

GENERAL PURPOSE STANDING COMMITTEE No. 4

Friday 22 June 2001

Examination of proposed expenditure for the portfolio area

PUBLIC WORKS AND SERVICES

The Committee met at 4.00 p.m.

MEMBERS

The Hon. I. Cohen (Deputy-Chair)

The Hon. Jan Burnswoods

The Hon. Amanda Fazio

The Hon. C. J. S. Lynn

The Hon. D. F. Moppett

The Hon. D. E. Oldfield

The Hon. I. W. West

PRESENT

The Hon. M. Iemma, *Minister for Public Works and Services, and Minister Assisting the Premier on Citizenship*

Department of Public Works and Services

Mr A. Renouf, *Director, Executive Services Division*

Ms R. Risgalla, *Director, Policy Division*

Mr A. Collins, *Group General Manager, Project Management Group*

Ms C. Burlew, *Group General Manager, Asset and Environmental Services Group*

Mr A. Griffin, *Group General Manager, Corporate and Business Services Group*

Mr S. Mudge, *Manager, Corporate Finance*

Ms R. Asmar, *Ministerial and Executive Services Unit*

Minister's Staff

Mr M. Sutton, *Chief of Staff*

Mr V. Badalatti, *Policy Adviser*

Mr R. Furolo, *Policy Adviser*

DEPUTY-CHAIR: I declare this meeting open. I welcome you to the public hearing of General Purpose Standing Committee No. 4. Firstly, I wish to thank the Minister and departmental officers for attending today. At this meeting the Committee will examine the proposed expenditure for the portfolio area of Public Works and Services. Before questions commence some procedural matters need to be dealt with. Part 4 of the resolution referring the budget estimates to the Committee requires evidence to be heard in public. The Committee has previously resolved to authorise the media to broadcast sound and video excerpts of its public proceedings. Copies of the guidelines for broadcasting are available from the attendants.

I point out that in accordance with the Legislative Council's guidelines for the broadcast of proceedings, only members of the Committee and witnesses may be filmed or recorded. People in the public gallery should not be the primary focus of any filming or photos. In reporting the proceedings of this Committee, the media must take responsibility for what you publish or what interpretation you place on anything that is said before the Committee.

There is no provision for members to refer directly to their own staff while at the table. Witnesses, members and their staff are advised that any messages should be delivered through the attendants or the Committee Clerk. For the benefit of members and Hansard, could departmental officers identify themselves by name, position and department or agency before answering any questions referred to them. Where a member is seeking information in relation to a particular aspect of a program or a subprogram, it would be helpful if the program or subprogram were identified. To ensure that an accurate record is made of this afternoon's proceeding, I would ask any departmental witnesses to provide to Hansard with copies of any notes or any other written material that they refer to when answering questions.

The Committee has agreed to the following format: 20 minutes Opposition; 20 minutes crossbench; the Government then has the option to fill in if there is any time left over in the first hour; take a break; and then see how we go on the same format in reverse order from that point onwards. I declare the proposed expenditure open for examination. Are there any questions?

The Hon. DOUG MOPPETT: Minister, the revised figures for the line item "Operating Expenses—Employee Related" for the program Department of Public Works and Services [DPWS] for 2000-01 are \$180.318 million. The projected figure for 2001-02 is \$192.899 million, an increase of \$12.5 million approximately in just 12 months. Will you please explain the reasons for this increase, given the scope of the department today?

Mr IEMMA: I will defer that question to Mr Mudge from DPWS to provide some information.

Mr MUDGE: The increase from the revised to the 2001-02 budget primarily relates to the 3 per cent salary increase. It also reflects an increase in that during 2000-01 there was a superannuation contribution holiday, and that contribution holiday has not carried forward into the 2001-02 year.

The Hon. DOUG MOPPETT: Minister, in relation to your own office, the line item "Other operating expenses" for the program "Office of the Minister" were \$534,000. The budgeted figure for 2001-02 was \$663,000, an increase of \$129,000, just in your ministerial office. What are the reasons behind this increase?

Mr IEMMA: The reasons behind the increase relate to an additional staff allocation, pay rises and an increase in the Legislature levy.

The Hon. DOUG MOPPETT: So, really, if it is going to be "Other operating expenses", it is more likely to be an increase in the levy rather than salary increases because salary increases would be contained in—

Mr IEMMA: As I am advised, that figure that you mentioned accounts for a Legislature levy, provision for an additional staff member and an amount for pay rises.

The Hon. DOUG MOPPETT: Thank you for that answer. Moving on, then, to a serious matter, the Auditor-General's Report for 2001 reports that the DPWS cash position was in overdraft in October, November and December 2000 for the first time since the department started operating on a commercial basis. Why did this occur? Has the overdraft been completed? If so, when? What actions are being taken to ensure that this does not occur again? Perhaps you might reflect on why the DPWS allowed the bank balance to get to this state before instigating measures to overcome it. In other words, why were these initiatives not taken earlier?

Mr IEMMA: Mr Mudge can provide the information that you require.

Mr MUDGE: The department is currently out of overdraft. We are now operating in a cash surplus position. Like all commercial agencies, during the period of the implementation of the GST, the department, as a major payer for construction contracts on behalf of agencies, experienced an increase in its current debtor level, which is consistent right across the sector and in the private sector. Predominantly we are currently in surplus.

The Hon. DOUG MOPPETT: So, essentially, you saw it as a one-off situation due to external circumstances and it was essentially offset by a rise in debtors and collecting money owed to you?

Mr MUDGE: That is predominantly correct. The debtor period increased substantially. We have put in place measures to ensure it is kept under control. We are operating in a cash surplus position.

The Hon. DOUG MOPPETT: Minister, you have taken on board that the focus of the Department of Public Works and Services is a commercially oriented business that does not rely on government to bail it out if anything goes wrong, so we were particularly anxious about any period in which your commercial organisation ran out of cash. Thank you for that explanation.

Minister, the same Auditor-General's Report also reported that the Government made a one-off amelioration payment—this is an old chestnut that I am sure you will recognise—of \$15 million to release itself from further claims by a private sector company previously engaged to carry out a five-year government cleaning contract. The payment was made after consideration of an independent review into productivity targets in the original contract. I would like to ask: What effect did this payment have on the profitability of the Department of Public Works and Services? Was advice from legal counsel sought on the Government's legal liability to make this payment? If so, what was the advice and, if you did not seek advice, why was the payment made?

