

UNCORRECTED PROOF

GENERAL PURPOSE STANDING COMMITTEE No. 1

Tuesday 17 November 2009

Examination of proposed expenditure for the portfolio area

FINANCE

The Committee met at 12.30 p.m.

MEMBERS

Reverend the Hon. F. J. Nile (Chair)

The Hon. M. R. Mason-Cox
The Hon. G. S. Pearce
Ms L. Rhiannon

The Hon. P. G. Sharpe
The Hon. I. W. West
The Hon. H. M. Westwood

PRESENT

WorkCover NSW

Mr R. Thomson, *Acting Chief Executive Officer*

Mr J. Watson, *General Manager*

Land and Property Management Authority

Mr W. Watkins, *Chief Executive Officer*

SAS Trustee Corporation

Mr C. Durack, *Chief Executive Officer*

CORRECTIONS TO TRANSCRIPT OF COMMITTEE PROCEEDINGS

Corrections should be marked on a photocopy of the proof and forwarded to:

**Budget Estimates secretariat
Room 812
Parliament House
Macquarie Street
SYDNEY NSW 2000**

CHAIR: I declare this hearing for the inquiry into the budget estimates 2009-10 open to the public. I thank those witnesses who have returned for the supplementary hearing. Today the Committee will examine the proposed expenditure for the portfolio of Finance. Before we commence I will make some comments about procedural matters. In accordance with the Legislative Council's guidelines for the broadcast of proceedings, only Committee members and witnesses may be filmed or recorded. People in the public gallery should not be the primary focus of any filming or photographs. In reporting the proceedings of this Committee, you must take responsibility for what you publish or what interpretation you place on anything that is said before the Committee. The guidelines for the broadcast of proceedings are available on the table by the door.

Any messages from the attendees in the public gallery should be delivered through the Chamber and support staff or the Committee clerks. I remind witnesses that they are free to pass notes and refer directly to their advisers while at the table. I remind everyone to turn off their mobile phones. For the information of the witnesses, the Committee has agreed to the following format for the hearing: Opposition questions, one hour; Greens questions, 20 minutes; and Christian Democratic Party questions, 10 minutes. The Committee has resolved that answers to questions on notice must be provided within 21 days. Transcripts of this hearing will be available on the website from tomorrow morning.

ROB THOMSON, Acting Chief Executive Officer, WorkCover NSW,

JOHN WATSON, General Manager, WorkCover NSW, and

WARWICK WATKINS, Chief Executive Officer, Land and Property Management Authority, on former oath:

CHRISTOPHER JAMES DURACK, Chief Executive Officer, SAS Trustee Corporation, sworn and examined:

CHAIR: I declare the proposed expenditure for the portfolio of Finance open for examination.

The Hon. GREG PEARCE: Mr Watkins, can you update us on the airport stamp duty dispute?

Mr WATKINS: I have no responsibility for the airport stamp duty issue. It is not a responsibility of the State Property Authority [SPA] or anything under my control.

The Hon. GREG PEARCE: Who is running it then?

Mr WATKINS: I have no idea. I am here as the chief executive of the State Property Authority. The State Property Authority reports to the Minister for Finance, but the matters pertaining to which you outlined, I would have assumed—

The Hon. GREG PEARCE: So would it still be in the Office of State Revenue?

Mr WATKINS: It will be in the Office of State Revenue, I would think, yes.

The Hon. GREG PEARCE: Mr Durack, can you update us on the sale of Pillar, in particular what the current state of play is? Who has been appointed to assist? What are they doing? What is the program?

Mr DURACK: You would need to ask Treasury about the sale of Pillar. We use Pillar as the administrator of the State Trustee Corporation [STC] so we do not have any direct involvement in the plans for its sale.

The Hon. GREG PEARCE: So you are not involved at all?

Mr DURACK: No. We would obviously be concerned that the services provided by Pillar under any changed arrangements would be appropriate to the services we require, but we are not involved.

The Hon. GREG PEARCE: So you have not been consulted in relation to those services and how they will be delivered on the sale?

Mr DURACK: Not in relation to how they might be delivered post the sale.

The Hon. GREG PEARCE: So you will be handed a new manager without being involved at all?

Mr DURACK: No. We would expect to be consulted, particularly in relation to the services that Pillar was supplying, and we would be an interested stakeholder in any proposal for the sale of Pillar.

The Hon. GREG PEARCE: So are you saying that you have not yet been consulted at all?

Mr DURACK: There was a preliminary investigation at the time and we had a meeting to talk about the services that we receive from Pillar.

The Hon. GREG PEARCE: Who was involved in that meeting?

Mr DURACK: I would need to take on notice the attendees, but the attendees from STC were me, our general counsel and our member services manager. We talked about the services that were provided under the contract.

The Hon. GREG PEARCE: Did you receive an assurance that those services would be provided as part of the sale process?

Mr DURACK: We were assured that we would continue to be consulted as part of a sale process if it were to progress.

The Hon. GREG PEARCE: When was that initial consultation roughly?

Mr DURACK: I would say approximately six months ago.

The Hon. GREG PEARCE: And you have not been consulted since then.

Mr DURACK: Not since then.

The Hon. GREG PEARCE: Does that amount to regular consultation?

Mr DURACK: We are in very regular contact with Pillar. We have a member services manager who talks with them very regularly. In relation to any sale process, if there was to be one that proceeded—and I am not aware that there is one proceeding at the moment—we have been assured that we would be consulted as a major client of the administrator.

The Hon. GREG PEARCE: You have not appointed any independent experts to assist you in making sure that that process is undertaken?

Mr DURACK: Not at this stage.

The Hon. GREG PEARCE: So until you are consulted again with a firmer proposal for the sale you would not look at that issue?

Mr DURACK: That is correct. What I would say, though, is that we have very detailed key performance indicator [KPI] monitoring of Pillar. We regularly assess that and those assessments go to the STC board.

The Hon. GREG PEARCE: Can you update us on the question of unfunded liabilities? What is the current state of the review? Who is doing a review? What is the time frame?

Mr DURACK: The triennial review, which is being conducted by Mercer, which is the scheme actuary, is due to be completed and issued to the trustee on 25 November this year.

The Hon. GREG PEARCE: We are a little premature then, are we not?

Mr DURACK: A little.

The Hon. GREG PEARCE: You would have been discussing the outcomes of that. What are we looking at in terms of the unfunded liabilities at the moment?

Mr DURACK: I cannot give you any information about what is in the triennial report. It has not been issued at this stage. What I can tell you is that we monitor the conditions of investment markets continuously. There has been some improvement on the asset side of the STC portfolio most definitely since March of this year, and we have experienced some positive returns, which of course are favourable in terms of meeting or improving the unfunded liability.

The Hon. GREG PEARCE: You said since March. The last figures we would have are from the State audited accounts. Were they the last figures that you have?

Mr DURACK: In terms of the investment returns?

The Hon. GREG PEARCE: Yes.

Mr DURACK: In terms of the investment returns, I can tell you that to the end of September the fund has returned 9.2 per cent for the financial year to date, which is obviously a significant return. For the financial year ended 30 June 2009 the return to the fund was minus 10.3—

The Hon. GREG PEARCE: That is 9.2 per cent on an annualised basis or is it just for that quarter?

Mr DURACK: No, it is for the financial year to date. So that is 9.2 per cent. It is not annualised.

The Hon. GREG PEARCE: Will the review again make recommendations about the amounts that are needed to be paid in each year, particularly up until the peak year, which I think is 2015-16 or 2014-15?

Mr DURACK: The actuary will make comments about the level of fundedness within the scheme and refer to the Government's stated objective of attaining full funding by 2030 in making those judgements. But, yes, the actuary will make comments about his view on the financial condition of each of the schemes.

The Hon. GREG PEARCE: Is it the case that we still need to have the two payments, the annual payment for superannuation plus the top-up—the interest payment, as I call it?

Mr DURACK: I take it you are referring to the past service liability and the ongoing required contributions?

The Hon. GREG PEARCE: Yes. I do not use your language, I am sorry.

