



LEGISLATIVE COUNCIL

PORTFOLIO COMMITTEES

BUDGET ESTIMATES 2019-2020 Supplementary Questions

Portfolio Committee No. 1 – Premier and Finance

TREASURY

Hearing: Monday, 9 March 2020

Answers due by: Tuesday, 7 April 2020

Budget Estimates secretariat

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TREASURY

Questions from Ms Abigail Boyd MLC

Eraring Ash Dam Indemnity Deed

Pursuant to the “Eraring Ash Dam Indemnity Deed” between the State and Eraring Energy Pty Limited dated 1 August 2013, the State is liable for half of the costs of an “Alternative Proposal” (being the alternative proposal to the Backfill Proposal in relation to extending the coal ash dam on the Eraring site if the Backfill Proposal cannot be implemented).

In response to a question without notice from 22 October 2019, the Treasurer responded saying that Treasury had been notified that the Backfill Proposal cannot be implemented.

1. Has Origin Energy given the Treasury an estimate of how much the State will be liable to pay in relation to the Alternative Proposal under the Eraring Ash Dam Indemnity Deed?
 - (a) If yes, how much is it estimated that the State will be liable to pay?
 - (b) If not, when does Treasury expect to know how much the State will be liable to pay?
2. When was Treasury first notified that the Backfill Proposal could not be implemented?
3. When was Treasury first aware that it would be required to make a payment in respect of the Eraring Ash Dam Indemnity Deed due to the Backfill Proposal not being implemented?
4. Does Treasury expect to record an amount in the Budget to reflect its liability in respect of the Ash Dam Indemnity Deed as a result of the Backfill Proposal not being able to be implemented?

Questions from Mr David Shoebridge MLC

General

5. How many employees have the title of General Manager at icare?
6. What is the pay band for a General Manager?
7. How many employees have the title of “Head of” at icare?
8. What is the pay band for a “Head of”?
9. What is the current organisational structure?
10. What is the impact of lower investment returns on the underwriting result over FY2019?
11. How have medical cost provisions impacted prior year actual incurred claims costs?

12. What was icare’s medical cost provision in each of:
 - (a) FY2017,
 - (b) FY2018,
 - (c) FY2019?
13. Why has icare’s gross written premium increased by 9 per cent year on year from 2017 to 2019?
14. Why has icare’s net claims cost increased by 21 per cent from 2017 to 2019?
15. Why did icare’s net claims expense increase by \$1.8 billion in the last financial year?
16. What are the different components of the increase in claims expense? Given the underwriting loss, are icare’s premiums under-priced, or is claims performance substantially below expectations?
17. Evidence provided by iCare is that “collected premiums exceed claims paid in each of the last five years. What is the cause of the loss in that case? Is this related to expenses?

Measuring Performance

These questions related to page 90 of the icare annual report for FY18-19, icare Group Leadership Team have awarded themselves a ‘Meets’ Performance Rating.

18. For ‘Transformation’, the measure is a percentage of transformation milestones delivered against time and scope. Why was budget not included as a measure?
19. Please provide details of the transformation milestones referenced in this measurement.
20. In measuring performance in the Finance category, the icare Group Leadership Team awarded itself an ‘exceeds’ in FY2018, and only a ‘meets’ in FY2019. Why was this?
21. icare's staffing costs grew over 30 per cent from (FY2017) \$100m to (FY2018) \$131m, whilst staffing numbers only increased by 18 per cent;
 - (a) advertising, promotion and publicity expenses grew by 65 percent between FY2017 (\$2.1m) and FY2018 (\$3.5m);
 - (b) communication expenses grew around 380 per cent over FY2017 (\$713,000) to FY2018 (\$2.7m) and were \$3.6m in FY2019 (an increase of 33 per cent).
 - (c) Please provide budget targets for FY2017, FY2018, and FY2019 that the icare Group Leadership Team gave itself to benchmark against for the Finance performance measure in order to achieve “Exceeded”, “Exceeds” and “Meets” for the years FY17, FY18, FY19 respectively.

22. What was the total amount of “performance payment plans” (hereafter ‘bonus’) paid out to icare staff and executives in 2019?
23. What was the breakdown of bonus paid by position?
24. How much is allocated to the bonus budget for each year and how is this number/percentage calculated?
25. Are bonuses based on performance reviews?
26. If bonuses are not based on performance reviews, what process is used to establish bonus eligibility? Please provide documentation of how this is achieved.
27. If bonuses are based on performance review, what is the process to establish Key Performance Indicators and review against individual performance? Please provide documentation of the process for Executives and their individual reviews for the last bonus period.
28. icare reported a loss of \$872 million last year and an underwriting loss of \$2.6 billion. Was this partially or fully reflected in any of the executive’s performance reviews?
 - (a) If not, why not?
 - (b) If so, why was the bonus paid?
29. Who in icare was responsible for approving the allocated amount for bonuses? Please provide documentation for the process involved.
30. Who in icare was responsible for approving Executive bonuses? Please provide documentation establishing the justification for each Executives bonus payment.
31. What are FY2020’s performance targets for each of the established categories?