Mr IEMMA: The payment relates, as you state, to government cleaning contracts which came into force in January 1999 and were to run for a period of five years. Those cleaning contracts yielded to the Government substantial savings compared with the previous contracts, in excess of \$155 million, for the cleaning of around 2,300 sites across the State, which included 2,200 schools, police stations and TAFE colleges.

A dispute arose in late 1999 in relation to the operations of one company that you have mentioned, the Menzies company. The company was involved in a dispute with its work force over some proposed productivity changes. That company was proposing some changes in the order of 32 per cent. By way of comparison, the other two companies that hold government cleaning contracts, Tempo and Broadlex, proposed changes of something in the order of 12 per cent over the life of the contract.

A number of sites that Menzies was responsible for were in dispute and the Government sought a resolution to that dispute by bringing the parties together. The Government appointed the Independent Pricing and Regulatory Tribunal [IPART] to carry out a review and investigate the claims made, firstly, by the representatives of the work force—the Miscellaneous Workers Union—and Menzies as to the feasibility of the proposed changes at the various workplaces. IPART reported, from memory, in February of the following year that the targets by Menzies were ambitious but that there was scope for change. That formed the basis of subsequent negotiations between the parties. The Government was there to facilitate that process.

The payment represents a resolution to the dispute, bringing the Menzies' productivity targets into line with those of the other companies. It was a decision made by the Government to ensure that our schools would continue to be cleaned and remain open. The first round of disputation that occurred in November 1999 was at a time when students were sitting for the higher school certificate and there was also another dispute in relation to teachers pay and conditions.

The payment came from a Treasury allocation on the basis of a decision made by Cabinet so it would have no effect on the commercial operations of the Department of Public Works and Services. The Government wanted to ensure that our schools remained opened and were cleaned and that students would continue to attend school and learn in a safe and clean environment.

The Hon. DOUG MOPPETT: What proportion is \$15 million in relation to the total contract?

Mr IEMMA: The three contracts total \$762 million. Tempo has the largest contract, approximately \$460 million. For Menzies, I think the figure is \$260 million. I can provide the precise figure for Menzies. Broadlex is in the range of \$20 million. Again, I can provide the exact figure.

The Hon. DOUG MOPPETT: And the \$15 million related only to the Menzies contract?

Mr IEMMA: It relates only to the operations of Menzies and the Menzies contract because that was the basis of the dispute of November 1999, the then period of IPART's investigation and further industrial action in April 2000.

The Hon. CHARLIE LYNN: Minister, in Budget Paper No. 4, State Asset Acquisition program, page 76, major works totalling \$6.3 million are listed for the year 2001-02. Can you give a break-up of the works and the areas or departments in which the money will be spent, and could you advise how the Government arrived at its decision as to what departments would benefit from the allocation?

Mr IEMMA: Mr Renouf has some information on that point.

Mr RENOUF: The amount of \$6.3 million has been allocated for specific technology projects within the Department of Public Works and Services during the forthcoming financial year. That includes a budget for replacement and upgrade of computer and communications equipment and systems. Those investments are designed to improve the department's efficiency, meet business needs and satisfy client requirements. Funding for those projects is provided by the department from its own operating funds and, therefore, no allocation has come from the Consolidated Fund.

The projects have been identified in the department's information technology strategy. The break-up includes a message and scheduling system estimated at \$1.6 million, some application enhancements to the department's enterprise system, a data warehouse project, replacement of a PABX, some e-commerce-related expenditure, and electronic records management expenditure.

The Hon. CHARLIE LYNN: The Department of Public Works and Services has distributed to each staff member desk cards with a commitment statement printed on them. What is the cost of printing these cards?

Mr IEMMA: Could you repeat the question?

The Hon. CHARLIE LYNN: The Department of Public Works and Services has distributed to each staff member desk cards with a commitment statement on them. What is the cost of printing those cards?

Mr RENOUF: I believe you are referring to our client focus commitment statement. In terms of the actual cost of production, we will need to take that on notice.

The Hon. CHARLIE LYNN: Thank you. Budget Paper No. 3 indicates projected employee-related expenses for 2001-02 estimated at almost \$193 million. This is an increase of almost \$13 million more than the previous wage bill of \$180 million, which itself exceeded the original budget by \$6 million. What is the reason for this quite substantial increase over the budget amount?

Mr IEMMA: I am sorry, I think Mr Moppett asked the same question.

The Hon. CHARLIE LYNN: No.

Mr IEMMA: I am not quite sure how that differs from the previous question.

The Hon. CHARLIE LYNN: Would you like me to run it by you again?

Mr IEMMA: Could you? Relating to the increase in employee expenses?

The Hon. CHARLIE LYNN: Yes. Projected employee-related expenses for 2001 and 2002 are estimated at \$193 million, an increase of nearly \$13 million on the previous wage bill of \$180 million, which itself exceeded the original budget by \$6 million.

Mr IEMMA: You are seeking an explanation for that increase?

The Hon. CHARLIE LYNN: Yes.

Mr IEMMA: I am happy to supply that information. I just do not quite see where the difference is from the question asked by Mr Moppett, but Mr Mudge could provide some information for you on that.

Mr MUDGE: The difference between the budgeted figure for 2000-01 of \$174 million to the revised figure of \$180 million predominantly relates to a \$14 million reclassification relating to the line item "Other operating expenses". But the revised year, as I mentioned in the previous answer, includes a superannuation saving. The allocation and budget for 2001-02 does not include that superannuation holiday—it was allocated only for one year—and includes the full impact of a 3 per cent salary increase that has been provided.

The Hon. DOUG MOPPETT: I think the particular reason for the question was the emphasis on the fact that the earlier projection had been exceeded and now we were looking at a growth in wages, and that prefaces the next question. If the Department of Public Works and Services has a similar salary blow-out this year, taxpayers could face a salary bill of around \$200 million, which would mean that the projected profit of \$3 million is shattered, resulting in a loss, as occurred in the financial year ending 30 June 2000, when the department lost \$2.3 million. What guarantee can you give that salary costs will remain stable and the budget of DPWS generally will not show another trading loss?

Mr IEMMA: Mr Collins has indicated that he can add some information for you on that.

