. Scott
Mr B. Stensholt
Dr W. Sykes
Mr K. Wells

Chair: Mr B. Stensholt
Deputy Chair: Mr K. Wells

Staff

Executive Officer: Ms V. Cheong

Witnesses

Mr T. Holding, Minister for Finance, WorkCover and the Transport Accident Commission;
Mr D. Yates, Acting Deputy Secretary, Budget and Financial Management Division, Department of Treasury and Finance.
Mr C. Reis, Deputy Secretary, Government Service Group, Department of Treasury and Finance.
Mr G. Tweedly, Chief Executive, Victorian WorkCover Authority; and
Ms J. Dore, Chief Executive Officer, Transport Accident Commission.

The CHAIR — I declare open the Public Accounts and Estimates Committee hearing on the 2009–10 budget estimates for the portfolio of Finance, WorkCover and the Transport Accident Commission. On behalf of the committee I welcome the Honourable Tim Holding, Minister for Finance, WorkCover and the Transport Accident Commission. I also welcome Dean Yates, acting deputy secretary, budget and financial management division, and Charles Reis, deputy secretary, government service group, Department of Treasury and Finance; Greg Tweedly, chief executive, Victorian WorkCover Authority; and Janet Dore, chief executive officer, Transport Accident Commission. Departmental officers, members of the public and the media are also welcome.

In accordance with the guidelines for public hearings I remind members of the public that they cannot participate in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the minister or his chief of staff, can approach the table during the hearing. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room. I would like to make a statement in that regard.

I have noticed that the procedures are not being followed perfectly. I have asked the press, particularly the TV press, to focus on the speakers. That is not being done. There have been a number of occasions when they have not followed the guidelines. I will be speaking to the President and the Speaker in that regard to clarify these guidelines that we have. I will also be looking at the tapes, and I will also attempt to talk to the president of the press gallery. We do not have one at the moment, so I urge the press to elect one soon so that we can actually talk to them — which is a strange thing, because they are usually quite willing to talk to us.

The other point I wish to make after looking at some of the TV footage last night is that I thought it showed a very poor performance on behalf of some members of Parliament. I wish to uphold the integrity of the parliamentary process and in turn the committee process, and I urge members today to show respect for each other in the way that the proceedings take place, and indeed I hope the minister will also follow that process as well, because I think we did not have our finest moment yesterday in terms of following appropriate parliamentary procedure and showing respect for the process, the work we are undertaking and each other.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. There is no need for evidence to be sworn. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript to be verified and returned within two working days of this hearing. In accordance with past practice, the transcripts and PowerPoint presentations will then be placed on the committee's website.

Following a presentation by the minister, committee members will ask questions relating to the budget estimates. Generally the procedure followed will be that relating to questions in the Legislative Assembly. I ask that all mobile telephones be turned off.

I now call on the minister to give a brief presentation of no more than 10 minutes on the more complex financial and performance information that relates to the budget estimates for the portfolio of the Minister for Finance, WorkCover and the Transport Accident Commission.

Overheads shown.

Mr HOLDING — Thank you very much, Chair. As you have already introduced Dean, Charles, Greg and Janet, I will not repeat their various positions, but they are obviously available, at my invitation, to provide additional information to the committee should that be necessary during the question and answer session.

I want to just briefly go through some of the core aspects of my responsibilities as they relate to the Department of Treasury and Finance. This is a slide that I have used in previous years. You can see here the areas marked in green are either areas that I am exclusively responsible for within DTF or areas where I share some responsibilities with the Treasurer.

My responsibilities broadly cover the provision and management of the financial management framework; the administration of government assets; working with departments to deliver government services more efficiently, and that relates particularly to some of the government's savings activities; superannuation policy matters; and various reporting entities. Again I would emphasise that we have two of the most significant reporting entities,

the Victorian WorkCover Authority and the Transport Accident Commission — two of our statutory insurance providers — here this morning.

Just moving to the next slide, headed 'Achievements and priorities', this really looks at some of the things that have occupied the attention of the department and agencies over the last 12 months and potentially a focus going forward. Firstly, we have the efficient technology and administrative services. They are the set of activities around government savings that the government has been embarking on in recent years. There are two particular projects there — ancillary services and efficient technology services — which look to not only reduce the cost of government services but also improve the quality of the services that are provided to the Victorian public service, whether it is particular departments or outer budget agencies in some instances that are able to access some of the benefits of those activities.

CenITex is the new statutory authority that the Victorian government has created to drive the implementation of many of the efficient technology and administrative services activities. Charles is particularly well placed to provide advice on how the activities around CenITex are progressing. We have been very pleased with what has been achieved to date.

The relocation of the TAC, as Janet and the TAC would know, has been a central feature of the organisation's activities in recent years to make sure that that relocation occurred in a way that did not undermine the quality of the business and the quality of the service that has been delivered to Victorians injured in transport accidents. We are very pleased now that that relocation has essentially been completed and the staff have now occupied the new premises in Geelong.

The Hanks review is an ongoing process. Again, there might be some questions around that. That is the review of the Accident Compensation Act. The implementation of Arrive Alive 2, which we launched in calendar year 2008, is again a key focus of the Transport Accident Commission.

Going to the next slide, I will just fly through these results for both of the two major entities. I am sure there will be questions about this, so I will not go into this in any detail. It paints the predictable picture that you would expect to see following the global financial situation, but you can see still very strong performance in insurance operations results, which is what we point people to typically to underscore the strength of the business.

Going forward to the next slide in terms of injuries, again there has been a modest improvement in reported claims from 2007–08 to 2008–09 and the claims frequency continues to decline. Both those results are encouraging. I know WorkSafe remains committed to keep driving performance in that area.

The next slide is on competitive premiums. I will not go through this; it just shows that Victoria's premiums continue to be extremely competitive when compared to those of our interstate colleagues.

The next slide shows the key priorities for the next year: the national OHS harmonisation process, the reform process that will follow the Hanks review and of course the ongoing implementation of WorkHealth, our preventive health activities.