Mr DURACK: I just wanted to clarify it. There will be, of course, projections in terms of how the fund is tracking relative to those targets. Yes, the very key considerations are how the past service liability is looking in terms of the objectives of government, and that needs to be considered also in relation to ongoing required future service liabilities as they emerge.

The Hon. GREG PEARCE: May I ask a question of either Mr Thomson or Mr Watson in relation to WorkCover. When will your annual report be available?

Mr THOMSON: It is due to go to government by the end of this month.

The Hon. GREG PEARCE: Are you in a position to give us an update on performance against your key performance indicators?

Mr THOMSON: Are you talking about the scheme's performance?

The Hon. GREG PEARCE: Yes.

Mr THOMSON: The overall scheme performance has been announced. The deficit has reduced from \$1.77 billion. As at December, it is down to \$1.482 billion, so it has improved by about \$289 million in the six months.

The Hon. GREG PEARCE: May I take you to some of your objectives. I am going from last year's annual report because I do not have this year's. I refer to the reduction in workplace incidents rates of 40 per cent by 2012, on the 2002 baseline. Can you give us an update on how that is going?

Mr WATSON: In general terms, I can update you that New South Wales is well on target to reach that national benchmark target, so we are progressing very well. At the moment we stand at a 20-year low in respect of incident rates in New South Wales.

The Hon. GREG PEARCE: Can you give us the figures?

Mr WATSON: I will check; I may have the figures with me. Perhaps we will take that matter on notice and get the figures for you.

The Hon. GREG PEARCE: Are you able to provide an update on workplace fatalities, where the objective was a reduction of 20 per cent by 2012, on the 2002 baseline?

Mr WATSON: Again, we are on target to reach that baseline of the national target, so we are progressing quite well. No workplace fatalities are acceptable, and as far as we are concerned they are all tragic and preventable events. Nevertheless, there are a number of workplace fatalities that occur in New South Wales, but they are on a reducing scale towards the national target.

The Hon. GREG PEARCE: Do you have the most recent figures?

Mr WATSON: Again, I will take the question on notice and give you the figures.

The Hon. GREG PEARCE: The next objective was an increased ratio of advisory notices when compared with the total number of notices issued. Can you explain what that means?

Mr WATSON: I am sorry, could you repeat that?

The Hon. GREG PEARCE: An increased ratio of advisory notices when compared with the total number of notices issued.

Mr WATSON: That ratio is about driving the change that we have taken in WorkCover to provide more advice and assistance to workplaces in New South Wales. The ratio is about the notices we serve, which are advisory in nature. We have a number of notices that inspectors use to provide advice, and also our business assistance officers provide information to workplaces as well as providing advice. What we are doing there is measuring the increase in advice that we are providing. We do this through what we call a CAR—a confirmation of advice record—which is provided to a workplace on matters not of a serious nature but matters that we believe, following our visit, the workplace could take action upon.

That may involve such things as improving the management of exposure to manual handling risks, for example, where there is no immediate danger but some modifications within that workplace, or perhaps even some training or intervention of that nature, may be of assistance to the workplace in reducing that longer-term risk associated with manual handling injuries. The ratio is to provide that measure against such things as prohibition notices, where we prohibit some activity within a workplace, or the use of a piece of equipment, or indeed the use of an area of a workplace, because there is an immediate danger to life and limb. The other type of notice that WorkCover serves is the infringement notice, more commonly known as an on-the-spot fine. The ratio is to represent a measure between that advice and those sorts of notices, the enforcement-type notices.

The Hon. GREG PEARCE: Can you tell us about WorkCover NSW TestSafe facilities?

Mr WATSON: Yes, I can. Thank you for the question. WorkCover NSW runs a testing facility. We have two sites. One is a biological laboratory at Thornleigh, where we test both blood and urine samples, as well as dust samples, asbestos samples, et cetera, to ensure the maintenance of effort in respect of minimising the exposure to chemicals within the workplace, but also in respect of carcinogens. Some of those are reportable, and workplaces throughout Australia, not just in New South Wales, send samples to our Thornleigh laboratory and they are tested. That is a commercial activity. Of course, it provides support to our inspectorate, where we need testing done to determine whether a particular sample contains asbestos, or indeed what mixture of chemicals et cetera a particular sample contains.

The other location is Londonderry, where we have a large site that runs engineering testing, both destructive and non-destructive testing, as well as an open fire ground where we can do live fire events as well as explosion testing et cetera. We have a facility to dispose of fireworks that we may seize as part of our activities as a regulator, and we have dangerous goods storage facilities there as well. We test such things as wire ropes that are used in the mining industry; we test diesel engines to make sure they are intrinsically safe before they are put into environments where an explosion may occur; and we test both high-current and low-current electrical equipment. In that respect, we might test a circuit board to ensure that there is no shortage across the circuit board in an environment that might cause an explosion.

In respect of high-current electrical equipment, we might test some switching gear that might be going into a site, where we might undertake issues where there could be explosion risks. We also have the capacity to test electrical motors, to ensure that they are running to specifications. Indeed, again, we work commercially, as well as supporting WorkCover's undertakings in investigations. The site also has the capacity to hold the sorts of things we would seize when there is an incident in a workplace. For example, we might seize a crane. Indeed, we have seized semitrailers and those sorts of things, where we need them for evidence. We have a secure

evidence area, where we can hold that sort of equipment well and truly away from prying eyes and have some control over that equipment as a trail of evidence.

The Hon. GREG PEARCE: Where are the revenues from that shown?

Mr WATSON: I do not have in front of me the document you have in front of you. But we do have some revenue income from that. Bear in mind, this is not to cover the total cost but to offset the cost of running that sort of facility. New South Wales clearly needs that type of facility, to provide the support we have in conducting our investigations.

The Hon. GREG PEARCE: Is it a separate cost centre?

Mr WATSON: Yes, it is a separate cost centre.

The Hon. GREG PEARCE: Perhaps you could take on notice getting us some details on that.

Mr WATSON: Yes, we can. We are happy to do that.

The Hon. GREG PEARCE: How many inspectors do you have?

Mr WATSON: We have 314 inspector positions in our establishment. We have just taken on 20 new inspectors. They have commenced their training. It is an 18-month training program that we undertake with them.

The Hon. GREG PEARCE: It looks like a popular job. According to last year's report there were 1,600 applications for positions, and WorkCover took on 14 people?

Mr WATSON: Yes, it is a popular position because WorkCover is such a good place to work and people wish to join us. It seemed to be quite a popular position. Perhaps I can provide an update on the inspector recruitment process to give you some information. WorkCover continues to work in partnership with employers, providing practical advice and information and assistance on what compliance looks like with an aim to making work places safe, secure and productive. In support of this approach, last year we employed 16 new inspectors commencing on 13 October 2008. The new inspectors joined Australia's largest and most highly trained workplace inspectorate. They have come from a range of employment and industry backgrounds, including manufacturing, transport, engineering, construction, health and the public sector. They reflect the diversity of workplaces in New South Wales.

The State's businesses will benefit from their skills and experience. The new inspectors play a crucial and pivotal role in providing help to employees and workers, increasing the capacity to manage workplace safety risks within their workplaces and understand their workers compensation and injury management requirements. We have completed the recruitment intake for 2009. We held recruitment presentations in Redfern, Parramatta, Blacktown, the Sydney central business district, Griffith, where we had a vacancy, and in Gosford with approximately 1,500 participants attending our information centres. There were 2,965 applications received this year, an increase on the 1,600 in 2008. Twenty new inspectors have been employed and commenced with us on 19 October.

The Hon. MATTHEW MASON-COX: Mr Watson, I refer to your comment that WorkCover is such a good place to work and that is why so many people want to work there. How does that statement stack up in light of the reports in the press about bullying and harassment in WorkCover? Indeed, your own survey showed that that is a real problem within your agency?

Mr THOMSON: There were some reports. The Public Service Association [PSA] conducted a survey about bullying and harassment within WorkCover in 2007. Only 179 employees out of almost 1,200 staff of WorkCover responded to that survey. WorkCover conducted its own corporate survey, "A Great Place to Work", around the same time and more than 820 staff completed that survey with more than 65 per cent indicating that WorkCover was a great place to work. Since those surveys, both WorkCover and the PSA have been working together to devise new ways to deal with bullying and harassment issues in the workplace. A further internal corporate survey was undertaken in August 2008 with more than 72 per cent of staff responding, giving staff another opportunity to provide feedback on their workplace, and to enable a comparative analysis with the previous survey.