Mr COLLINS: The first part of the question I think is the potential blow-out for salaries. The answer I would suggest is that the only reason that our figure would increase beyond the figure in the budget would be if, in fact, our revenue increased and, therefore, generated the need to take on additional people, so there is obviously a nexus between revenue and our salary bill. That would be the only reason. Therefore, the bottom line ought to increase rather than decrease because we would take on more people only if we believed it was to our net benefit to do so. There is also still the possibility, yet unknown, that the superannuation holiday may continue. If that were the case, of course, then the bill would actually go down rather than up.

The Hon. DOUG MOPPETT: Down rather than up. Yes, it is that sort of area. You have probably had some experience of unexpected expenditure in that area. It is of concern when you are looking at an organisation which, as I said, earlier, is commercially oriented and lives or dies by its bottom line.

Mr COLLINS: I would say again that one of the reasons that it might move a bit more than an inner budget agency, though, is that it relates to our revenue. If we saw an opportunity to generate more revenue, then the bill might move, but it would be related to the revenue at the top as well.

The Hon. CHARLIE LYNN: Minister, in respect of the operations of State Fleet, in 1994-95, 10,938 vehicles were leased; in 1999-2000, 23,425 vehicles were leased. Could you advise what caused an increase of more than 100 per cent in the number of vehicles leased in that time. What profit did State Fleet make in the 1994-95 year and what was the profit in the year 1999-2000?

Mr IEMMA: I would have to take that one on notice. 1994?

The Hon. CHARLIE LYNN: 1994-95.

Mr IEMMA: I will take that one on notice.

The Hon. CHARLIE LYNN: That is in the profit figures, but could you give an indication of the reason for the substantial increase in that time?

Mr IEMMA: I will take that one on notice and get back to you.

DEPUTY-CHAIR: Minister, page 15-5 of Budget Paper No. 3, Volume 2, states that total expenditure is estimated to be \$374 million, an increase of 4.6 per cent over the year, and that the increase mainly reflects increased net superannuation expenses. Do you agree with that?

Mr IEMMA: Yes.

DEPUTY-CHAIR: Minister, I am wondering, though, what is a “displaced person” as the Department of Public Works and Services uses the term.

Mr IEMMA: I am sorry, could you repeat the question?

DEPUTY-CHAIR: I am wondering what a “displaced person” is, as the Department of Public Works and Services uses the term.

Mr IEMMA: Just repeat the question again.

DEPUTY-CHAIR: I am asking you simply what is a “displaced person” as the Department of Public Works and Services uses the term. Am I not speaking loudly enough? I am sorry.

Mr IEMMA: Sometimes it is a bit difficult to hear. Mr Renouf has indicated that he can provide some information for you.

Mr RENOUF: The definition of “displaced” derives from the framework adopted by the Premier’s Department for managing all the staff under the Public Sector Management Act. A displaced staff member is a staff member whose position within the organisation has been abolished and who does not have a substantive position that they are held against.

DEPUTY-CHAIR: Does that mean that they are waiting for an alternative employment position, or what is the situation?

Mr RENOUF: Under the framework for managing displaced employees, displaced employees have two choices. One is to opt for redeployment either within the department itself or across the public sector through the Work Force Management Centre administered by the Premier’s Department. The alternative is an offer of voluntary redundancy, which is voluntary on their part. They are the two alternatives available to employees who are displaced.

DEPUTY-CHAIR: How many people have been retrenched by the Department of Public Works and Services in the last financial year either voluntarily or as a result of departmental restructures and how many would be expected to be retrenched this financial year?

Mr IEMMA: There were no retrenchments.

DEPUTY-CHAIR: No retrenchments last year?

Mr IEMMA: No, no retrenchments.

DEPUTY-CHAIR: That is a little surprising, Minister, because I understand one retrenched worker committed suicide after being told he no longer had a job. Is my information incorrect?

Mr IEMMA: Mr Collins has indicated that he can provide you with some information on that.

DEPUTY-CHAIR: You are saying there are no retrenched workers. I must have some very substandard information if that has not come to your attention.

Mr IEMMA: I understand your question. Your question was in relation to the number of retrenched persons in the Department of Public Works and Services. The answer I gave to you before is correct. There were no retrenchments last year. You have asked a question in relation to the suicide of an employee of the Department of Public Works and Services and Mr Collins has indicated that he can provide you with some information in relation to that.

DEPUTY-CHAIR: Was there a suicide of an employee? Was that employee retrenched?

Mr IEMMA: We are about to provide that information.

Mr COLLINS: The employee was not retrenched. There was a suicide of a staff member and that staff member had been advised that he was displaced, not retrenched. The opportunities and options open to him were the ones that Mr Renouf identified earlier but, unfortunately it is true, there was a suicide of a staff member.

DEPUTY-CHAIR: So he was a displaced person at that stage?

Mr COLLINS: He had just been advised that he had been displaced, I believe.

DEPUTY-CHAIR: Is not a displaced person in effect given notice of a pending retrenchment?

Mr COLLINS: No, it is not. As was explained earlier, we have not retrenched anyone. The options available are the ones that were identified earlier and they are: potentially looking for another opportunity within the organisation; reference to the Work Force Management Centre for alternative employment; or the option, if they choose and only if they choose, of taking voluntary redundancy, which is the same as with any other government agency.

DEPUTY-CHAIR: Are you aware that there was no counselling initially provided to the man's colleagues despite the fact that management was also going through the same displacement process?

Mr COLLINS: I am aware that there was counselling. There was a considerable counselling process undertaken. I might invite Caroline Burlew, the Group General Manager, Asset and Environmental Services Group, responsible for that particular area to give you some more information.

Ms BURLEW: The person in question committed suicide on the weekend and we found out about it on the weekend. On the Monday morning we had grief counsellors on staff in the building and all of the staff were counselled at that particular time. A number of staff members had several counselling sessions. They were actually taken out of the work force and provided with that sort of counselling. The counselling was there for a period of time.

DEPUTY-CHAIR: How much has been spent on that counselling to date?

Mr IEMMA: We will take that on notice and provide you with the information.

DEPUTY-CHAIR: How many of those displaced persons within the department have been hired back by the department to deal with the avalanche of work coming into DPWS, I presume, through the construction of new schools, gaols, the expansion of those capital works programs?