For the Transport Accident Commission we have again the same results chart that we saw for the VWA, showing the predictable deterioration in the net results from transactions. That takes up to the end of the last reporting period for the TAC, but it is still a healthy performance by insurance operations.

Going forward, trends in road trauma are continuing to decline. That is very encouraging. I think the next slide shows the long-term Victorian road toll. Again, you can see it is an area of public policy where Victoria has been particularly successful.

The next slide shows the focus for 2009–10 for the TAC: Arrive Alive 2, focusing on improvements to the claims management system; the ongoing commitment to improving rehabilitation outcomes and providing lifetime support for those Victorians who are catastrophically injured as a consequence of road accidents; and, finally, improving the value and the outcomes that we get from our health-care providers, who are an important part of the TAC's business. I think that is it.

The CHAIR — Thank you very much, Minister, for that. We have three areas we are looking at in this first one. I would like to ask you about WorkCover and WorkSafe. I know that the work both now and next year

relates to national harmonisation of occupational health and safety laws. Can you give us some information on where that is at and your expectations of that going forward in the forward estimates period, please?

Mr HOLDING — Sure. Thanks very much for the question. This has been a major focus for the Victorian WorkCover Authority of recent times. Victoria has really provided a leadership role in promoting national harmonisation. This is something that we support. We believe great benefit can come from reducing the complexity that exists for employers who have employees or activities that extend across state borders and into other states and territories. When seeking to harmonise occupational health and safety arrangements, of course, states are happy to harmonise provided they harmonise on the model that exists within that state.

What I am pleased to be able to report to this committee is that in terms of the harmonisation process the Victorian laws have really been seen as the benchmark laws in Australia. As you would know, Chair, from your own activities reviewing Victoria's OHS arrangements following the Maxwell inquiry several years ago, Victoria's OHS arrangements are very good. They have been developed on a very sound platform, and other states see Victoria as the exemplar of the model occupational health and safety laws.

We have now had a national process which has delivered two very substantial reports to the Workplace Relations Ministers Council. The council has now had the benefit of considering those two reports. Both reports really endorse, by and large, the model that exists here in Victoria. There are some areas of contention between states and territories where other states are reluctant to give up particular arrangements that exist in their jurisdiction, but I think all states recognise that you need to come to the table in a spirit of compromise if you are to take these processes forward.

This coming Monday Workplace Relations Ministers Council ministers will meet again in a phone hook-up to try to further progress this matter. I think that Monday meeting will be an opportunity for us to press ahead with the national harmonisation reform agenda.

There are some areas that are still outstanding. There are some recommendations around issues like union rights to prosecute and reverse onus of proof — even some issues around the role of health and safety representatives at the shop floor level — that are still contentious between state and territories, but we are confident that we will be able to work through those issues and put in place a set of laws which will provide a seamless regulatory environment for occupational health and safety across Australia.

The CHAIR — Do you have an estimated timetable going forward, or is that too hard to predict at this stage?

Mr HOLDING — I would be reluctant to commit to particular dates prior to Monday's meeting. Monday's meeting will be the test as to how much progress we can make. Obviously there are some new governments that have been elected around Australia, particularly in Western Australia. I make that point simply because the government that signed the original agreement around OHS harmonisation is now of a different political hue than the government that is in place now, so understandably they bring potentially different perspectives to those discussions. There is a new minister in Queensland — although of the same political hue — and that minister obviously needs the benefit of being able to be briefed and brought up to speed on the developments to date, and we will really have the first opportunity to substantially progress this issue on Monday.

Mr RICH-PHILLIPS — I would like to start with CenITex. Can you give the committee an overview of the funding surrounding CenITex since its establishment last year, including its relationship with its client base — I think 6 of the 10 departments are CenITex clients — and the progress towards the development of the common desktop rollout.

Mr HOLDING — What I can say about CenITex is that, as Mr Rich-Phillips would be aware, we established CenITex as a state-owned entity on 1 July 2008. It replaced the existing shared services centre, which was at that stage providing IT services to four government departments, and it replaced IT&S, which had been providing support to DTF and DPC. We had, in a sense, two existing shared services models within four departments and two departments respectively, and CenITex replaced those arrangements. Our expectation is that over time CenITex will become the primary provider of IT services to government, and we expect to transition new departments and agencies into the CenITex umbrella as part of the delivery of the efficient technology services project. CenITex currently supports approximately 11 500 desktops across six Victorian government departments.

Mr RICH-PHILLIPS — Is that on a fee-for-service basis from those departments? Is that how it works?

Mr HOLDING — That is right; it does. Just to provide some additional information, revenue for the 2008–2009 year was set at the budgeted amount each department or agency would have paid had CenITex not being created. We drew the appropriated amounts that had previously been allocated to them into CenITex for the provision of those services. The advice I have received is that for the nine months to 31 March 2009 CenITex has been operating at a cost below that level.

At this stage it is too early to provide full estimates of the savings that have been generated by CenITex, but we do know that there have been savings from the absorption of services that had previously been outsourced to Unisys by DTF and DPC. Those contract savings are at a level of around \$1.3 million for this financial year, and we expect it to be around \$2 million per annum on an ongoing basis. They are the savings just from the absorption of the Unisys activities that were previously being provided to DTF and DPC.

Naturally we expect there will be challenges in the time ahead. Shared services models, where they have been implemented in other states, have not been without their challenges, but we think we have been able to draw on the lessons from other jurisdictions — the learnings in particular in Queensland and Western Australia — and absorb those into the experience here in Victoria. We believe we are benefiting from that, and having particularly Charles's extensive private sector experience brought into the Victorian public service is also useful.

Mr RICH-PHILLIPS — Will the other departments be compelled to become CenITex clients and migrate into CenITex?

Mr HOLDING — Ultimately we do expect to transition government departments across into CenITex, and certain other agencies as well which are not strictly part of the Victorian inner government sector, but that is not to say that it will extend to all outer budget agencies.