In 2008 WorkCover and the PSA formed a bullying joint working party to ensure WorkCover continues to build a positive and constructive workplace culture. The working party met on a six-weekly basis during 2008 and the early part of 2009. As a result, a working with respect workshop has been and is being rolled out progressively across the organisation. It complements training that was already in place in an undertaking in 2007. In addition to preventing bullying or to minimise the risk of bullying being able to occur, a policy was developed aimed at identifying bullying risk factors and developing control strategies.

The Hon. MATTHEW MASON-COX: It sounds like a primary school rather than a government agency responsible for workplace safety.

Mr THOMSON: There are two things. WorkCover has two roles. We are an employer in our own right and we are also the regulator, so we have to be clear to specify the differential between both of those. I guess, if I can give you a little bit more information, the working party which is joint between the union and the employer developed a series of procedures that provide staff with options for support and remedial action if they experience, perceive or see, or witness bullying. They are able to take their concerns to a supervisor, manager, directors general managers, or the manager of human resources, to their occupational health and safety representative or committee, the employee assistance service, or directly to a newly developed bullying response service.

The service that was introduced in January 2009 provides individual staff members with an opportunity to receive independent advice or support or see a professionally qualified workplace psychologist. In addition, we have developed the respectful behaviours guide, following extensive consultation that was released to all staff. WorkCover and the association conducted a joint confidential survey of staff around respectful behaviours in the workplace in September 2009, with more than 750 staff responding, and the results provide strong evidence that respectful behaviours are being actively demonstrated within WorkCover. We do, as an employer, have firm policies in place to address bullying and harassment and all reported incidents are taken seriously and addressed promptly and appropriately.

The Hon. MATTHEW MASON-COX: I refer to the strong results from the 750 people who responded in the September 2009 survey. Would you further elucidate the specifics of that survey?

Mr THOMSON: There was a range of statements that people were asked to respond to and, I guess, the top 10 were in the affirmative. Any issues of concern around that were very much at the bottom of the 90 odd questions that were asked, to get a flavour of the issue, if there was an issue, and if there was, the extent of the issue. The response very clearly came out, I guess, with a favourable response. Yes, there was the odd occasion that some people may have experienced it or may have witnessed some issues, but it is very much in the minority. The majority of the attributes displayed were in the positive in relation to the way that you have got 1,300 people operating in an organisation.

The Hon. MATTHEW MASON-COX: Would you provide the committee with the specific statistics of that survey?

Mr THOMSON: We can provide some information on that, yes.

The Hon. MATTHEW MASON-COX: WorkCover seems to have conducted a number of surveys over a period of time and, more or less, there seems to have a focus on this issue in the last couple of years. Why is there a problem with bullying and harassment in WorkCover?

Mr THOMSON: The first point, a couple of surveys were not focussed around bullying and harassment, they were about trying to understand what things we needed to do as an employer to get better engagement and better interactions, and just to see where we stood as an employer. So we were being proactive to try to get buy-in from our staff at a broad organisational—

The Hon. MATTHEW MASON-COX: Why were you being proactive in the first place?

Mr THOMSON: Because that is what being an employer is about, it is about trying to look after staff and engage with them so it can work with our staff.

The Hon. MATTHEW MASON-COX: I put it to you that you were being proactive because you knew there was a problem about which you had to do something.

Mr THOMSON: I do not think that is necessarily the case.

The Hon. MATTHEW MASON-COX: Not necessarily the case?

Mr THOMSON: I do not think it is. Yes, we have had the odd issue like most employers do. As a regulator—and John is probably more appropriate to talk on this side—we go out and give advice and guidance to employers about how to manage issues of bullying and harassment that occur in a lot of workplaces around, not just New South Wales, but the country. We are trying to get a clear handle and understanding of our staff's perceptions and getting their buy-in and where there were issues, be they perceived or real, try to take action proactively to deal with them.

The Hon. MATTHEW MASON-COX: Is it not true that those issues have been in workplaces for years and years? In that case, why has it taken WorkCover so long to be proactive about such issues that have been a problem for a long time?

Mr THOMSON: I have been in the organisation nearly seven years and I would say it has not been a significant issue inside our organisation. There may have been the odd issue here and there but it has not been a major driving force inside the organisation.

The Hon. MATTHEW MASON-COX: Are you aware of the article in the *Daily Telegraph* that documented that 86 per cent of staff of WorkCover who were surveyed nominated that these were problems? I know you have carried out a few surveys since then but it continues to be a problem according to sources that we have noted. In fact, as late as last week officers of WorkCover's licensing unit were leaving the WorkCover building after being bullied and harassed. Is that true?

Mr THOMSON: I think the survey that the Telegraph is alluding to is the one that was one by the PSA separately and, clearly, the way you ask questions and develop questions relative to a survey can design or drive particular results. I guess, the bullying and harassment survey and the respectful behaviour survey which we did as a joint exercise between the PSA and the organisation has actually demonstrated that the issue is not a significant issue inside the organisation, and that is a joint one which has been shared between both the PSA and the organisation.

The Hon. MATTHEW MASON-COX: Why is it that as late as last week—this has been put to us and perhaps you can verify this—officers of WorkCover's licensing unit were seen leaving the WorkCover building after being bullied and harassed? Are you aware of that?

Mr THOMSON: I am aware of an incident that occurred in licensing. I would not agree that it was through bullying and harassment.

The Hon. MATTHEW MASON-COX: Will you take that on notice and come back with a full explanation as to what has happened in that regard and what steps you are taking to address the situation as you see it?

The Hon. PENNY SHARPE: How can you answer that question? Just because someone was seen outside a building you are assuming that there is some suggestion—

The Hon. MATTHEW MASON-COX: He has just put to the Committee that there is a problem and he will go back and have a look at the circumstances.

The Hon. PENNY SHARPE: He did not say there was a problem. Stop verballing the witness.

Mr THOMSON: There was an issue inside, but I am not saying it was bullying or harassment. That has been dealt with and managed with the staff as you would do in any organisation. It has already occurred inside the organisation and been resolved as far as the parties are concerned.

The Hon. GREG PEARCE: Back to the annual report. The report says that last year over one million people in New South Wales held licences, permits and so on under the Occupational Health and Safety Act and regulations. Mr Watson, are you part of the Government's licensing project to make single licensing points?

Mr WATSON: I am not sure what licensing project you are referring to.

The Hon. GREG PEARCE: I forget what it is called now but it is the—

The Hon. HELEN WESTWOOD: Harmonisation?

The Hon. GREG PEARCE: Yes, harmonisation.

Mr WATSON: We are certainly part of the national harmonisation process.

The Hon. GREG PEARCE: No, the State Government's project to reduce the number of licence points. Obviously you are not part of that?

Mr WATSON: We are not a part of that project.

Ms LEE RHIANNON: Is WorkCover planning to hold information seminars around New South Wales with industry stakeholders to advise them of proposed changes to the Occupational Health and Safety legislation arising from the national harmonisation of occupational health and safety laws?

Mr WATSON: Thank you for the question. The national harmonisation process of occupational health and safety legislation in Australia is underway. At this stage we do not have a signed off or agreed national model Occupational Health and Safety Act. The process for reaching that point is currently underway. Indeed, we understand there will be a workplace relations ministers council held in December where it is anticipated that a national model occupational health and safety bill will be presented to that group for its agreement or otherwise. There is a process that governs this, and that is set out under an intergovernmental agreement.

To get to the nub of the honourable member's question: When the legislation is introduced in New South Wales clearly there will need to be some information provided to the general community, employers and workers throughout the State and, although we have not finalised the approach we will take, no doubt it will mirror the approach we took in 2001 when we rolled out an extensive program of information and guidance about the legislative changes that were being undertaken.