Mr IEMMA: I will take on notice the particulars of the first part of your question. As to the second part, it does not necessarily follow that the expansion of capital works program translates to an avalanche of extra work for the Department of Public Works and Services. As you heard previously, it is a commercial organisation and needs to win that work, so it does not translate into an avalanche of work for DPWS. With the expansion of the capital works program there will be opportunities for the department to increase its involvement but that is a matter that needs to be seen. Ms Burlew has indicated that she can provide you with information dealing with the first part of your question.

Ms BURLEW: Displaced people are not hired back. As we said earlier, displaced people are provided with opportunities to either take a voluntary redundancy program or to seek opportunities within the Department of Public Works and Services or across the sector through the Work Force Management Centre. While those opportunities are waiting for people to take up, we endeavour to give them whatever meaningful work we can, as any employer would do. So they are not hired back because they are not unhired in the first place.

DEPUTY-CHAIR: The budget papers reveal that \$412.9 million is to be spent in this portfolio area, which includes \$40 million. Minister, perhaps you could enlighten me on that \$40 million. Again, I think it is in keeping with

the concerns I have, and I am not the best at mathematics, but why is the budget so unclear on how this huge amount of money will be spent?

Mr IEMMA: There is a division between what is called the Office of the Minister for Public Works and DPWS. The Office of the Minister for Public Works receives a Consolidated Fund allocation of \$39.1 million. The previous year it was \$41 million. That is for a range of policy programs that the Office of the Minister for Public works then contracts to be provide from DPWS, which is an agency that does not receive a Consolidated Fund allocation. So I think that the figure you are referring to is an amount of money provided to the Office of the Minister for Public Works to contract to the Department of Public Works and Services a range of activities and projects in the areas of risk management, policy development and whole-of-government advice on procurement.

DEPUTY-CHAIR: So it is not just your office?

Mr IEMMA: No. The allocation to my office is the allocation that Mr Moppett or Mr Lynn asked about previously.

DEPUTY-CHAIR: Other than the \$9.5 million on information technology upgrade, why is there no detailed organisational expenditure in the budget?

Mr IEMMA: There is. Pages 15-9 and 15-10 outline the detail of that.

DEPUTY-CHAIR: How many staff are employed in your department, Minister?

Mr IEMMA: Approximately 2,500. The exact figure is 2,800.

DEPUTY-CHAIR: The budget papers make a number of references to property disposal. For instance, on page 15-8, in the non-current asset section there is reference to land and building where the asset value has decreased from \$103 million to \$41 million. On page 15-12, proceeds from the sale of property, plant and equipment were estimated at \$78 million last financial year and are now \$532 million. It is expected to be \$126 million this financial year. Could you outline in detail what properties have been sold to reach this enormous figure of \$532 million?

Mr IEMMA: We will have to take that on notice.

DEPUTY-CHAIR: I do not expect you to have the exact details, but does not this represent a fire sale of valuable public property?

Mr IEMMA: No, there is a broad range of activities that the department and its various business units are involved in and as a commercial operation it needs to ensure that it is viable and ongoing, so I will provide the details for you in relation to those matters that you have asked.

DEPUTY-CHAIR: Is there a public document that outlines in detail the sale of public property by the Department of Public Works and Services?

Mr IEMMA: I will provide the information that you have requested.

DEPUTY-CHAIR: I would appreciate that, but is there a public document? I appreciate that you are going to do that, but for the general public is there a way of accessing that?

Mr IEMMA: I would imagine that if I provide the information and it becomes part of the records of this Committee hearing, that that would be the case: it would be a public document once I have provided it.

DEPUTY-CHAIR: I am asking whether the public has an opportunity to access the information. I appreciate that you are going to provide it. Is there any way to do that from your net site or your information services that go out to the public?

Mr IEMMA: Sales would be. Our asset holdings and other issues that relate to that question would involve our business strategies. I am advised that that is not the case.

The Hon. DAVID OLDFIELD: For how long is a person categorised as a displaced person?

Mr RENOUF: An employee would be regarded as displaced until such time as they have accepted voluntary redundancy or been redeployed into a substantive position.

The Hon. DAVID OLDFIELD: So how long, realistically, can that go on?

Mr RENOUF: There is no average answer I can give you in the sense that it could be one day; it could be longer than that. There is no average, I am sorry. It is very much a case-by-case issue in managing the individual and their circumstances.

Mr IEMMA: We have a policy of no forced redundancies.

The Hon. DAVID OLDFIELD: What would you suggest would be an average, or could you give me an example of a lengthy period in an individual case?

Mr RENOUF: No, I cannot, but it might be worth while just to explain a bit further how the management of displaced employees is handled within the department. The department has actually established now as part of its overall program a career development centre, which includes a range of services for staff who are contemplating career-change decisions, regardless of whether they have or have not been through a displacement process. These services include advice on financial situations, superannuation advice, and a range of training providers that they can access; and obviously on-site counselling advice is available to people in that situation.

The department's preference is to place those people as fast as possible, because obviously we are very interested in the well-being of our staff and make every effort on our part to do that, as does the Government's Work Force Management Centre, which is run through Premier's. I cannot give you a figure. To do so would be misleading. We could take that on notice for you. We will do our best to give you an answer.

Mr IEMMA: They are still carrying out meaningful work and, as I said before, there is a policy of no forced redundancies.

The Hon. DAVID OLDFIELD: That is my next question essentially. What do they do whilst holding that status. For example, Adrian, if you were displaced at five o'clock on Monday afternoon, what would you be doing on Tuesday?

Mr RENOUF: In terms of displacement, the first thing that would happen would be that you would be assigned a case manager from the human resources area who would be working with the manager of the career development centre. The first thing they would do would be to sit down with the individual and go through their skills profile and experience to establish a clear assessment of the individual, their strengths, their abilities and their experience. The next stage would be to look across the organisation for opportunities for redeployment in other parts of the organisation whence they had come.

There would be a work program developed in consultation with the case manager to ensure they had meaningful work. That meaningful work might include working on projects in another part of the organisation; it might include working on projects within the organisation, projects related to improving our internal business processes; it might even involve a placement with another organisation within the sector. So it is very much an individualised case-management approach with a focus on the individual and making sure that the impact that the unfortunate circumstances has on them and their family is minimised.

The Hon. DAVID OLDFIELD: When you say they are undertaking meaningful work, something that first-up does not make sense to me is that if there is meaningful work, why they are being displaced. My colleague here, the former Major Lynn, would probably put forward better than I that when the army does not have much for people to do they do what they call combat gardening—paint rocks and plant trees and things like that. So if a person has meaningful work to do, why are they displaced?