Ms MUNT — Minister, I would like to follow on from the Chair's question regarding occupational health and safety. Are there any initiatives that WorkSafe are currently implementing to promote occupational health and safety?

Mr HOLDING — Thanks for the question. There are, and I would like to touch on a few if I could. In relation to promoting safer workplaces, you saw the slide earlier which indicated the decline not only in the overall number of claims but predictably also therefore a decline in the claims frequency. The best way of providing a sustainable workplace accident compensation system in Victoria is to reduce the incidence of workplace injury and illness. That is the very best thing that we can do, therefore the Victorian WorkCover Authority's activities in promoting safer workplaces are a very important part of WorkSafe's core business.

We have of course the inspectorate. The WorkSafe inspectorate conducted 38 000 inspections in 2007–08. Just incidentally, that is an inspector in a new workplace every 12 minutes. Of these visits, 28 per cent were targeted at industries with the highest health and safety risks — construction, wood products, transport and storage, and road freight — so WorkSafe is focusing on the most dangerous workplaces. In this current financial year WorkSafe aims to conduct in excess of 40 000 workplace visits.

We focused on farm and regional safety also. WorkSafe has participated in 12 agricultural field days and four regional conferences across the state, and field officers have been available to offer advice and assistance to farmers to make sure that workplace hazards at the farm level can be minimised.

The safer work zones and saving towns campaigns are two campaigns that have been highly visible marketing exercises supported by intense WorkSafe activity. These programs provide information to employers about how they can make their workplaces safer, and they target particular areas with formal inspections occurring several weeks after the targeted information has been made available. Using those campaigns, 3292 visits have been conducted in 6 regional and 10 metropolitan areas.

We have, of course, the Return to Work Fund, which encourages a focus on returning injured workers back to the workforce as soon as it is possible and appropriate to do so. We know that returning to work is a very important step in the rehabilitation process, so focusing in on supporting injured workers is very important, and WorkSafe has established the \$10 million Return to Work Fund to engage with the community and help tackle

that challenge. We have the return-to-work inspectorate to complement the other return-to-work initiatives that I was just referring to. Those inspectors have been assisting employers with meeting their legislative obligations, and they offer support and advice where compliance appears not to be being met. By the end of March 2009 inspectors had undertaken 927 visits to employers. Those visits have been well received by both the employers and the injured workers themselves.

Finally, we have our ongoing program of roadshows, which is an annual program across the state — at Warrnambool, Horsham, Traralgon, Ballarat and Wodonga — as well as roadshows and seminars in metropolitan Melbourne. Again that is about providing information about the very basics of safety as well as new occupational health and safety projects, showcasing innovative return-to-work initiatives and explaining to employers how workplace injury insurance premiums will be assessed in the next financial year. It is really about proactively providing information to employers about OHS and about the work of WorkSafe so that employers can access the latest possible information.

Ms MUNT — How many inspectors are there, Minister?

Mr HOLDING — Approximately 200.

The CHAIR — This is return-to-work inspectors, is it?

Ms MUNT — Workplace inspectors and return-to-work inspectors?

Mr HOLDING — We have about 200 inspectors; we have about 10 return-to-work inspectors.

Ms PENNICUIK — Is that approaching the ILO benchmark, Minister, the number of inspectors per employees?

Mr HOLDING — We will have to gather some advice on that.

The CHAIR — We might try to keep these in turn. Mr Rich-Phillips?

Mr RICH-PHILLIPS — I follow on from Ms Munt's question as to the work of the workplace inspectorate and to the 38 000, roughly, visits targeted to high-risk industries. Does the inspectorate also target high-risk employers? For example, if an employer had a high claims record or a high injury rate, and 25 per cent of their staff were injured in a year, would that trigger inspectorate interest?

Mr HOLDING — Yes.

Mr RICH-PHILLIPS — On an ongoing basis? For example, if last year they had 20 per cent of their staff injured, what type of action would that then trigger from the inspectorate going forward?

Mr HOLDING — I do not think it is quite as formulaic as the question might invite the answer, but insofar as we target high-risk industries, we also target high-risk employers — that is, those employers who have unusually high claims rates within their industry classification.

Mr RICH-PHILLIPS — Relative to the peer group in the industry?

Mr HOLDING — Yes.

Mr RICH-PHILLIPS — A follow-up, Chair. If it was an employer who was on a high claims rate but, relative to the peer group, consistent with the peer group, that would not trigger action?

Mr HOLDING — It would, only insofar as if the industry itself had a high-claims or a high-risk classification; then employers in that industry more generally would be being targeted by the inspectorate's activities anyway. But, I mean, you obviously would not be able to identify particular employees within that unless their claims pattern was outside the industry standard.

Mr NOONAN — Minister, I also want to ask a WorkSafe question. Specifically, can the minister advise the committee on the steps the government has taken to improve compensation benefits for victims of asbestos-related diseases in Victoria, and what impacts might those improvements have on the budget estimates?

Mr HOLDING — Thanks very much, Wade, for that question. You would recall that Parliament had the opportunity of considering the appropriate legislative arrangements for asbestos sufferers in recent times, and in fact in late 2008 the Asbestos Diseases Compensation Act 2008 was enacted. This enabled the victims of asbestos-related conditions to be able to obtain damages on a provisional basis. We know the background to this. Previously they had been put in the position of some jeopardy where, if they made an early claim and their asbestosis then developed into mesothelioma, they often forwent their entitlement to be able to make a further and subsequent claim later on.

We felt that that was an undesirable situation. It forced injured workers — sometimes the most disadvantaged injured workers — to essentially make a Hobson's choice about whether they accessed financial support early in the identification of their illness or whether they waited to see what course the illness took. The case of Bernie Banton was particularly relevant, although in another jurisdiction, for highlighting the inequities of that. That is why Victoria moved — and, I have to say, pleasingly with the support of all parties in the Parliament — to enact new legislation to remove that jeopardy.