Ms LEE RHIANNON: If I heard you correctly, you said when the legislation is introduced you will provide the information. Would it not be important to start rolling out this information as soon as the national model is agreed to, particularly considering that a poll commissioned by the Australian Council of Trade Unions showed that 67 per cent of workers are not aware that the Federal and State governments are working on standardised occupational health and safety? I think we would all be aware from anecdotal experience that this is the case. Was I correct when I said I heard you say that you will leave it up until the legislation is introduced, or will you kick in a program of information and, hopefully, forums across the State once that December meeting is finalised?

Mr WATSON: For clarity to assist the Committee, when I say "introduced" I guess I am referring to when it is clear about the terms of the legislation that will be implemented in New South Wales. Perhaps I could go through the process with the Committee. There is quite a lot of work going on in this area and I think it may be helpful for the Committee to have a bit of an overview of that work. First of all, we have the national Act being developed at the moment. Alongside that there will need to be some regulations to cover all aspects of workplace activity and, indeed, the structure of the national legislation outlines the idea of codes of practice, which also will be a part of the package. We understand from Safe Work Australia that that package will be available in July 2011 as a complete package. The COAG timetable, which clearly sets out the milestones in the implementation of national legislation for occupational health and safety in Australia, indicates that jurisdictions need to have legislation implemented and taking effect on 1 July 2012.

To go to the honourable member's question: Once we know the detail of the information of the legislative provisions to be implemented in New South Wales we would commence a process of educating the workplaces but also, of course, internally to educate our inspectorate and other staff about the effect it will have on the New South Wales environment.

Mr THOMSON: I might add one thing, if I can? I think it is important that when we have public sessions—even like Safe Work Week, which we had only a couple of weeks ago—we are providing information in broad terms about that. So with any sort of external session that is being held by our business advisory office, in any of those sorts of sessions, we should be providing information and updating people on that sort of information as we go.

Ms LEE RHIANNON: Considering that there is some controversy around how this issue is playing out for New South Wales and that the reverse burden of proof existing under the current New South Wales Occupational Health and Safety Act could be lost under the draft model, is part of your brief to provide information to the Minister about the detrimental aspects of the national laws?

Mr WATSON: We have not had the opportunity to provide any information to our current Minister but we certainly provided information to our previous Minister in respect of the potential impact of the reverse onus of proof issue in New South Wales. Of course that issue also exists in Queensland, which has a reverse onus of proof at the moment as well.

Ms LEE RHIANNON: Could you inform the Committee of what areas you have identified within the national uniform model, if that national uniform went ahead, that would be a setback for New South Wales? What would we lose?

Mr WATSON: I do not know that any of the areas would be a setback, to use your term. I think the thing to note is that it would be a different arrangement. It is important to note that the national model was foreshadowing the use of the term of a person conducting a business or undertaking being the commencement of the regime. At the moment in New South Wales we use the relationship between an employer and an employee operating within a workplace as being the commencement, as it were, for our jurisdiction in the occupational health and safety regime of legislation. The national model is responding to what are changing employment arrangements and business arrangements within workplaces and within the work environment. So the person conducting a business or undertaking [PCBU] is being used as the starting point. Now a number of PCBUs may come together. One of them, indeed, may be an employer who employs workers, and the definition of "worker" includes an employee but also expands through to a volunteer and contractor. It is quite an expansive environment and, as a consequence, we have quite a different regime to what we currently have.

I do not know it is a setback as such, but certainly the position of New South Wales has been put that we would prefer to maintain the reverse onus of proof—our Minister and the Government have put that on the national table on a number of occasions. The voting arrangement under the intergovernmental agreement is that a two-third majority of jurisdictions is required for those matters to be included into the national model. Now that two-third majority has not been reached when we have talked about reverse onus of proof.

Ms LEE RHIANNON: One of the challenges for WorkCover would be when new materials come on the market which potentially can have a huge impact on workers' health. I am specifically interested in nanomaterials. You would be aware of growing concern about the impact on workers. The ACTU [Australian Council of Trade Unions] and the AMWU [Australian Manufacturing Workers Union] have taken up this matter, and we have held a parliamentary inquiry in New South Wales, but we still do not have any regulations. How do you handle these issues when there seems to be health consequences? What work do you do, or do you wait until regulations are in place?

Mr WATSON: The first thing is that a regulatory response may not be the first response that you want to take in respect of a particular emerging issue. So a regulation is not always the appropriate response. Secondly, in respect of nanotechnology WorkCover has been quite proactive. We have done some research work and provided information to inquiries into nanotechnology in New South Wales. Not only that, looking at national legislation and a national occupational health and safety regime, under the arrangements under Safe Work Australia there are a number of committees set up, one of them being the Strategic Issues Group, on which I represent New South Wales.

Under that group there is a technical advisory group. At the most recent meeting of the Strategic Issues Group it was decided to recommend to Safe Work Australia the establishment of a technical advisory group for nanotechnology. New South Wales will be represented on that particular group. That recommendation to Safe Work Australia has been taken up. That group will be formed to examine the potential health issues around nanotechnology and the appropriate response in respect of a national occupational health and safety regime.

Ms LEE RHIANNON: It sounds as though the group is developing and proceeding well. Am I correct in my understanding that workers on the job are not impacted by these developments? You are still working out your approach, and workers on the job still do not have protection.

Mr WATSON: Those organisations that are involved in the nanotechnology industry understand the potential risks associated with nanotechnology. They are potentially quite broad across the community because nanotechnology is used not only in motor vehicle paints and manufacturing-type environments but also in sunscreens and tanning lotions, et cetera. There is a whole range of issues associated with nanotechnology. It might be small things but, of course, they could have a large impact. We need to be careful about examining how we respond.

Ms LEE RHIANNON: At any time have you recommended mandatory labelling of nanoparticles so that workers are aware of what they are handling?

Mr WATSON: WorkCover has not made a recommendation in those terms.

Ms LEE RHIANNON: Given that seems to be one of the key requests of the ACTU, the AMWU and other unions involved, is there any reason why?

Mr WATSON: If we are talking about product labelling, which is where the labelling would need to be, that is not immediately in WorkCover's responsibility.

Ms LEE RHIANNON: Are you aware of the New South Wales parliamentary inquiry into this issue?

Mr WATSON: Yes, indeed. We made submissions to that inquiry.

Ms LEE RHIANNON: One of the recommendations from that inquiry was about labelling.

Mr WATSON: Yes.

Ms LEE RHIANNON: In relation to a question asked by Mr Greg Pearce about the number of inspectors, I think you said you recently recruited 20.

Mr WATSON: Yes.

Ms LEE RHIANNON: Could you provide us with information about the cost of the 2009 inspector recruitment campaign?

Mr WATSON: Yes, I can provide that on notice. I will take that question on notice. I do not have that information with me.

Ms LEE RHIANNON: Does that figure of 20 relate to 2009?

Mr WATSON: Yes, that is the intake we have just had.

Ms LEE RHIANNON: Can you make a comparison with 2008?

Mr WATSON: I think we took in 11 positions in 2008. That is straight off the top of my head, so I am not sure. It would be approximately about that number. Realistically the attrition rate in inspectors is governed mainly by retirements. Sometimes we have a bit of poaching that goes on in the industry where there is an upturn in a particular sector in the industry and they seem to want to take some of our employees to assist them with their occupational health and safety management. We do not see that as a major issue because it is actually quite good to be injecting somebody who understands the issues around legislation and the prevention of workplace injury and death. We seem to have an attrition rate that is fairly stable—from about 10 through to 15, 20 per year. That is why we do the annual recruitment. Of course, those inspectors undertake a national qualification as part of their training.

Ms LEE RHIANNON: I am not sure that this is correct but I had the impression that it was a costly recruitment campaign. If the position is so popular, why did you judge that you needed to run an expensive advertising campaign?

Mr WATSON: It is important to know that we want to attract a cross-section of the community. It is important that inspectorates reflect the full range of industries that operate within the community but also the range of backgrounds that employees have within our jurisdiction. We have encouraged the employment of both female inspectors and inspectors from diverse ethnic backgrounds. That is a more costly exercise than it would be if you just placed an advertisement on the usual websites and went that way. It is a more costly exercise than just the standard recruitment process. If we did a standard recruitment process, I think we would still get large numbers of applications.