The Bridge International

The Bridge International was awarded the contract of work for the review of icare’s Enterprise Project Management Office (EPMO) through a “pricing under expression of interest” “that was undertaken by a separate group”...

32. Please provide the Committee with this Expression of Interest document.
33. Was The Bridge International informed directly about the expression of interest? Please provide dates and positions of those involved in this contact.
34. Who else was informed directly about the expression of interest? Please provide dates and positions of those involved in this contact.
35. What was the timeframe for response to the Expression of Interests?

36. How many Expressions of Interest were received?
37. How were the Expressions of Interest evaluated?
38. Was the process and results for evaluating Expressions of Interest? Please supply relevant documentation.
39. On what grounds were The Bridge successful in being awarded this contract?
40. What was the scope of the contract awarded?
41. Had The Bridge International been awarded any work or provided any other work that was paid for in part or in full from icare prior to the Expressions of Interest?
42. Who was responsible for conducting the Expressions of Interest?
43. Was there any actual or perceived conflict of interest in the leader or executive who conducted the expression of interest with the Bridge International? If so, where and when was this recorded?
44. How was the pricing Expressions of Interest for the review of EPMO publicised?
45. What other bodies of work has The Bridge International undertaken for icare or EML that was funded in part or full by icare?
46. What was the process of awarding each body of work to The Bridge International? Please provide details of whether this was by tender, expression of interest, or no selection process.
47. How much has icare either directly or indirectly paid the Bridge International for work undertaken or proposed for icare or the Nominal Insurer scheme?
48. What is the quantum of liabilities that icare or the Nominal Insurer scheme will owe The Bridge International this financial year?
49. How much are the liabilities that icare or the Nominal Insurer scheme will owe The Bridge International for the FY21 financial year?
50. Please list all the contracts the Bridge International is undertaking for the Nominal Insurer scheme, either engaged by icare or by the scheme agents (EML, GIO, Allianz).
51. Please provide the scope of services the Bridge International is providing to the Nominal Insurer scheme.

Introducing an Industry Model

Re Page 68 of the Estimates Transcript refers to icare introducing an industry model.

52. Why did icare feel this was necessary?

53. Who at icare is responsible for developing the requirements of this tender?
54. Please provide details of meetings in 2019 between representatives of industry associated with this tender and the representative of icare responsible for this tender.
55. When was the tender for this new model released?
56. When did the tender for this model close?
57. Who won the tender for the new industry model?
58. Please provide details of any meetings between the winner of this tender and the person(s) responsible at icare for this tender.
59. When was the winner of this tender announced?
60. Why was the winner of this tender selected?
61. On 28 February 2019, icare announced it was creating a special industry model for the Motor Traders' Association of NSW. This is in addition to the Authorised Provider model and the industry models. Is icare concerned about the complexity of having multiple models?
62. When will the industry model with the Motor Traders' Association of NSW begin?
63. Was any cost/benefit analysis of a separate model for the Motor Traders' Association undertaken?
64. What other industries is icare considering to create a specialised claims model for?

Rolling over the EML contract

Re page 82 of the Estimates Transcript, Mr Nagle said he would provide the 128 criteria that EML would assess whether EML's contract would be rolled over.

65. What evaluation process will be undertaken to ensure that the Nominal Insurer scheme gets value for money, given the 'cost-plus' contract icare has with EML?
66. Will these 128 criteria be applied with the other service providers you have in the Nominal Insurer scheme?
67. Will these criteria be consistent across all providers?
68. What emphasis will return to work measures have on EML's contract roll over?
69. When do you expect to have a competitive tender process again for the Nominal Insurer scheme?
70. Is the Return to Work performance result of EML inflated by icare's Wollongong office? (Page 77 of the transcript).

Independent report findings on icare's triage model

On page 58 of the Estimates Transcript, Mr Nagle refers to the triage model of icare.

71. As a percentage of total claims, how many claims were triaged properly in 2019?
72. What percentage of claims were triaged properly so far in 2020?
73. How many claims were escalated from icare's guide segment to support segment in calendar year 2019?
74. What is the target return to work rate for each of icare's segments at 4 weeks, 13 weeks and 26 weeks?