Mr RENOUF: The department is engaged in a very wide range of businesses. The skills required in those different businesses vary quite considerably, as does the market demand for those services. The person still has the skills they had in their original employment in the organisation. Displacement simply means that there is no more meaningful work for them to perform in the business in which they joined the organisation. Meaningful work can, however, be found in a variety of other businesses that we run, and that work can entail a whole range of different tasks. I am not denying the example you have cited. We run quite a range of different commercial businesses, and there is quite a wide range of opportunities for those people.

The Hon. DAVID OLDFIELD: So could we consider a displaced person to a degree, based on your example of it, as perhaps an intermittent transfer of some kind?

Mr RENOUF: In the sense that they are looking for a substantive placement and that in the course of that period they may go through a series of intermittent placements, yes, you could consider it that way.

The Hon. DAVID OLDFIELD: What is the level of workers compensation claims amongst Public Works employees?

Mr IEMMA: We will take that one on notice.

The Hon. DAVID OLDFIELD: You might also then take on notice for me how the level of workers compensation claims compares with the level in other government departments.

Mr IEMMA: I could provide you with information on the DPWS. I do not know whether we would be able then to make a comparison with all other agencies within government.

The Hon. DAVID OLDFIELD: Would other agencies not have comparable material? I would have expected that government agencies would be aware of comparisons.

Mr IEMMA: We will provide you with what information we have got.

[Short adjournment]

The Hon. CHARLIE LYNN: I want to go back to "underutilised/excess staff voluntary redundancy" identified in the Auditor-General's Report to Parliament in 2001, where it says:

DPWS statistics indicate that 2,516 full-time equivalent staff were employed at 30 June 2000 (2,574 at 30 June 1999). The Department has acknowledged that underutilised staff is adversely impacting its performance and estimates that, at the date of preparation of this Report, some 120 positions will be surplus to requirements upon finalisation of the Corporate Change Program.

Then it indicates that the department received \$1.4 million from the Consolidated Fund towards the cost of underutilised staff. It goes on to note that during the year 96 employees accepted voluntary redundancy at a cost of \$4.9 million, which I work out to be an average of \$51,000 each. As of today, how many positions do you have employing underutilised staff?

Mr COLLINS: During the course of the year the department has undertaken a program and at the current time there is a voluntary redundancy program in place. In terms of the exact numbers that are displaced today, that is almost an impossible question to answer since the voluntary redundancy program is in process right now and there are offers out and acceptances or otherwise coming back. In terms of identifying a precise number, that is not possible at this moment.

However, we have acted, as indicated in the Auditor-General's Report, to reduce our staff numbers consistent with all the issues we have identified earlier, so the number of voluntary redundancies identified in the Auditor-General's Report is likely to be almost realised. We are not sure of the number. We will not know until 30 June, but the number we are expecting to have acceptances for is currently in the order of slightly less than 122 but somewhere in the range perhaps of 100 to 110, and the cost is running at about the average figure that you identified.

The Hon. CHARLIE LYNN: Given that there is a policy of no forced redundancies, is that a DPWS policy or a government policy?

Mr IEMMA: As I indicated earlier, that is a government policy.

The Hon. CHARLIE LYNN: To be able to downsize or get rid of people, or whatever term you want to use, you really have to work around that policy.

Mr IEMMA: No, we work in accordance with the Government's policy.

The Hon. CHARLIE LYNN: I appreciate that. I am looking at the psychological impact that this has on employees. It would be possible, would it not, for employees who identified themselves as being due for a displacement program to stay within the Department of Public Works and Services forever if they did not accept a voluntary package? If they did not do that, would you just continue to move them around or give them an office? How do you handle that? I will rephrase that. How long could an employee stay as an employee of the Department of Public Works and Services if he or she did not accept a redundancy?

Mr IEMMA: I think that question has already been answered, but Mr Renouf has indicated he will provide some more information for you.

The Hon. CHARLIE LYNN: He mentioned one day, but in theory he could go right through to retirement by playing the system, surely?

Mr RENOUF: In theory, yes, that would be true. As I have explained before, the approach we adopt is very much an individualised, case-management approach, with the sole objective of placing that individual in a meaningful, substantive job either within the sector or the department in as short as possible time frame or, alternatively, offering them voluntary redundancy if that is what they would like to do and assisting them in their career transition to a job in the private sector.

The Hon. CHARLIE LYNN: What sort of counselling process do they receive before they are identified?

Mr RENOUF: When organisational restructures are underway, there is a well-established policy that the department follows, which includes quite extensive union and staff consultation. That is a process laid down by the Premier's Department that the department follows. When people find themselves to be displaced, usually it is at the end of a process that has been going on for some time, throughout which there would have been ongoing consultation with the staff.

If staff wish to talk to someone specifically about their circumstances, as I mentioned before, we have the career development centre which has on-site counsellors available to them. We also assign case managers to individuals and throughout the process make every attempt to minimise their stress as much as possible, obviously not denying that it imparts stress on the individual.

The Hon. CHARLIE LYNN: I appreciate that one of the great fears that people have in the work force today is a sense of insecurity, I suppose. Given that fear and what you are doing—they seem like good, reasonable programs—and it is a subjective judgment I am calling for, how do you feel that system is working within the service?

Mr RENOUF: The feedback we have had from the staff is that they are very appreciative of the efforts we are making. Obviously they appreciate that it is a difficult situation for them personally, but the feedback we have had from the career development centre is positive and people generally believe the organisation is doing its utmost to minimise the anxiety on them. That is the feedback that we have had.

The Hon. CHARLIE LYNN: I appreciate that. Perhaps if I could move off that into a different area. In 1994 the DPWS had an operating surplus of \$37.2 million. In 1999-2000 this had progressively eroded to a loss of \$2.3 million. Similarly, the return on equity went from 11.7 per cent in 1994-95 to minus 0.6 per cent in 1999-2000. Are you able to explain the reason for what is really quite a substantial reduction in that area?

Mr IEMMA: I will take those questions on notice and provide the information to you.

The Hon. CHARLIE LYNN: Minister, the projected surplus for the Department of Public Works and Services for 2000-01 is \$7.0383 million and for 2001-02 it is \$3.043 million. Do you consider this to be a reasonable outcome for what is now a commercially focused entity that generates about \$375 million?