Clearly, being a WorkCover inspector is more frequently seen to be a career move. In previous hearings I have indicated to the Committee that I have been with WorkCover for quite a number of years. Over my period of WorkCover I have seen a change in the arrangements when people come and join us. For example, most of the inspectors who joined 10 years ago would still be with us. They see it as a career for the rest of their working life. We are very keen to encourage that, of course. The other aspect we are noticing now is that people are coming to us and indicating quite openly that they intend to join us for a shorter period of time with a view to enhancing their skills and understanding of occupational health and safety. As I say, that is not a negative thing. I think it is a positive thing for workplace health and safety in New South Wales.

Ms LEE RHIANNON: Were you successful in gaining people from different backgrounds, different parts of New South Wales and a number of women?

Mr WATSON: Yes.

Ms LEE RHIANNON: It was a diverse recruitment?

Mr WATSON: We were successful. One vacancy we had was at Griffith. That traditionally has been a little bit more difficult to fill. Those regional vacancies are sometimes a bit difficult to fill. We had a number of applications there and, indeed, we had a number of recommendations. We could have employed a number of people but we had only one vacancy. We have employed a female inspector out there. Out of the 20 inspectors I believe 9 of them are female. So we had nearly a 50 per cent intake of female inspectors. They are from diverse backgrounds, as I think I indicated to an earlier question, from the public sector right through to various aspects of the industry.

To give the honourable member a bit more background, we had 221 applications from people from a culturally or linguistically diverse background, 42 Aboriginal and Torres Strait Islander applicants, just over 500 applications from females, and 31 applications from people with a disability. That gives you a bit of a cross-section. We are keen to have the complex skills and experience that those people bring to allow us to address the issues that confront us in a modern workplace.

Ms LEE RHIANNON: What percentage of inquiries received by WorkCover are about bullying?

Mr WATSON: I would need to take that question on notice. I would not have that information.

Ms LEE RHIANNON: How many complaints of bullying has WorkCover received over the past year from government workers? Given we have held a parliamentary inquiry into bullying and bullying is regularly in the news, I am trying to get a feel for the trends.

Mr WATSON: It has been reported in the press. There is no question that the community generally is becoming more aggressive. Workplaces are part of that community so I guess more bullying behaviours will be identified in workplaces. As a consequence we need to have strategies in place. Some of the strategies Mr Thomson outlined that we have implemented in WorkCover are the sorts of strategies we recommend in workplaces. As to the figures being sought by the honourable member, I think it is probably better that I take that question on notice and provide them to the Committee out of session.

Ms LEE RHIANNON: How many investigations or prosecutions has WorkCover commenced in relation to incidents to do with bullying?

Mr WATSON: The first thing to indicate in respect of investigations is that if we received a complaint about bullying in the workplace we would conduct an investigation. That number will match the number of notifications or issues that we receive. WorkCover undertakes to investigate all complaints we receive, whether they be anonymous or from a named complainant. So, whether they be bullying or any other matter, we will conduct an investigation. As to prosecutions, I do not recall any prosecutions we have taken in respect of bullying but I am happy to take that on notice and check that.

Ms LEE RHIANNON: When you provide the material on notice will it identify public sector workers and industries? I was trying to get a breakdown of what is going on in different sectors and, if there are prosecutions, in what areas they are occurring.

Mr WATSON: When we provide information on notice we will provide whatever breakdown we are able to provide at that time.

CHAIR: Just clarifying the answer you gave regarding inspectors, you mentioned the different categories but did you give the figure for the number of males. You gave the figure for the number of females.

Ms LEE RHIANNON: Eleven.

CHAIR: No, the total applications.

Mr WATSON: We had over 2,000 applications this year. It was quite a large number.

CHAIR: So it would be 1,200.

Mr WATSON: We had 2,965 applications, which is a very large number this year, and that probably reflects what is going on in the general workplace. People are seeking out employment and with a job like this, if you have been working in an occupational health and safety field—some of those applications of course come from people who might have been members of a safety committee and who believe they are highly qualified in that environment. It just depends on their background.

CHAIR: The figure you gave was 750, so roughly about 1,200 would be males.

Mr WATSON: Yes, that is right.

CHAIR: I assume that as well as having that industry background you also have to ensure that they have the temperament that is helpful in dealing with businesses and investigating situations and the psychological factors involved. Is that taken into consideration?

Mr WATSON: Yes, exactly. This adds to the cost associated with the recruitment process because we do some psychological profiling of people we believe will be suitable for employment. Obviously we do not profile the 2,000-odd people but when we narrow down the number to those we believe we are going to employ we go through a number of tests to ensure those individuals have the psychological robustness to do the job that we require. Clearly, the role of an inspector is a difficult and complex one. It involves not only negotiation skills in the workplace but also being able to be quite robust in difficult environments where there might be some aggression towards you, being able to provide evidence in court in a reliable manner, and the recording of information and those sorts of things. They need a lot of interpersonal skills to deal with people who may be grieving in certain circumstances and to understand the issues associated with that. It is a very complex job and so the nature of the people we employ needs to be checked before we employ people who are not suitable and, of course, expose them to a risk.

CHAIR: You mentioned the very pleasing result of the reduction in the deficit to \$1.48 billion. As you would know particularly, this General Purpose Standing Committee has been involved in many inquiries. Hopefully we have helped to bring about the deficit reduction through our recommendations. Do you have a flow chart of what you feel will be the anticipated reduction each year after 2020? Are you able to give us any projections?

Mr THOMSON: I think it is a little hard to project that far out. We have had indications of what is going to happen in the next 6 or 12 months and the actuary does projections further out than that, probably four or five years. A lot of it is dependent on external factors that are outside our immediate control, such as the

investment market and what the returns are and also the value of the investments. It is a combination of the two. There are also the potential impacts of the global financial crisis on claimant behaviour, which we are experiencing at the moment whereby in the previous 12 months we had a 2 per cent increase in the number of claims and in the past 12 months we have seen about a 13 per cent reduction in claims, although that reduction is in the number of smaller type claims rather than the more severe claims. That has implications for the costings of the scheme and the like. There are the implications with the changes in the Federal Government's retirement age whereby the New South Wales legislation refers to the Commonwealth legislation, like all other jurisdictions, and therefore we have to factor the cost of that increase in the retirement age into our valuations from now on.

There is a range of factors that can influence it. It comes back to the employer market and the relationship between an injured worker and employer. We would hope that the December valuation coming out this year will show a continued improvement in the performance of the scheme because our investments have improved to some extent in the past few months. But there is a range of factors that can affect it. I refer to what happened at the end of December 2008 when interest rates dropped to such a low level at that time and had an aberrational effect on the valuation result that the scheme experienced. We do make projections and we would hope that in three or four years or hopefully less—maybe even two or three years—we would be back into surplus again.

CHAIR: Into surplus?

Mr THOMSON: We would hope so.

CHAIR: You did not mention it, but I assume it is also affected by legislative changes as well.

Mr THOMSON: Absolutely. The Commonwealth's superannuation legislation can affect the scheme. The other thing that can affect it is the financial ability of employers to pay their bills and the number of liquidations that are occurring in the marketplace. There is a very significant range of issues that can affect the financial performance of the scheme. Absolutely it can be affected by legislation. Will the 2001 reforms still hold up? Will we see changes in behaviour and the like over the whole mix of things that can occur over time?

CHAIR: You mentioned the reduction in claims. I suppose you could say the workplace improves to be a safer workplace because of other policies that WorkCover has introduced. Would that be a factor?

Mr THOMSON: The 12 to 13 per cent reduction over the past 12 months is probably an indication that people have decided not to put in a claim for a small cut or something like that because they are more concerned about maintaining their employment. I think they are keen to ensure that is the case. I think the work Mr Watson does in his area in relation to occupational health and safety has a significant impact on the level of claims. I think if you tracked the outcomes of the OH&S legislation since it was introduced in 1983 it would demonstrate a material link between that legislation and the number of claims coming through the system.

The other change that is happening in New South Wales is in the economic mix. We have moved from having more of a manufacturing base to having less of a manufacturing base and more white collar based industries and tourism and events. It raises different issues, but we are not getting as many severe crushes or catastrophic injuries occurring. The majority of our catastrophic injuries tend to come from motor vehicle accidents and the like. There is a different mix in the New South Wales economy that also has an impact on the scheme's performance.