We think those amendments are a significant benefit to all workers exposed to asbestos. Since the enactment of this legislation there have been five asbestosis claims that have been settled on a provisional basis so far — that is really over about the last six months — and that is about a quarter of all the claims for asbestosis over that period. In other words, a quarter have taken up the opportunity to access the provisional damages that the legislative amendments afforded them, and the other three quarters, or thereabouts, have not done so, and the number of claims has been about five.

Although the number of asbestosis claims are up about 30 per cent on the actuarial projections, the advice that we have received is that that is actually a consequence of individuals pursuing multiple claims against different defendants. It is not actually a real increase, we believe, in the incidence of asbestos claims being brought to the attention of government.

What I can say is that the funding arrangements that have been put in place following the enactment of this legislation have not yet been needed to be called on. In the settlement of those claims that I have identified, they were able to be met out of the existing financial provisions, therefore any concern that existed at the time these legislative provisions were introduced that they would somehow lead to a significant pressure on the funds that we allocate for meeting these sorts of claims has not been borne out. We have actually been able to meet them within the financial amounts that we put aside prior to the introduction of this legislation. The additional funds have not been drawn on.

Mr NOONAN — By way of clarification, because I think I recall from the legislation that claims might reach a high point in 10 to 15 years, can you just elaborate on whether the projections have been done over a longer period?

Mr HOLDING — The short answer to that is that that is right. We are not yet at the zenith of those claims. That will occur at some stage in the future, and that is simply because of the long tail of these sorts of illnesses and the long gestation period or the latency of these sorts of claims. We would expect that over the next 10 years or so we would reach that point and then claims will flatten, and then over time, obviously, they will start to decline.

Mr RICH-PHILLIPS — Minister, I ask about the funding for the efficient technology services program and its relationship to CenITex. The description in budget paper 3 at page 366 is:

Funding is provided to improve government productivity and efficiency by delivering standardised core information communications technology across government. The program includes joining up government information systems and using common infrastructure to establish a secure core desktop and common trusted network. The program also mandates a consistent approach by establishing one government service centre and hosting service.

That sounds a lot like CenITex, so the question is: what is the relationship between that funding and CenITex's operations, and if there is a link, what is the relationship with the pricing of CenITex services for departments?

Mr HOLDING — They are actually separate funding streams. The CenITex funding is the funding that has been identified from the departments themselves, as I advised in the previous answer. The funding that is identified there is the Department of Treasury and Finance funding profile for the delivery of the efficient technology services programs, if you like, separate from the CenITex activities.

Mr RICH-PHILLIPS — Is there not an overlap between what CenITex is doing with the common desktop environment and what this funding is apparently doing?

Mr HOLDING — There is no overlap in the funding streams. There are common elements, if you like, in what CenITex is doing from a government-wide perspective and the broader government mandate for delivering services more efficiently and providing a better quality of service, but the funding streams that you have identified there are, in a sense, for separate projects.

Mr RICH-PHILLIPS — Will the cost of these projects be passed on to the departmental agencies in the same way that they currently pay for their CenITex services?

Mr HOLDING — This funding stream, Gordon, is for the development of the common desktop model, which will then be passed on to CenITex. That model will be passed on to CenITex, which will then actually implement it. That is the reason why there are, in a sense, separate project processes. There is the CenITex process, which is the provision of a direct service to government departments, and that is funded by those government departments effectively; and there is this process, which is a DTF-led process, which will develop a common desktop platform which will then be passed on to CenITex, and it will then implement that across the Victorian government departments.

Mr RICH-PHILLIPS — Presumably these costs will then be recovered from those client departments?

Mr HOLDING — No.

The CHAIR — I assume they are in the forward estimates against the departments.

Mr RICH-PHILLIPS — They are against DTF.

Mr HOLDING — No, this is a DTF process.

The CHAIR — I mean the department, which is Treasury and Finance, yes.

Mr HOLDING — This is a DTF-led process. This generates savings over time, and those savings are part of the efficient government savings more generally.

Ms HUPPERT — Minister, my question is about the operations of the TAC. In your presentation you refer to decreases in the road toll over the last few years. Could you please advise the committee of the strategies that have been implemented and that will be implemented to deliver increasing reductions in the road toll and what this will mean for the Victorian community during the forward estimates period?

Mr HOLDING — Sure. Thanks, Jennifer, very much for that question. This is a very important question. Victoria has really been, since the very early 1970s, a world leader in promoting safer roads. The delivery now of our road safety model is very much a partnership between the TAC, Victoria Police, VicRoads and many other players in the Victorian community who have a commitment to reducing the incidence of road trauma.

Firstly, last year we saw our lowest ever road toll since we started collecting records in 1952 — a record low road toll of 303 fatalities. Nevertheless, one of the good things about Victoria is that we never accept the lowest as good enough, we accept that every death on our road is an avoidable death and we recommit ourselves to the goal of further reducing that. That is why, last calendar year, we launched Arrive Alive 2, which is our strategy for providing safer roads, safer vehicles and safer drivers, and in turn reducing the road toll and the incidence of serious injuries on our roads by a further 30 per cent over the 10-year life of that strategy.

Just looking at those different elements: safer roads — we have increased the SRIP funding. This is the funding provided by the Transport Accident Commission to VicRoads for targeted infrastructure improvements at key road black spots to generate a road safety improvement. That funding will now be \$230 million over three years. Perhaps you have already heard from the Minister for Roads and Ports — I am not sure whether he has appeared or not — about the introduction of mandatory stability control in domestically manufactured cars by the end of calendar year 2010. Of course, in this budget there is an increase for the numbers of roadside drug testing that will be undertaken by Victoria Police, and also the funding for moving mode radar which can be used by law enforcement vehicles when they are actually driving to detect speeding vehicles and to issue infringements as appropriate.

Of course the TAC itself, as well as the SRIP funding, is continuing its efforts to raise public awareness about the dangers of speeding. I think the most powerful TV road safety program in Australia is the Sudden Impact program aired on Channel 9 last year. That program was of great interest to the Transport Accident Commission and strongly supported by them. We also had the crashed car reality display which featured in Federation Square in October last year. I had the opportunity of attending that display, and I know the Premier did also. My recollection is that Neil Mitchell was a great advocate for putting in place a display which actually showed what happened to a car that was involved in a high-speed collision.