Mr IEMMA: In relation to the commercial pressures that are placed on DPWS and the activities that it undertakes—it is a broad range of activities—and the very strategic services that it provides within government, my view is that its performance over the past 12 months has been good.

The Hon. DOUG MOPPETT: In 1994-95, 1,857 construction contracts were let by DPWS.

Mr IEMMA: I am sorry, could you repeat which year?

The Hon. DOUG MOPPETT: In 1994-95, 1,857 construction contracts were let by DPWS. In 1999-2000, 1,423 construction contracts were let. Could you explain the reason for the substantial reduction that has taken place over that period, which also saw during that period—1996-98—a low of only 871 contracts let by DPWS?

Mr COLLINS: The answer to the question is fundamentally a change in the way we engage in contracts and the types of contracts that we actually engaged in. The most obvious example of that is in the maintenance area. In the earlier years that you identified, the program was managed as a whole series of smaller projects and often even subprojects, if you like, where we may have construction-managed a project and engaged three, four or five subcontractors.

During the second half of the 1990s, we developed and implemented the schools facilities maintenance contracts. That entailed the engagement of 23 contracts across forty school districts, and those are a completely different type of contract. It is an outcome-based, performance-based type of contract which is aimed at improving the consistent quality of the service and improving the response times to principals.

All the outcomes and regular client feedback that we get show that that has been the case in virtually every one of those districts. Rather than having literally 1,000 or 800 contracts to run schools maintenance in particular, we now have 23. Fundamentally, that is the difference, although you will see also some other examples where we may have, if you like, bundled up some smaller projects into larger ones by various methods because as methods develop we may decide—on some of our larger capital jobs, for example—to roll them up into one, either a “design and construct” contract or some other form of contract.

It is not a matter of a change in opportunities for contractors because many of the contractors that would have been engaged directly are now operating as subcontractors, for example, on the maintenance contracts. That is the answer. It is a change in the methodology really to move with the times and to move to more outcome-based, performance-based contracting.

Mr IEMMA: There were some 600 of those school maintenance contracts. As Mr Collins has indicated, there are now 23, and that is a principle that we are attempting to extend. We are currently running a pilot program in the Riverina that involves aggregating and bundling up more of the Government's maintenance needs in contracts to drive, firstly, opportunities for regional subcontractors and contractors to obtain further work from government but also to make savings and use the Government's leverage to bundle up its procurement needs in areas like maintenance to achieve a more efficient outcome.

The Hon. DOUG MOPPETT: I was particularly anxious to dispel the rumour that it marked that period when the department was particularly focused on providing answers to questions to Minister Dyer about the sandstone program round Sydney. Members used to get practically a daily bulletin on what work DPWS was doing on the heritage sandstone buildings.

But, on a more serious subject, Mr Collins has mentioned the schools contracts. Earlier this morning reference was made to security in schools, and I understand that the appropriate place to make that inquiry is, in fact, in this Committee of inquiry. Mr Collins has mentioned the school contracts, which I understand include security around schools, the provision of bars, security doors and so on. Are you or your staff, Minister, aware of the document “Schools Facilities Standards Document SF8”? Does it provide standards in relation to the installation of security doors, gates and grilles at schools? Do the specifications conform to the New South Wales Licensing Industry Act? What is the process

for school principals to upgrade school facilities? Do they just get the three lowest tenderers or are they aware of the specifications? Are any tender documents required to show the security industry licence numbers of the contractor?

Mr COLLINS: The answer to the question of where the question should be directed is that it is a mixture of the Department of Education and Training [DET] and the DPWS. School facilities maintenance contracts do not embrace security at all. That is point one. Point two, the security guard contract is run by DET but has been set up by the Department of Public Works and Services. As to the question you have asked in relation to standards, I would have to take on notice the specifics of the document you have identified. I would think that the document relates to school standards that are identified in general terms, that is, physical standards, security and all other sorts of standards by a special group that is a combination of DET and DPWS that review regularly the standards and quality of the product provided in schools.

In terms of principals, and that is the question that has to go back to DET, the principals decide within certain parameters what work they are going to have done in schools, and I assume that DET this morning would have explained some of that. But if the principal makes a judgment about expenditure, that is an initiative for DET to respond to because we have no impact over that in any shape or form.

Where we do have an interaction with the principal is with the school facilities maintenance contract, where they engage the contractor that we have set up to get various works done in that sphere. They could decide to invite a school facilities maintenance contractor to carry out some work that they were trying to fund themselves but, if that were the case, then one would normally expect them to follow the normal rules of procurement, but that is something that DET would have to respond to.

The Hon. DOUG MOPPETT: The distinction the Minister made was that if a door was malfunctioning or was no longer in accordance with fire regulations, that work would be done within the global budget of the school. He embraced that, but he said that if you envisage a school that has had a spate of break-ins and suddenly there is a major upgrade involving \$50,000, \$60,000 or \$100,000, then DPWS would do it. We were concerned that if you are trying to overcome a rash of vandalism at a school, it is important that people understand what they are doing in specifying the type of security measures. I understood that the Minister for Education looked to DPWS to supervise that scale of work.

Mr COLLINS: In that latter case, that is quite right. In those circumstances we would always comply with our own developed standards in terms of what was going to be installed. So we would then set up the contract, go through the processes and for that type of \$100,000 job we would normally invite at least three tenders based on the sorts of people who should be able to do that type of work, as we would normally do, and apply the appropriate standards.

The Hon. DOUG MOPPETT: DPWS could get someone who said they had a builder's licence and accept their contract, but the key to it is that there is also a security code and a securities authorisation which means that they understand and can supply the necessary security measures in the school in accordance with the Act and so forth. Would you not be responsible for ensuring that the tenders comply with those specifications?

Mr COLLINS: Yes, we would. We would be responsible to ensure that what goes into place meets the requirements of the specification that we set out, and we would expect that the specification we set out would meet the various guidelines and requirements for the safety that DET and DPWS had agreed upon.

The Hon. DOUG MOPPETT: You would think that if one proved to be too flimsy—it looked okay but actually did not meet the specification—the evaluation of the contract would have been at fault?