CHAIR: Are you saying that the closure of some heavy industry—BHP and so on—has reduced the number of what would have been major accidents?

Mr THOMSON: In some instances, but BHP self-insures so it does not affect the scheme's performance. Some employers have also moved to self-insurance and that can affect the overall scheme. It comes back to the fact also that there is increased use of technology—more robotics and things like that—where people are not doing a lot of those activities. There is a significant change in the way work is done and the sort of work that is required.

CHAIR: I have noticed your mobile WorkCover vehicle. How many of those do you have now?

Mr WATSON: Two. We have two what we refer to as WorkCover buses. It is not an appropriate description really; it is more of a campervan vehicle. They are set up to allow us to move into a regional area or an industrial site and, as it were, have an office on that site. They are also packed with technology, which allows us to use them as the front of a conference or a workshop. We can drive into a farmer's hayshed and turn that into a workshop environment. They are very useful vehicles and they have a very busy schedule of doing laps around the State going to regional agricultural field days and the like. We also have some safety trailers, which are the same sort of vehicle that we can tow behind a car, which, again, provide us with a base to operate out of when we are doing displays or doing special events.

CHAIR: I am not sure whether this comes under the Land and Property Management Authority. Matters such as the Bass Hill High School proposal to requisition the land from the owners, would that involve you eventually? I was wondering whether there was any progress report on that.

Mr WATKINS: That is a matter for the Minister for Education and Training, who is handling that. As you know, there was a private sale. I understand that the Minister is working through a range of options for the use of that land and it is really a matter for the Minister for Education and Training.

CHAIR: I did not know whether at some point, though, it was handed to you to handle the business side of it. The education department would not do that, would it?

Mr WATKINS: As far as the sale of government assets are concerned—land assets—there are a number of those that are transferred to the State Property Authority to handle. The Department of Education and Training has a significant property portfolio and it tends to handle a significant number of its own acquisitions and investitures through its own systems.

The Hon. MATTHEW MASON-COX: Mr Durack, I want to ask you a couple more questions in relation to the privatisation of Pillar—whilst I know that you are not directly involved in that—just from your perspective. The relationship you have with Pillar, I presume that is documented in a contract of sorts?

Mr DURACK: Correct.

The Hon. MATTHEW MASON-COX: What is the term of the contract?

Mr DURACK: It is an open-ended contract. It has a range of provisions within it in terms of the performance indicators that Pillar is required to meet, the service provision Pillar is required to provide. There is a range of functions that Pillar performs and they are an integral part of the administration of the fund, clearly. So it is a very key agreement for STC.

The Hon. MATTHEW MASON-COX: Open-ended based on the continuing performance?

Mr DURACK: That is right.

The Hon. MATTHEW MASON-COX: Could you just specify the key performance indicators?

Mr DURACK: What I could do is provide them to you on notice because there are many, and they would include things like the timely payment of benefits, the handling of complaints, payments to and fro, the administration reporting requirements. There are many individual key performance indicators and we aggregate those key performance indicators into an overall performance measure as well, which I can also provide to you.

The Hon. MATTHEW MASON-COX: Sort of like a rating. They have to be above a certain—

Mr DURACK: They have to achieve an aggregate score of 95 out of 100 to be considered an acceptable performer. So in the most recent quarterly reports—

CHAIR: You can take that on notice.

Mr DURACK: I can take it on notice.

The Hon. MATTHEW MASON-COX: Has it been your experience that they have scored 95-plus every time or has there been a deficiency?

Mr DURACK: No, they do not score it every time, but the trend more recently has been up, if I can characterise it that way.

The Hon. MATTHEW MASON-COX: Could you also provide us with the trend line in that regard, exactly the level of performance they have been operating at against the contract?

Mr DURACK: Yes.

The Hon. MATTHEW MASON-COX: How long has the open-ended contract been with Pillar? How long have you had that arrangement?

Mr DURACK: I will have to come back to it in terms of details around the latest timing of negotiation, if you like. The contract as it stands today has been in place for a significant period of time.

The Hon. MATTHEW MASON-COX: Have you ever in the past taken any steps to remedy any of the issues in relation to performance by Pillar under that contract?

Mr DURACK: We have a very close relationship with Pillar. We would meet with them regularly. Our key relationship manager, our account manager, attends our members services committees. It is a very regular dialogue, I suppose, where we would raise and they would raise issues in terms of how the administration relationship is performing. So, yes is the answer: we would freely raise issues of concern if we had them, but they are managed as part of a regular dialogue and reported through to the board.

The Hon. MATTHEW MASON-COX: It has come to our attention through the due diligence process that a number of business improvement opportunities have been identified for Pillar. Whilst you might not be able to comment on those, from your perspective as one of its major clients, where are the areas it needs to improve, where does it not meet the level of performance under your criteria?

Mr DURACK: As I said, at the moment they are meeting the criteria set as part of their key performance indicators. But we also work closely with Pillar to manage initiatives that the STC wants to pursue on behalf of its members. One of the major pieces of work ongoing at the moment is to introduce what we call concurrent choice for our members who have the ability to choose an investment option, and that is a major piece of technological upgrade and so there is, of course, a requirement to work closely with Pillar in terms of the project management of that issue. It is a process of regular communication.

The Hon. MATTHEW MASON-COX: In those circumstances where they have not scored 95 and above what have been the major contributing factors for them not scoring the necessary 95 out of 100 under the system you have in place with them?

Mr DURACK: Where there is a shortfall in a key performance indicator there is always a reason that is documented and put forward as part of the ongoing relationship.

The Hon. MATTHEW MASON-COX: Which areas are they documented and put forward in? Can you just identify a few of the areas that were of concern in relation to the key performance indicators?

Mr DURACK: In relation to the volume of calls, there may be a key performance indicator to answer a certain number of calls, which are very high-volume, within a prescribed period of time. If, for example, Pillar fell short on that, they would document the workflow reason for that.

The Hon. MATTHEW MASON-COX: Perhaps in your response if there are others you might just document those to the committee too so far as taking it on notice?

Mr DURACK: Absolutely.

The Hon. MATTHEW MASON-COX: In relation to the due diligence process, you mentioned that you have not had much involvement to date, although you have had some discussions. Can I just ask you whether the issue of putting a fixed term contract in place for the relationship between you and Pillar has been raised?

Mr DURACK: In relation to a potential sale?

The Hon. MATTHEW MASON-COX: Yes.

Mr DURACK: In relation to a potential sale the discussion that we had was a preliminary investigation in terms of the issues where we outlined what the issues were, what the requirements of STC would be and what we would need to ensure was in place ongoing—and the revenue relationship between STC and Pillar is significant too. So in terms of meeting those service requirements, which are central to the relationship with Pillar, the conversation at the time was that we would want a very clear assurance that those key performance indicators would continue to be met and any identifiable issues that might threaten those key performance indicators being met would be worked through. That was an initial meeting. We would continue to, in the ordinary course of our business, liaise with Pillar as a major service provider and we would continue to raise any issues that were identified along the way.

The Hon. MATTHEW MASON-COX: What sort of fees do you pay to Pillar each year?

Mr DURACK: The budget for this year for fees to Pillar would be in the order of about \$27 million.

The Hon. MATTHEW MASON-COX: And last year and the year before, something of the same order?

Mr DURACK: Of the same order, but I can provide those figures.

The Hon. MATTHEW MASON-COX: You are seeking to protect yourself going into the future. So, if you like, an opportunity to terminate based on requirements crystallised through a contractual relationship would be what you are looking for, would it not?

Mr DURACK: With a relationship as large as this it makes perfect sense to stay on top of issues as they emerge and to maintain regular dialogue. That is part of the sensible management of this service provider. It plays a large and important part in maintaining a service to our members.

The Hon. GREG PEARCE: Did you have a view on whether you should move to a fixed-term contract?