We also heard from friends of people who had been killed in road accidents, particularly young people. We had that terrible accident which occurred on Lygon Street. You almost cannot call it an accident; it involved hoon drivers at the time. They killed themselves, their mates — and from memory — a member of the public. It was just a terrible accident. To be able to hear directly from the friends of those people about the impact that road trauma has had on their friendship group is a very powerful way of getting that message across to younger people.

The TAC will certainly be continuing not just its hard-hitting campaigns, effective as they have been, but also other campaigns including the Pictures of You campaign, which I think generated a loss of public debate. We have had debate around the Mother's Day campaign which the TAC ran this year, which I think was another very effective communications medium. I really congratulate the agency for the work that it has been doing to get this message across. This has been one of the great Victorian success stories, and over the next 10 years we want to take it further. By focusing on all elements, all the moving parts — the roads and the education of drivers as well as of the safety of cars themselves — we think we can provide an even safer driving environment in the decade ahead.

The CHAIR — Thank you very much for that, Minister.

Ms PENNICUIK — Minister, the premium pool investment fund, which I understand is managed by VWA and the Victorian Funds Management Corporation, has sustained losses on investments in the last two financial years. I presume that in the current investment environment it is probably likely to lose more and may not be able to sustain its 8 per cent per annum target. If the position is that we need to maintain the current level of benefits to injured workers, then is it not the case that WorkCover would have to start to increase employer premiums rather than decrease them, which is what the Treasurer was crowing about in the Parliament last week?

Mr HOLDING — Thank you for that question. One of the great things about the way the Victorian WorkCover Authority has managed the authority's activities in recent times is that they have been managed in a sustainable way. What we have seen, firstly, is substantial actuarial releases in each successive year, and those actuarial releases represent the difference between the estimate of claims benefits that will need to be paid at the start of the year versus what is actually paid over the course of the year, and the change in the liability over the course of the year. That creates an actuarial release which improves the financial strength of the entity.

At the same time we have seen a focus on reducing the incidence of accidents in workplaces and improving the return-to-work performance. Both of those things impact on the financial viability of the organisation also. We have seen that in terms of the very strong performance from insurance operations which were recorded on a slide that I presented to the committee earlier. We have also been able to reduce premiums for employers now in five successive years, but at the same time we have maintained a buffer between the break-even premium rate and the average premium rate. In a sense that buffer is the buffer which indicates how much further we could reduce premiums if we wanted to and not put the organisation into a precarious financial position where it was collecting less premium than what it requires to meet its expected claims. That buffer also represents our capacity for delivering improved benefits to injured workers.

We want to retain an appropriate buffer that protects the financial viability of the organisation. We want to be able to continue to put downward pressure on premiums. We have not been able to reduce premiums in this coming financial year, but we have retained the capacity to improve benefits for injured workers in some way, shape or form, and it will be drawing down on that buffer which enables us to fund the improvements to benefits for injured workers that we will make through the government's response to the Hanks review. The organisation is actually in a very strong financial position. We do not get too excited by annual fluctuations in equity markets and investment markets overseas. We did not get excited in the good years when they were very

strong, and equally we are not concerned about one or two years worth of challenging times at the moment. We would expect that average predicted return to return over the 10-year average for the entity's reporting.

Ms PENNICUIK — Minister, by 'the buffer' are you meaning a surplus that is maintained in the fund?

Mr HOLDING — No. The buffer is the difference between the break-even premium rate and the average premium rate. The average premium rate at the moment is 1.387 per cent. The break-even premium rate — that is, the premium rate at which you are collecting premiums sufficient only to meet your projected claims — is less than that, so there is a buffer which we could use to either reduce premiums further if we wanted to or alternatively to provide improved benefits to injured workers. At the same time, we want to maintain some margin in that buffer to protect the financial viability of the organisation. For obvious reasons, you do not run it right down until they equate to one another.

Ms PENNICUIK — That is another question, isn't it.

Mr HOLDING — These things are based on actuarial assessments and judgements over the coming 12 months. You want to be conservative in the management of those things, and we always are.

Mr SCOTT — Minister, I note in your presentation you referred to the relocation of the TAC. Can you advise the committee on the progress of the transition of TAC operations to Geelong and the ongoing benefits this will provide to the community?

Mr HOLDING — Thanks very much for that, Robin. The TAC's move to Geelong was announced in December 2007. When we made this announcement there was a great deal of scepticism about whether this momentous move, the biggest relocation of a government agency to a regional location in Victorian history, could be achieved. I am very pleased to say — and again I congratulate the organisation for this — that not only was it achieved in the time frames that were set, but it was achieved with the organisation being able to continue its strong focus on providing its core business — its benefits and services to injured road accident victims and also its ongoing effort to promote safer roads and safer driving.

The relocation of the TAC was formally completed on 26 February 2009 when the Premier officially opened the TAC's Geelong headquarters. I just make the point that the significance of this relocation to the Geelong economy is that it will inject an estimated \$59 million per year into the local economy. To date, we have seen more than 175 homes purchased with more than 50 additional homes in the region being rented by TAC staff who have relocated into the region as part of that relocation. Since June 2007 the TAC has recruited over 230 employees from the Barwon region, and of course the TAC continues to focus its recruitment activities on that local region. In the past 12 months more than 75 per cent of those recruited externally have resided in the Barwon region.

We have seen not only a great boost to the local economy, but we have also seen an energy-efficient building — as you would expect from a newly constructed building — which sets new standards in terms of energy efficiency and environmental sustainability. The building has a 5-star green star rating, which recognises the low impact of both the operation of the building but also its construction. I was pleased to be able to inspect and see some of the water savings initiatives that have been incorporated in that building. We are very pleased about that. What I was also pleased to see is the record high client satisfaction rate of 7.46 which has been achieved at the same time that this move has been taking place. At the same time as the organisation has been physically moving from the CBD to a regional location, it has been able to maintain record high levels of client satisfaction, inject a huge amount into the local economy, support the local construction and housing market, support the creation of local jobs and take up an environmentally sustainable building which has the lowest possible environmental footprint.