Mr COLLINS: If that were the case, yes. I would be very surprised if there was substandard fire doors and security doors. Normally, unless it was an older school and needed an upgrade in the standard, you would not expect that. The issue that can arise is the local piecemeal approach where one door gets replaced, which I think is the starting point. Without being absolute about it, that is the more likely cause of the problem.

Once we get into a larger project, all the normal standards apply and all the normal outcomes would be expected and it would be extremely unlikely that there would be a flimsy door that did not meet the specification. The only issue would be if there was a judgment about the security level, if you like, what type of door was needed in that circumstance and that subsequently needed to be changed, but that is an issue about initial specification against function rather than an issue about compliance with the specification.

The Hon. DOUG MOPPETT: When you are talking about that major thing it would basically be works undertakings, a contract let by Department of Public Works and Services. It would not be the responsibility of the principal to worry about.

Mr COLLINS: That is quite correct. The global budget usually goes at a low level. There is one other issue that does arise at times and that is that parents and citizens money may be put together, for example, for some reasonably substantial structure, a small hall or something. In those circumstances it is conceivable that that could be run separately from us because there is no compunction that we be involved.

However, my experience is that when DET identifies a substantial project, as opposed to a minor one, it would normally look for a role for DPWS to at least ensure that the Building Code of Australian standards and other such issues were being met in those circumstances. There is no absolute rule about that.

The Hon. CHARLIE LYNN: Minister, I refer again to the Auditor-General's Report to Parliament in 2001, which stated that the audit of the financial report of the Department of Public Works and Services for the year ended 30 June 2000 resulted in the issue of a qualified, independent audit report. Has that been rectified since then?

Mr IEMMA: Mr Mudge can provide that information for you.

Mr MUDGE: The audit for last year was qualified. We actually qualified our own accounts, so it was not the Auditor-General. His opinion referenced a particular paragraph that we put in our accounts which related to our work in progress. During the current year we have worked in conjunction with the Auditor-General to ensure that the issues in question which related to a data conversion issue are corrected.

DEPUTY-CHAIR: Minister, on page 15-22, the budget papers specify that \$9.1 million has been allocated to complete the central business district [CBD] core accommodation strategy. Could you outline what is involved in this strategy and does the strategy involve provision of accommodation to low income and disadvantaged people?

Mr IEMMA: The answer to the second part of your question is no. The CBD core accommodation strategy is the accommodation for State Government public servants who are working in the CBD. The strategy involves reducing the Government's leasing costs and moving those State Government employees to other areas of the CBD, for example, in the south of the CBD where lease costs are less expensive than in places like Governor Macquarie Tower.

The strategy involves moving out of buildings that have a high cost lease structure and may also not meet the Government's space requirements objectives as far as accommodating public servants, moving them to areas that are of lower leasing cost when it comes to accommodation. So it relates to office accommodation, not to social housing.

DEPUTY-CHAIR: Can you see any crossover with your substantial holdings in these areas, any opportunity for low-cost housing, as in accommodation?

Mr IEMMA: No, I do not. These are not holdings in the sense of houses or apartments that we own. These are office buildings that are leased from the private sector or owned by the Government. For example, we own Bligh House and part of that core CBD strategy is to move State Government employees out of Governor Macquarie Tower, which is not owned by the Government, into Bligh House, where, by comparison with Governor Macquarie Tower, the rental per square metre is almost half. There is just no scope for us to do that.

DEPUTY-CHAIR: In relation to the program Risk Management and Policy Development and the line item "Specialist policy advice and investigations" on page 15-10, I understand that is a decrease from \$4.8 million to \$4.1 million. Could you outline in detail the decrease in investigations, and which investigations in particular?

Mr IEMMA: I will provide that information to you.

DEPUTY-CHAIR: On notice. The line item "Parliament House maintenance" in the program Risk Management and Policy Development on page 15-9 has increased significantly this year from \$1.1 million to \$2.5 million. Could you give the reason for this increase?

Mr IEMMA: It relates to a program of major works, a major lift upgrading, general internal and external painting, refurbishment of built-in furniture in members' rooms, refurbishment of Ministers' rooms, refrigeration services renovation and an equipment upgrade, repairs to damaged floors, walls and ceilings, and there is a program of refurbishment attached to that.

DEPUTY-CHAIR: Does that increase over one year appear rather excessive to you or does this have something to do with the selection of alternatives?

Mr IEMMA: It is part of the overall program. It is a building which is pushing 20 years plus and there are issues of maintenance that we need to address. I believe it is consistent with the age of the building and the needs of the building and providing a better environment for members and staff.

DEPUTY-CHAIR: Minister, could you outline the details of the decrease in the line item "Grants to agencies"? Which agencies, and how much?

Mr MUDGE: The grants to agencies are not specific grants to agencies. It consists of three particular projects. It is the CBD core accommodation strategy, which we have discussed. There is also funding of \$987,000 for the CCSU network in Governor Macquarie Tower, and there is \$470,000 for 2001-02 relating to the government property information system. So they are not grants to other agencies; they are specific projects that the department is undertaking.

DEPUTY-CHAIR: I refer to page 15-9, the program Risk Management and Policy Development. Minister, could you outline the detail of the line item "Parramatta Government Property Strategy"?

Mr IEMMA: That is a strategy in two parts. It relates to the previous question that you asked about the core accommodation strategy. We have a policy—and the Parramatta strategy is part of that—of moving public servants to regional centres. Parramatta is one of the centres to which we wish to move public servants and agencies to boost employment and investment in Parramatta and regional areas and also to establish a greater profile for the public sector in the second CBD, which is Parramatta.

The Police Service is the first part of that strategy, that move. The Police Service is moving out of the city and its current premises in College Street, and that part of the strategy involves the police obtaining approximately 32,500 square metres of space and about 1,300 additional police staff moving to Parramatta. They are non-frontline staff. They are administrative staff in the police department moving to Parramatta. We have currently short-listed three proponents for providing that accommodation in Parramatta.

The Roads and Traffic Authority just recently took up, I think, approximately 7,500 square metres of additional office accommodation space in Parramatta involving approximately 400 staff out of a city location or a southern Sydney location moving to Parramatta.

So the first part of the strategy involves relocating public servants to Parramatta as a designated regional centre and also as the second CBD of Sydney and providing a boost to investment in jobs in Parramatta, particularly where buildings need to be constructed for that purpose. The second part, if I can call it that, of the property strategy, looks at the government's surplus assets and property in Parramatta and redeveloping those assets.