Mr DURACK: If you were managing to a term and you were to change administrators that would involve an enormous exercise. We are trying to apply sensible risk management to PILAR's ongoing service provision. We are also engaging in ongoing negotiations to provide the right service level for the membership as it changes and evolves over time. I think the sensible risk management approach to dealing with PILAR is to manage and to stay on top of the services that are being provided to the fund rather than to say at some drop-dead date, "This will be subject to such and such and put out to tender."

The Hon. GREG PEARCE: You did not answer my question. Did you form a view as to whether you should move to a fixed-term contract arrangement?

Mr DURACK: In relation to the potential sale I did not, no.

The Hon. GREG PEARCE: Mr Watkins, what are the implications for your authority of the Government's move to super departments and a reorganisation of government agencies?

Mr WATKINS: With respect to the Minister for Finance, the part of the Land and Property Management Authority that reports to the Minister for Finance is the State Property Authority. In regard to overall super departments, under the legislation we are a separate agency and we are responsible for corporate service reform under a particular group of super agencies. Other than that we have direct line reporting through me, as chief executive, to the relevant Minister, and we have complete management in regard to statutory and financial matters.

The Hon. GREG PEARCE: There is no change in the management of statutory and financial matters?

Mr WATKINS: No.

The Hon. GREG PEARCE: What about the corporate reform process?

Mr WATKINS: Corporate reform is very much a cross-government initiative. That is one of the key areas that will be addressed, in particular, in relation to payroll and other related corporate services.

The Hon. GREG PEARCE: Will you move to a different process?

Mr WATKINS: It depends on how you refer to corporate services. Look at the areas of information technology and the fact that we are the spatial house for New South Wales with our aerial photography, satellite imagery, titling, valuation surveying, mapping and those types of things, which are totally dependent on and inextricably linked with an information and communications technology [ICT] platform. In my professional view it is impossible to strip out those things without affecting the business. I do not refer to them as corporate services; they are very much business services in the same way as lawyers are to property law. It would be hard for me, as Registrar General, not to have access to significant legal services, albeit that we always complement them with private sector services of a specialist nature.

The Hon. GREG PEARCE: Have those decisions effectively been made already?

Mr WATKINS: No, those decisions have not been made.

The Hon. GREG PEARCE: What is the time frame?

Mr WATKINS: That is a matter for the Government as a whole. I am not aware of the time frame. In the overall super agency review it is something that was deemed as one of the core areas that needed to be addressed. In my professional view, over the next 18 months or so there will be significant progress towards at least scoping where there can be some savings across agencies. The Land and Property Management Authority is an aggregation of a number of other agencies that formerly were there. In that sense we have been running a central corporate services structure for quite a number of years.

The Hon. GREG PEARCE: Earlier Ms Lee Rhiannon asked you about the national harmonisation of occupational health and safety. What progress, if any, has been made in relation to the harmonisation of workers compensation?

Mr THOMSON: With the Federal Government very little progress has been made. I think it is on its agenda to look at it at some point in time. There have been indications from Safe Work Australia that there is likely to be a meeting early next year with various workers compensation jurisdictions. At this point in time its focus has been largely on the occupational health and safety side. It is on the cards that there will be discussions in the future.

The Hon. GREG PEARCE: I refer to automatic workers compensation insurance for organisations or individuals with salary bills of \$7,500 or less. How did you arrive at that figure of \$7,500?

Mr THOMSON: When we were dealing with harmonisation we looked at the Victorian situation. Victoria has a similar rule in place. In the Victorian environment people who pay less than \$7,500 in wages are deemed to be insured. We attempted to obtain statistics from the two largest jurisdictions on a similar footing, as we were aware that we had only about 200,000 people on domestic policies. If you did not have a domestic policy, you employed a babysitter to look after your child, that person was injured on the way to or from your home and you were deemed to be the employer, you would have a liability. We were aware of the risk in that area. There are significant administrative costs in dealing with this as there are about 130,000 policies in this space.

That change was made or introduced, first, to harmonise with Victoria; second, to reduce red tape and to reduce the 130,000 policies in the system; and, third, to give peace of mind to a number of people who did not know they had an exposure, for example, people in the domestic household environment, which I think was an appropriate thing to do. The costs of it were covered by reductions in administration costs. I refer to the exposure that these potential employers or perceived employers would have had. Under the liability scheme if anyone is injured those employers would be liable to pay twice the awarded premium, which is fairly small, but also the cost of the claim, which could cost hundreds of thousands of dollars. We believe that to be an appropriate response.

The Hon. GREG PEARCE: You just took the Victorian figure?

Mr THOMSON: Basically we harmonised it and we thought it was the appropriate way to go.

The Hon. GREG PEARCE: Have you done any exercise to establish what number of contracts would be involved and what number of people would be covered if you upped that figure to \$10,000?

Mr THOMSON: Because you are talking about wages we believe that the majority were picked up at the \$7,500 wage level. If you were talking about premium dollars it would be a different scenario. An increase of \$2,500 in the wage level would be hard. We could do it but I think that the numbers would be small. The number of employers in the scheme has dropped from about 360,000 or 370,000 down to about 52,000 to 60,000, or in that sort of range. I think that the changes at the margin would be small. It does not mean that at some future point in time we would not consider indexing that number.

The Hon. GREG PEARCE: Do you have statistics on the number of employers in the scheme who are paying up to \$10,000, \$15,000 or \$20,000?

Mr THOMSON: We do. We collect information on their actual wages if they do not fairly use their estimates and the like. We would have access to those statistics, but we do not have them to hand because it is at a level that we do not believe needs that sort of monitoring. We would have to extract those statistics.

The Hon. GREG PEARCE: Would you mind doing that for us?

Mr THOMSON: Up to \$10,000?

The Hon. GREG PEARCE: Take it up to \$25,000 so that we get a bit of a feel for it.

Mr THOMSON: I am happy to do so.

The Hon. GREG PEARCE: What was the final process and outcome on the agent contract review?

Mr THOMSON: When you refer to the process do you want me to outline the broad process that we undertook?

The Hon. GREG PEARCE: No. What was the final outcome?

Mr THOMSON: The final outcome was that when we entered into the process seven agents were operating in the marketplace. They came into place in the first set of contracts from January 2006. In the third year of the contract we went out when they started the RFP process. An evaluation panel evaluated the end of that process—a panel that I think I mentioned to you at the last estimates committee hearing. We had a majority of independents on that panel. In the end we reappointed the existing seven agents but there was a differentiation in the market share of those agents.

The Hon. GREG PEARCE: And there has been nothing further since then?

Mr THOMSON: There has been no change. The new contracts are due to come into place from 1 January next year and a transfer of claims and policies will occur during that 12-month period.

The Hon. GREG PEARCE: Last year the Workers Compensation Commission carried out an organisational review.

Mr THOMSON: Yes.

The Hon. GREG PEARCE: What was the outcome of that?

Mr THOMSON: I can update you on that. In December 2007 the Workers Compensation Commission engaged an independent management consultant company to conduct a comprehensive organisational review. The final report and recommendations were provided to the commission in July 2008. Two key recommendations to arise from the review related to the model of engagement for arbitrators and the internal structure of the commission. The Attorney General and the commission have agreed on the recommended

changes regarding the model of engagement for arbitrators with a view to implementing the new model when the current one expires in April 2010. The Cabinet minute has been submitted for the Government's consideration. Extensive consultation has occurred with staff and the Public Service Association and a new structure has been agreed to. A change management group comprising management and staff of the commission as well as representatives from WorkCover's human resources branch has been established to provide a central point for meaningful consultation about the transition to the revised structure.

The Hon. GREG PEARCE: What is the revised structure?

Mr THOMSON: We are moving from a sessional appointment structure for the arbitrators to a permanent appointment structure. We will have between 16 and 18 permanent arbitrators who will undertake the majority of the arbitration work in the commission. There is an ability to engage others on a sessional basis outside that. Questions about the internal restructure of the commission should be directed to the Auditor-General because that is who controls it.

The Hon. GREG PEARCE: Is the move to permanent appointments driven by efficiency and dollars or some issue of uniformity in decision-making?

Mr THOMSON: It is more about consistency in decision-making. We want a more consistent approach because there has been variability in some of the decisions. It is across a range of issues, not only in that space. It is about being able to assess performance and to ensure we have an appropriate decision-making regime and consistency in that approach.