Mr RICH-PHILLIPS — Minister, I would like to go back to CenITex. Since the entity was established last July, it has let a number of contracts for service provision — I think around \$14 million worth — including a number of contracts for the engagement of staff, including a chief information officer, who was engaged on a contract after a tender, for \$396 000; a chief of operations, who was also engaged on a contract after a tender, for \$493 000; and a range of other staff, including project managers, technical architects, analysts et cetera, who were engaged through employment agencies on contracts. I think it is a total of around \$4 million worth of staff contracts let either directly or through agencies. The question is: given CenITex is an agency that is

consolidated within DTF, why are all these positions being filled by contract rather than as employees of CenITex?

The CHAIR — The minister is to answer insofar as it relates to the budget estimates.

Mr HOLDING — Obviously from CenITex's perspective it is very important to obtain what are quite specialist skills in quite specialist areas. In fact in former times governments have been criticised for lacking the specialist knowledge that is required for the implementation of a project of this scope and breadth. From our perspective, being able to access the most appropriate services, and where necessary being able to engage them on terms which give us the flexibility to access the expertise that we need in the time frame that we need it and for the period of time that we require it for, is very important. I would imagine that is why the employment and recruitment models that have been used have been utilised.

Mr RICH-PHILLIPS — I accept that with a number of positions, but positions like the chief information officer and the chief operating officer will be ongoing positions, yet they have been engaged on fairly substantial contracts rather than as DTF or CenITex employees, which obviously has tax implications. I am wondering why those senior ongoing roles are contractors.

Mr HOLDING — I am happy to take that on notice, but they are not DTF employees; they are GBE employees. I draw that distinction between the two. We will take on notice whether there are any particular additional pieces of information that we can provide to address the issues that Gordon has raised.

The CHAIR — All right. We will move on to the next question. I refer you to budget paper 3, pages 260 and 261, dealing with resource management services — the land and property portfolio and administrative services — particularly in regard to dealing with contracts. This is something which this committee has looked at quite a number of times and will continue to do because it is an essential part of accountability in the Victorian government. Can you tell us about where the state purchase contracts program is at and what it is going to deliver in the future in regard to the way government does business?

Mr HOLDING — That is a very good question, Chair, and thank you for asking it. It is a key part of delivering more efficient services and providing tools for government departments to make substantial savings, which have been the things that we have done to generate whole-of-government purchasing arrangements. The state purchase contracts (SPCs) — a policy which we released in April 2005 — are a very important part of that. These are contracts that government agencies use to buy goods and services. They are compulsory for agencies that are subject to the Victorian government purchasing board procurement policies, and we think they provide a more strategic approach to contract management, and they deliver better value for money than the arrangements that they replaced.

They essentially benefit government by creating economies of scale. They enable agencies to use the same goods and services by tendering for these goods and services collectively, and that enables us in turn to negotiate better prices and quality. We have got a number of SPCs already in place that are managed by the Department of Treasury and Finance. We have an administration staffing services SPC, probity practitioner services, fuel and associated products, stationery and office products, travel management services, travel air carriers, security services, electricity purchasing and a number of other SPCs.

Those SPCs that were already in place in 2007–08 delivered whole-of-Victorian-government purchasing savings of something like \$89 million. So the ones we have already got in place are delivering substantial savings, and they are a very important part of the government's Buying Smarter, Buying Less program, which was part of our efficient government commitments at the last election.

By the end of the 2008–09 financial year we would anticipate delivering a further eight state purchasing contracts. These include server virtualisation, intragovernment mail, Australia Post, natural gas, electronic tendering, document output devices — they are the combined printer, fax and copier devices, and PCs and notebooks. So we have got the savings that have already been achieved through the existing state purchase contracts arrangements; we have got a new set coming in at the moment, and we expect these new SPCs to deliver additional savings to the government of around \$15 million per annum once they are fully operational.

So we think overall that not only do we generate savings, but we also improve the quality and the consistency of the services that are provided to government. For example, the intragovernment mail contract enables us to

address some of the security risks and security challenges that exist where government is transferring large amounts of documents, sometimes sensitive documents, between different government agencies and departments. We believe we can improve standards by either improving the range of stationery products that are available through the stationery and office products contract or reducing the complexity of government purchasing by providing a smaller range of more standardised products.

We see benefits not just from financial savings but improvements in terms of the consistency and the quality of the services that are provided to government departments and agencies by the use of these state purchase contracts.

The CHAIR — Thank you, Minister. Can you just take on notice: to what extent are these actually utilised or available to public non-financial corporations and other agencies outside the departmental structure, as well as non-government agencies that often implement government programs?

Mr HOLDING — We will get something to you about that.

Mr RICH-PHILLIPS — I would like to take you to the issue of the Ombudsman's report into the Bayside Health matter. The Ombudsman was quite critical of the TAC and the VWA for their failure to investigate what the Ombudsman described as 'highly questionable billings by Professor Kossmann; nor did they investigate the disproportionate statistics in relation to his earnings and billings'. It went on to note that following this report investigations were being undertaken by TAC and WorkCover with a recommendation that the Minister for Finance be informed of the outcome of those investigations.

My question to you is: what systemic issues were identified by each of the agencies with respect to surgeons' billing practices with the agencies, and what changes have been made to the way in which both agencies handle claims by surgeons and other practitioners?

The CHAIR — I am not sure this relates very well to the processes that we have here today, which relate to the forward estimates and the budget papers. Minister, I leave how you deal with that one to your discretion.

Mr RICH-PHILLIPS — It does to the extent that the ongoing performance of these organisations depends on the accuracy of these processes and how they feed into the budget.

The CHAIR — I understand what you have said.