Contracts awarded without due process

75. From 2015-2019, please provide a table of details of contracts that icare has engaged in, or amounts paid to, Employers Mutual Limited subsidiaries and related entities including:
 - (a) A. S. WHITE GLOBAL PTY LTD ACN 613 143 463 ABN 11 613 143 463
 - (b) ANTFARM HOLDINGS PTY LTD ACN: 607 053 538 ABN: 16607053538
 - (c) AS WHITE AUSTRALIA PTY LTD ACN 613 328 582 ABN 98 613 328 582
 - (d) ASWIG GROUP PTY. LTD. ACN 165 202 004 ABN 89 165 202 004
 - (e) ASWIG MANAGEMENT PTY LTD ACN: 002 617 012 ABN: 52 002 617 012
 - (f) ASWIG SOLUTIONS PTY LTD ACN: 114 293 417 ABN: 53114293417
 - (g) CAPACITY CONNECTION PTY LTD ACN 607 216 268
 - (h) EML ACADEMY PTY LTD ACN 614 005 855 ABN 39 614 005 855
 - (i) EMLIFE PTY LTD ACN: 613 902 346 ABN: 77613902346
 - (j) EMPLOYEE PROTECTION SOLUTIONS PTY LTD ACN: 604 985 275 ABN:
20604985275
 - (k) 20604985275
 - (l) EMPLOYERS MUTUAL MANAGEMENT PTY LTD ACN: 001 735 191 ABN:
11001735191
 - (m) EMSAFE PTY LTD ACN: 141 623 350 ABN 91 141 623 350
 - (n) ISOCELES PTY LTD ACN: 100 368 198 ABN: 24100368198
 - (o) MUTUAL SOLUTIONS AUSTRALIA PTY LTD ACN 128 027 243 ABN 29 128 027
243

(p) RIVERWISE PTY. LIMITED ACN: 084 303 40 ABN: 20084303408

(q) TEC SENTRAL PTY LIMITED ACN: 169 041 8742

Questions from the Hon Mark Buttigieg MLC (on behalf of the NSW Labor Opposition)
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Port of Newcastle

76. Did the Government reach any settlement with Mayfield Development Corporation Pty Ltd after concluding negotiations in November 2013?
- (a) If yes, what was the Government's authority to reach a settlement with Mayfield Development Corporation Pty Ltd?
 - (b) If any settlement was concluded, is this settlement confidential?
77. What economic modelling did Treasury undertake in relation to a container terminal being developed at the Port of Newcastle under the Government's terms for developing a container terminal at the Port of Newcastle?
78. On what date did the Government inform the public and Parliament about the Government's terms for developing a container terminal at the Port of Newcastle?
79. Has the Government entered into any arrangements with the lessee of the Port of Newcastle which involve penalties if the number of containers moved through the port exceeds a set threshold?
80. What is the Treasurer's understanding of the "container cap issue" at the Port of Newcastle as identified by the Government's spokesperson for the Hunter, The Hon Catherine Cusack MLC, in the Legislative Council on 26 February 2020?
81. When the Government leased the Port of Newcastle to Port of Newcastle Investments Pty Ltd on May 31 2014, was a cap put on the number of containers that can be moved through the port for which a penalty did not apply?
- (a) If yes, what is the purpose of the Government's penalty for exceeding the cap on numbers at the Port of Newcastle?
82. Did the government inform the public and the Parliament about the penalty for exceeding the cap on numbers at the Port of Newcastle for which no penalty applies?
- (a) If yes, when?

83. Does the *“Ports Assets (Authorised Transactions) Act 2012”* authorise the Government to pay the lessee of Port Botany and Port Kembla in respect of any containers shipped through the Port of Newcastle?
- (a) If yes, which section?
84. Does the *“Ports Assets (Authorised Transactions) Act 2012”* authorise the Government’s container penalty at the Port of Newcastle?
- (a) If yes, which section?

Questions from the Hon Adam Searle MLC

The following questions are directed to Mr Mike Pratt AM, Secretary, NSW Treasury

Wentworth Advantage draft report, *Landcom Investigation Report into Bullying Complaints made against Ms Suzanne Jones, March 2019*

85. When did you first see this document?
86. When did you become aware of this document, the draft report?
87. Your evidence last year was that you took over ‘ownership’ of the investigation from Landcom. What briefings did you receive on the progress of the process of Mr Werman’s investigation?
88. What briefings did you receive on the process of the preparation of Mr Werman’s written reports (the draft reports and the final report)?
89. Were you briefed at any time on the content of this draft report?
- (a) If yes, when were you briefed and by whom?
90. What feedback did you provide on this or any draft of Mr Werman’s report?
91. What action did you take in relation to this draft of Mr Werman’s report?
92. What action did you take in relation to any of the drafts of Mr Werman’s report?
93. What advice, legal or otherwise, was obtained on the content of this draft of Mr Werman’s report?
- (a) On whose instructions was that advice obtained?
- (b) What advice, legal or otherwise, was obtained on the content of any of the other drafts of Mr Werman’s report?
- (c) On whose instructions was that advice obtained?

- (d) From whom was that advice obtained?
 - (e) Was that advice in writing?
 - (f) When was that advice received?
 - (g) Were you briefed by any person on the content of that advice?
 - (h) If yes, by whom were you briefed?
 - (i) Did you see any advice?
 - (j) What action did you take on that advice?
94. What advice, legal or otherwise, was obtained on the content of this draft of Mr Werman's report?
- (a) On whose instructions was that advice obtained?
 - (b) What advice, legal or otherwise, was obtained on the content of any of the other drafts of Mr Werman's report?
 - (c) On whose instructions was that advice obtained?
 - (d) From whom was that advice obtained?
 - (e) Was that advice in writing?
 - (f) When was that advice received?
 - (g) Were you briefed by any person on the content of that advice?
 - (h) If yes, by whom were you briefed?
 - (i) Did you see any advice?
 - (j) What action did you take on that advice?