They are currently located in what has been designated as four zones. The first one is what we would call the Civic Centre zone around the Parramatta council's administration building and the location of the transport interchange and Parramatta railway station. The second zone is around the Parramatta hospital. There are significant government land-holdings—one owned by the Attorney General's Department, and Parramatta hospital, which is owned by the Department of Health. The third zone is around The King's School, where agencies like the Department of Community Services have assets. The fourth zone is the North Parramatta zone, where there is a mix of agencies that own either land or buildings, and the strategy involves putting assets that are surplus to adaptive reuse.

For example, in the North Parramatta zone a number of heritage buildings are currently unused, and the strategy involves getting an adaptive reuse for them. In, say, the second zone, where the Parramatta hospital is closed and surplus to the requirements of the Department of Health, an alternative use is being considered. In part of that zone, the proposal is for the land owned by the Attorney General's Department to become a justice precinct with some court

facilities being provided, and we would like to attach to that number two precinct a court complex, government office accommodation and some newer health facilities, and also look at some form of residential development on some of the land that is surplus in that zone.

The Hon. CHARLIE LYNN: Just a final question. Minister, in respect of the many businesses operated by the Department of Public Works and Services. Is there a balance sheet with a profit and loss statement prepared for each one of these businesses?

Mr IEMMA: I will take that one on notice and come back to you.

Mr COLLINS: When we talk about businesses, some business units do have revenue and expenditure statements.

The Hon. CHARLIE LYNN: Do they have a profit and loss statement?

Mr COLLINS: Yes, profit and loss statements. The point I was just going to make is that it really depends on what level you move down through the businesses in trying to answer that question. Certainly, at some product and business unit levels, there are revenue and expenditure statements and profit and loss statements for the various businesses, yes.

The Hon. CHARLIE LYNN: And are these published in the annual report or are they available publicly?

Mr MUDGE: Not in the annual report. The Department of Public Works and Services as an entity is displayed in the annual report. Those individual units you spoke of have their own profit and loss statements. The published document is the department's.

The Hon. CHARLIE LYNN: Would you be in a position to table those for the Committee?

Mr MUDGE: The department or the individuals?

The Hon. CHARLIE LYNN: The individual businesses.

Mr IEMMA: What information? I will take that on notice and come back to you.

The Hon. CHARLIE LYNN: Thank you.

The Hon. DAVID OLDFIELD: I appreciate from previous answers that you may not have the answers to any of these questions so if you want to take them on notice, please do so. What percentage of displaced people take voluntary redundancy?

Mr IEMMA: We will take that on notice.

The Hon. DAVID OLDFIELD: What percentage of displaced people take voluntary redundancy within three months of being displaced? What percentage of displaced people find permanent positions in other government departments, and the same question within three months of being displaced? I would be interested in what percentage of payroll is dedicated to displaced employees and, I understand, there may be some difficulties with that, so if you could perhaps pick something like the closest payday to 1 March and the closest payday to 1 June.

The Hon. DOUG MOPPETT: I have two questions and I am not sure whether you will be able to give me the information now or take them on notice. The first is how often has the security of payments legislation that came in in 1999 been accessed?

Mr IEMMA: I did provide an answer to that question to the Legislative Assembly some months ago, so I would refer you to that, but the precise details, if you wish, in addition to that I will take on notice and come back to you.

The Hon. DOUG MOPPETT: The other question relates to the wastewater and sewerage system project in Indonesia. Have you obtained a prime contractor yet or are you still battling on against the odds?

Mr COLLINS: The short answer is, no, there is no prime contractor. You would be aware that President Wahid will be in Australia next Tuesday. We expect that there may be a signing ceremony of some sort. We are not sure about that yet, but that is the outstanding piece of information that we are awaiting which would enable us to activate the first stage of that project, called JISP, the interim project which is the first stage.

The other point I would make is that a number of firms have expressed specific and written interest in being engaged as the prime contractor in the project and, subject to confirmation from Jakarta that they are prepared to proceed, the opportunity would be there for a number of alternative bidders. I should add that, given it is an international project and given some of the issues, it is a difficult issue but I guess I am being open with you about that, the project has not physically commenced in the sense of digging holes. There are certain aspects of the project that have proceeded in terms of setting up in Jakarta and we are hopeful that it will proceed.

Mr IEMMA: In relation to the security of payments question, there were 18 adjudications and nine of the decisions have been made fully in favour of the claimant, three being made in favour of the respondent and the remaining six providing a partial payment to the claimant, and the disputed amounts ranged from \$1,500 to \$572,000.

The Hon. CHARLIE LYNN: Just a point of clarification on the final question that I asked in regard to the profit and loss statements for each business unit. I would like the balance sheet and profit and loss statement for each of the business units to be tabled. Is that as you understood it?

Mr IEMMA: I will take that question on notice.

DEPUTY-CHAIR: On page 15-3, the budget papers specify that \$2.3 million has been allocated for the provision of government-wide procurement and purchasing policies that pass on savings to agencies. Minister, could you outline these savings?

Mr IEMMA: That is strategic advice on procurement. One of the tasks for DPWS is to aggregate the Government's purchasing across a broad range of goods and services and by aggregating that purchasing power and also looking for a strategic way that government and government agencies procure services and goods, DPWS does ensure the best possible outcome for government across the board. By using a disciplined approach to procurement, DPWS is able, through the aggregation of contracts, to save government around \$400 million dollars in using its purchasing power, whether they be goods or services, and that is part of both the policy and advice that DPWS provides.

DEPUTY-CHAIR: Minister, on page 15-6, the budget papers specify that grants and subsidies have decreased. Could you outline in detail the decreases in grants and subsidies?

Mr IEMMA: I will take that one on notice.

DEPUTY-CHAIR: That concludes questions from me. I would like to clarify, Minister, regarding those questions you have taken on notice, whether you could advise on a time that would be reasonable from your perspective?

Mr IEMMA: I will provide them within a reasonable amount of time, as was the case last year and the year before. I am not aware of any criticisms that have been made in relation to not providing answers within a reasonable time. Some of the questions do ask for a substantial amount of detail and, as I say, both I and the Department of Public Works and Services have met the commitments that this Committee has made in the previous two years. This year will be no different in relation to both the time and the information that is provided.

The Committee proceeded to deliberate.