Mr HOLDING — I am obviously quite happy to take the question and answer it appropriately. The question of the issues that were raised by the Ombudsman in his report; they were obviously of concern, and I discussed the findings as well as the context in which those findings occurred extensively with the chairs of both organisations and with the CEOs. And in fact following the Ombudsman's report, I wrote to both organisations drawing their attention to the various recommendations that the Ombudsman had made and seeking advice from them as to what action they proposed to take as a consequence of those reports.

Both organisations responded to my correspondence and provided some advice as to the specific initiatives that they were undertaking to address the concerns that had been raised by the Ombudsman. More generally I have been kept up to date by both organisations on the implementation of those specific responses and also other activities they have been undertaking of a more generic nature to strengthen the processes that exist at both organisations and to strengthen the rigour of their interaction with the health service providers that are such an important part of the services that they provide.

In each instance, rather than just read directly from the letters that both organisations provided to me, I might invite both Greg and Janet to make a brief comment in each instance about some of the actions they have undertaken both before and since. I should emphasise 'before', because entities have been very responsive in seeking to respond to the issues that were raised in the media before the tabling of the Ombudsman's report.

Mr RICH-PHILLIPS — That is not what the Ombudsman found.

The CHAIR — I am particularly interested in how these changed procedures are going forward in respect of the operations of the agency which — —

Mr HOLDING — I might ask Greg to say a few things about what WorkSafe has done and then Janet can perhaps make some comments on the Transport Accident Commission's perspective.

Mr TWEEDLY — There were three very specific recommendations in the Ombudsman's report for us. One was to complete the investigation into Kossmann himself. That has occurred and the matter is now before the Victoria Police, so that has been concluded from our perspective, and we will support the police as required. In terms of the ongoing issues that were identified within the report and the controls that have been suggested by the Ombudsman, we have two time periods to deal with. The immediate time period is what we can put within our existing systems, and we have put in place a number of manual checks that we did not have previously to deal with the series of criteria that the Ombudsman identified and we are working in conjunction with the TAC in the longer term to build a new treatment payments system to improve the controls in a more efficient way in the future, so we have taken on board the specific issues and they have been in place for some months now.

Ms DORE — As Mr Tweedly said, we are working closely with WorkSafe on an improved billing automated system. We have already put in place changes to our existing systems. We require detailed theatre notes with surgical invoices. We have strengthened our auditing function. We have toughened our approach, I suppose you could say, with reviewing accounts, and in fact 29 per cent of the accounts that went through in the last 12 months have been queried from various points of view. Ten per cent of them have been refused as a result of that. We have implemented a new workflow system to improve our processes, so that we can highlight exceptions, we have improved staff training, and we have been particularly emphasising the training function because of the turnover of staff in the move to Geelong.

Ms MUNT — Minister, can I refer you to budget paper no. 3 page 366, under Treasury and Finance output initiatives, and in particular the efficient technology services which are budgeted for \$3 million in 2008–09, \$40.3 million in 2009–10 and \$23 million in 2010–11. It is my understanding that this program is designed to standardise the core information and communication technology across government. Could you please explain to the committee what impact this is expected to have on productivity and efficiency?

Mr HOLDING — That in a sense follows on from some of the questions that Mr Rich-Phillips has been asking as to what different elements of some of these projects are slated to achieve. We have announced as part of the 2009–10 budget the next phase of funding for the efficient technology services initiative. As I said earlier, this is not just a big bang approach like the approach that has been taken sometimes in other jurisdictions. We are deliberately staging our approach to ensure that we manage the risks. These sorts of large projects are not without their risks and they need to be managed prudently, and that is exactly the approach we are taking by staging and phasing the implementation of the different elements of it.

The efficient technology service program will standardise common information and communication technology services across 14 government departments and agencies, which will put in place a single consolidated ICT service for something like 50 000 government staff. We expect this program to not only lower our current operational ICT costs but also to generate some improvements in the way in which we provide ICT services to Victorian government public servants. We expect to be able to deliver one common secured desktop service that will rationalise the government desktop environment.

We expect to be able to deliver one common network service that will provide greater security for data and also rationalised data communications services. We expect to have a simplified log-in service that will streamline staff log-in processes and further underpin information security. That is an important development, not just in terms of simplifying the log-in processes for government and saving time, but also where government restructures occur, we see benefits in terms of being able to draw staff that might have previously been located within one department into another department without having to completely change the ICT services that have been provided to them and all of the log-in procedures and security procedures et cetera.

We also expect to deliver a hosting service that will consolidate ICT services — the backroom activities; the consolidation of the backroom infrastructure services — and we expect also to be able to consolidate our ICT service management approach in a way that further streamlines the sorts of services that we are providing to the Victorian public service.

We see a lot of benefits coming from this, not just economies of scale, which are very difficult to achieve under the current processes, but we also see improvements in ICT infrastructure and services. We think we will be able to further optimise our commercial arrangements with our ICT suppliers, and this will in turn generate greater value for money. We expect improved service delivery, and we also expect greater agility and responsiveness in the way ICT services are provided, which will make it easier, for example, for government public servants to be able to access our ICT services from remote locations — that is, from locations which are not part of the existing infrastructure network that is in place at the moment.

We also expect joined-up government to be easier to deliver under this program. It will be much easier for government departments and agencies to talk to one another through the ICT system that is in place as a consequence of these changes than it is at the moment.

We see a lot of benefits coming from the efficient technology services initiative, not just savings but better service delivery across the public service.

Mr RICH-PHILLIPS — Minister, I would like to ask you about the role of the portfolio in the department of GBE performance monitoring. Firstly, could you just clarify the GBE role? Was that basically everything that is not general government sector you are responsible for the performance and risk monitoring of — everything outside general government; corporations et cetera?

Mr HOLDING — Responsible for risk management — yes, I am.

Mr RICH-PHILLIPS — Everything outside general government — performance and risk management? When you refer to GBEs — for example, your slide ‘GBE performance monitoring and financial risk management’ — I just want to clarify, by GBEs you are talking about everything that is not general government?