The Hon. GREG PEARCE: As part of the mini-budget process there was a requirement to reduce the number of senior executive service contracts. I know you do not have many, but what was the outcome for WorkCover and the authority?

Mr THOMSON: WorkCover currently has 10 senior executive service positions reduced from 14 as a result of the Premier's decision to cut 20 per cent of public service executive positions. No new senior officer positions have been created. We take the health, safety and welfare of workers seriously and have considered the organisational structure and its functions to ensure service levels are maintained. Information on the senior executive service and the chief executive service is contained in the annual report.

The Hon. GREG PEARCE: Which we do not have yet.

Mr THOMSON: That is right.

The Hon. GREG PEARCE: I look forward to seeing that and will ask you about it again next year. WorkCover last year spent \$17.8 million on contractors, which was a \$4 million increase. Who are those contractors and what is the trend this year?

Mr THOMSON: I do not have those figures to hand. Can I take that question on notice?

The Hon. GREG PEARCE: Yes. Who is responsible for your IT management?

Mr THOMSON: I will take that question on notice.

The Hon. GREG PEARCE: Last year there was significant expenditure on computer software. Were there any particular major projects underway?

Mr THOMSON: There has been an ongoing project called the corporate data repository. That is where we collect and store all data relative to the workers compensation system for self and specialised insurers, including scheme agents. That very significant piece of work has been carried out over time. In the past 12 months the expenditure has been about bedding that down and getting increased stability across that platform and the like. It has certainly been a significant piece of work that is now delivering the appropriate outcomes.

The Hon. GREG PEARCE: Was that conducted by external consultants?

Mr THOMSON: The majority of IT development and the like is handled in house. We have developed the corporate data repository in house.

The Hon. MATTHEW MASON-COX: Are you talking about a data centre?

Mr THOMSON: It ends up being a piece of software. We develop the software using a certain language. I am not sure that that is the full cost, but it would certainly be a component. We do buy other software such as Microsoft Word and things like that. But the significant piece of internal work has been the management of the data elements for the workers compensation system.

The Hon. GREG PEARCE: Can you provide some numbers on what has been expended on that project? It is obviously lost amongst the general figures. How many people are working on it?

Mr THOMSON: The level of work has reduced because that project has been done over three or four years. It is now merely maintenance and an enhancement of effort. The numbers involved in that area have reduced.

The Hon. GREG PEARCE: Have people moved on to other jobs?

Mr THOMSON: There would be other activities as we move forward.

The Hon. GREG PEARCE: What is happening with self-insurers as far as WorkCover is concerned?

Mr THOMSON: That is a very open question. We have 61 in the market at the moment and we have a very open attitude towards them. We welcome them in the market place. That picks up on what Mr Watson said earlier. It shows a commitment in the majority of cases by the employers to focus on occupational health and safety and the health and welfare of their employees if they are injured and getting them back to work appropriately and to improved health.

As I said, we have 61 self-insurers operating in the market and two new self-insurers have been approved in the past year. We continue to work with them in a partnership arrangement so that we get more effective outcomes for them and the workers of the State. It is also about ensuring that we get consistency in service and benefit delivery. We want the self-insurers, the scheme agents and the specialised insurers to provide consistency of service and benefit delivery so that it does not matter who an injured worker works for, they will know that they will get their entitlements.

The Hon. GREG PEARCE: You have had only a couple of applications in the past few years. How long does it take to deal with applications?

Mr THOMSON: We have approved two new self-insurers in the past 12 months or so. It depends on the size of the organisation, its structure and the like. Specific times would vary significantly because a number of reviews must be undertaken. An occupational health and safety audit must be undertaken and we must determine their capability and capacity to do case management. Their financials also need to be clearly understood and we must ensure that the appropriate financial guarantees are in place in the event that something goes wrong.

The Hon. GREG PEARCE: Have you knocked back applications?

Mr THOMSON: Yes, a number are knocked back because they have failed the occupational health and safety or the case management audits. They can potentially get through when they try again.

The Hon. GREG PEARCE: So you work with them if they are knocked back?

Mr THOMSON: We work with them in a proactive way. It is not about trying to stop them. We have a fairly open policy and we work with them to ensure that they clearly understand why they have been knocked back and what they need to do. We also do that with some of our existing self-insurers who may not be meeting the appropriate standards.

The Hon. GREG PEARCE: How do you work out the deposits and bank guarantees required from self-insurers? You have a large sum on deposit.

Mr THOMSON: Yes, we do. The bank guarantees are worked out in accordance with harmonisation through the heads of workers compensation authorities. There is an agreement about the way to assess financial requirements or guarantees for self-insurers across the various jurisdictions so that we have consistency in approach. It is largely based on 150 per cent of actuarial valuation at a point in time—usually at the year-end balance statement. That needs to take into account the length of time they have been a self-insurer and the liabilities for all claims outstanding or to which they have an exposure for that period. If you are a fairly new self-insurer the liability is less. However, if you have been a self-insurer, as some have, since the early 1990s, because it is a long-tail business, claims exist for a long time and the liabilities can be very significant.

The Hon. GREG PEARCE: So the scheme probably would not pass its own test?

Mr THOMSON: The scheme is a different beast in many ways. We are at the moment 89 per cent fully funded.

The Hon. GREG PEARCE: But you expect self-insurers to be 150 per cent funded.

Mr THOMSON: We are trying to meet the requirements of the Australian Prudential Regulatory Authority [APRA] within the International Financial Reporting Standards. If we were fully funded, as we were 12 months ago, we would meet the APRA requirements.

The Hon. GREG PEARCE: Fully funded 12 months ago?

Mr THOMSON: No, it is not meant to be fully funded. When we were fully funded. But you have got a 75 per cent probability of adequacy, which actually gives you 75 per cent certainty that you will have the right amount of money.

The Hon. GREG PEARCE: In relation to WorkCover, going on last year's figures again there were bad debts of \$46 million written off. What would that be?

Mr THOMSON: It is a lot of employers going into liquidation unable to meet their premium liabilities. The scheme actually collects on an annual basis between \$2.3 billion and \$2.4 billion in premium. Therefore, \$46 million of that is an amount, but it is not financially detrimental to the scheme. It is largely about liquidations or the like, administration, and employers being unable to pay their premiums.

The Hon. GREG PEARCE: Was the trend the same in the last financial year?

Mr THOMSON: I think we have probably seen a slight increase. I do not have the specifics, but I can get that to you.

The Hon. GREG PEARCE: It will be in the annual report.

Mr THOMSON: It will be in the annual report.

The Hon. GREG PEARCE: You do not have to take that question on notice. We will have that very shortly. Consultancies last year were \$250,000-odd, again for management services. Was that the Workers Compensation Commission review?

Mr THOMSON: I will have to take that on notice. I do not have the answer.

The Hon. GREG PEARCE: Would it be fair to say that one of the things you would be doing in your education services would be providing a road map of workers compensation on the system for employers, statutory obligations, tracking processes of claims and so on? Is that the sort of material that you provide to employers, and employees for that matter?

Mr THOMSON: It certainly would do through the advisory offices we have in the marketplace and for other sessions that we hold. We do provide information on how to navigate the New South Wales workers compensation system. But it does not stop there. I am a board member of the Personal Injury Education Foundation, which was set up to try to educate case managers. If you take your question to a broader extent, it is about trying to provide sufficient education to support the appropriate skills sets of case managers who operate the workers compensation system all the time for injured workers who never have better interaction. There is a

focus certainly on providing information to employers through the business assistance services but also to case managers, which actually means that we deliver a better service on the ground. So it is a combination of the two.

The Hon. GREG PEARCE: Just to finish that—obviously, you will have to take this on notice—could you give us an outline of the programs you have running, the cost of each of those and the numbers of people engaged in them?

Mr THOMSON: I am happy to do so.

CHAIR: If Committee members have any further questions, please submit them within two days. Witnesses have up to 21 days to respond to questions taken on notice. There being no further questions from Committee members, that brings us to the conclusion of this supplementary hearing. We thank you for your attendance again and for the valuable information you have conveyed to the Committee.

(The witnesses withdrew)

The Committee proceeded to deliberate.