Mr HOLDING — Yes.

Mr RICH-PHILLIPS — What metrics are applied for the assessment of GBE performance by DTF? What are you looking at when you are assessing performance outside general government sector? Is it debt ratios? Is it operating outcomes?

Mr HOLDING — It depends on the entity.

Mr RICH-PHILLIPS — There is no standard set of metrics that you apply across.

Mr HOLDING — There are standard financial reporting obligations, and there are standard obligations with which these entities need to comply — annual reports. There are the financial reporting guidelines that are utilised. There are procurement guidelines. There are a whole range of different processes in place — auditing functions et cetera, the risk management activities through the VMIA and DTF risk management frameworks, which entities are expected to comply with. The way you would assess the effectiveness of any particular government business entity is obviously dependent on what service or what activity it is discharging in terms of identifying its effectiveness. I am not sure I quite understand the question.

The CHAIR — Are you asking particularly about risk management strategies?

Mr RICH-PHILLIPS — No, I am asking about debt management, the issue being that within the general government sector the Treasurer has reported the AAA rating is dependent upon liabilities remaining below 130 per cent of revenue. If you look at the non-government sector, liabilities are forecast to reach 183 per cent of revenue. My question essentially is: within that non-general government sector, does the department have any concerns about individual agencies taking on such high levels of debt?

Mr HOLDING — Insofar as that question relates to debt — —

Mr RICH-PHILLIPS — Or performance.

Mr HOLDING — And, as I understand it, the second part does; it relates to the activities of the Treasurer, who is responsible for Treasury Corporation and is also responsible for the endorsement and oversight, where appropriate, of the corporate plans. It is not really something that I can comment authoritatively on.

Mr RICH-PHILLIPS — So your role is: is what an entity doing consistent with its corporate plan that the Treasurer has ticked off?

Mr HOLDING — My responsibility is to ensure compliance with a range of government financial reporting requirements. They are varied and diverse. The question of the sustainability of debt of government agencies is the responsibility of the Treasurer, not the responsibility of the minister for finance.

Mr NOONAN — One of the key themes from this budget is the response to the bushfires. From your ministerial responsibility, I was interested in whether you can advise the committee what assistance the Victorian Managed Insurance Authority is providing to government departments and agencies?

Mr HOLDING — It is a very important question. In a sense I was having an exchange with Mr Rich-Phillips in relation to risk management. Risk management, insofar as it relates to the prudent identification and management of risks, is something that the Victorian Managed Insurance Authority takes very seriously. It is something that the government is very mindful of. It is in that context that the events of 7 February have had not just a devastating impact on the Victorian community — lives lost, homes lost, businesses destroyed et cetera — but obviously a major impact on community infrastructure and sometimes infrastructure which is owned or provided by the government on behalf of Victorians.

We saw quite extensive damage to the physical assets of government. We estimate the damage to be in the order of about \$82 million. That includes assets that I think people would be well aware of — schools destroyed, police stations, roads and associated infrastructure, buildings and structures contained within state parks and forests, railway infrastructure, Country Fire Authority infrastructure, State Emergency Service buildings and equipment. In some cases alpine resorts were damaged, both at Baw Baw and at Lake Mountain. They were extensively damaged at Lake Mountain, more on the periphery at Baw Baw, but in each instance assets relating to both of those organisations were impacted.

The VMIA has put in place a very comprehensive program of activities to support departments and agencies that have been affected by these losses and to make sure that the reinstatement and repairs to damaged infrastructure can occur as quickly as possible. They commenced a process of adjusting and agreeing reinstatement and repair of damaged assets for 12 clients, representing some 52 separate insurance claims. Those figures are as at 24 April.

It has used mapping tools to enable consideration of the location of government assets, so that they can be quickly rehabilitated and, where decisions need to be made about where replacement assets ought to be located, strategic and well-informed decisions can be made around those sorts of issues. It has briefed reinsurers in the United Kingdom and Europe. That is very important in terms of providing a quick resolution of issues with reinsurers so that they are reassured about the nature of the Victorian environment. Obviously we have had some very concerning images of our state broadcast internationally. It is important to provide up-to-date information to reinsurers in Europe particularly, given they may not have the most up-to-date information available to them.

We have also provided risk and insurance advice to a number of affected entities and departments. The VMIA has had a dedicated support team in place so that departments and agencies can use that advice to make timely decisions about rebuilding or reconstruction activities. I might stop there.

The CHAIR — I think so. Mr Rich-Phillips has a final question before we finish this session.

Mr RICH-PHILLIPS — Going back to the issues you raised last year, Minister, in the area of ancillary service savings, you spoke about the potential for things like CBD car pools, common facilities management and library service consolidation. You estimated savings of around \$10 million over four years. I would like to ask what progress has been made in the ancillary service area in generating savings.

Mr HOLDING — I am very pleased to provide some information to the committee in relation to those activities. Through the ancillary services activities we have now been able to implement some significant shared services activities. We focused in the first instance on accommodation and facilities, on departmental car-pooling arrangements and we have also focused in on library services across a number of different government departments. We believe by rationalising those services we have been able to reduce the cost to government. That has been the initial focus: facilities management and accommodation, car-pooling and library

activities across government entities. We have been able to achieve savings. Our estimate of savings — I am going to take some advice on the exact dollars.

I will take that on notice and come back to the committee with some advice about what the extent of the savings have been.

Mr RICH-PHILLIPS — Thank you.

The CHAIR — Thank you very much for that. To finalise the session, I have asked questions about federal grants in terms of outputs and assets for portfolios and agencies received in the budget, and I have asked departments to provide the committee with a list and description of these. Regarding accountability mechanisms, you have a number of agencies, but you can take that on notice.

The other thing I should note for the record is that in respect of budget paper 3, page 256, the output is back to the financial report for the state of Victoria. The committee does not support the target; it likes the target to be at the end of September for annual reports to be presented to Parliament. I thank Mr Yates, Mr Tweedly, Mr Reis and Ms Dore for their attendance.