

GENERAL PURPOSE STANDING COMMITTEE No. 1

Monday 24 June 2002

Examination of proposed expenditure for the portfolio areas

SPECIAL MINISTER OF STATE AND INDUSTRIAL RELATIONS

The Committee met at 9.30 a.m.

MEMBERS

Reverend the Hon. Fred Nile (Chair)

The Hon. Michael Gallacher
The Hon. Tony Kelly
The Hon. Ian Macdonald

The Hon. Peter Primrose
The Hon. James Samios
The Hon. Dr Peter Wong

PRESENT

The Hon. J. J. Della Bosca, *Special Minister of State, Minister for Industrial Relations, Assistant Treasurer, Minister Assisting the Premier on Public Sector Management, and Minister Assisting the Premier for the Central Coast*

Office of Drug Policy

Mr G. Barnden, *Director*

Ms Y. Korn, *Project Director, Community Drug Strategies*

Premier's Department-Public Sector Management Office

Dr Col Gellatly, *Director-General*

Motor Accidents Authority

Mr D. Bowen, *General Manager*

WorkCover

Ms K. McKenzie, *General Manager*

Mr P. Burrows, *Director, Finance Branch*

Department of Industrial Relations

Ms K. McKenzie, *Director-General*

CHAIR: I declare open General Purpose Standing Committee No. 1. I welcome the Minister and departmental officers to this public hearing and thank them for their attendance today. At this meeting the Committee will examine the proposed expenditure for the portfolio areas of Special Minister of State and Industrial Relations. Before questions commence a number of 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 previously resolved to authorise the media to broadcast sound and video excerpts of its public proceedings. Copies of the guidelines are available from the attendants.

In accordance with Legislative Council 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 photographs. In reporting the proceedings of this Committee, members of the media must take responsibility for what they publish or what interpretations they place on anything that is said before the Committee. There is no provision for members, while at the table, to refer directly to their staff. Witnesses, members and their staff are advised that any messages should be delivered through the attendant on duty or through the Committee clerks.

When members are seeking information in relation to a particular aspect of a program or subprogram, it would be helpful if they identified the program or subprogram. The Committee has agreed to proceed as follows: 20 minutes for the Opposition, 10 minutes for the Hon. Dr Peter Wong and 10 minutes for Reverend the Hon. F. J. Nile. Government members will have an opportunity, when necessary, to ask clarifying questions. We have received a memorandum indicating that we will deal in sequence with the following portfolio areas: drug policy, public sector management, Motor Accident Authority, WorkCover and industrial relations. I declare the proposed expenditure open for examination.

The Hon. JAMES SAMIOS: How many people are currently receiving methadone under the methadone register for the years 1995-96, 1997-98, 1999-2000 and 2001?

The Hon. JOHN DELLA BOSCA: I have information relating to the expansion of current treatment places and the additional number of people who will be able to receive detoxification treatment. I will make that information available to the Committee. If there are any other aspects of the honourable member's question that I am not able to answer I will be happy to provide that information later. Since the Drug Summit treatment places have included a 16-bed treatment centre at Lismore, 15 beds at Nepean and 15 beds at Wyong, which provide for the detoxification of an additional 900 people in each location. Sixty-two additional rehabilitation beds are available for treating 524 people a year.

As part of the Commonwealth-State diversion program, 70 dedicated rehabilitation treatment beds to support the Magistrates Early Referral into Treatment [MERIT] program will be available by June 2003, with places for an additional 280 people. Over 2,800 extra places have been funded for methadone, but that also includes some buprenorphine treatment places. An extra 2,000 people are receiving detoxification treatment at home or as outpatients. An extra 2,000 people per month are receiving drug and alcohol counselling in rural areas. Naltrexone and buprenorphine are being introduced to provide more options for treatment of patients. Clinicians are being trained in their use. There are now 700 patients on buprenorphine and last year 120 received naltrexone treatment.

The Hon. JAMES SAMIOS: How many methadone clinics are currently operating in New South Wales?

The Hon. JOHN DELLA BOSCA: Private or public?

The Hon. JAMES SAMIOS: Both.

The Hon. JOHN DELLA BOSCA: I do not have that information on hand. I will take the honourable member's question on notice and provide him with details later.

The Hon. JAMES SAMIOS: How many mobile clinics are there? Will the Minister provide the location of each methadone clinic?

The Hon. JOHN DELLA BOSCA: Those matters fall in the Health portfolio. If the honourable member requires information relating to mobile clinics I can obtain that information and make it available to the Committee.

The Hon. JAMES SAMIOS: How many needles were handed out this financial year under the needle exchange program, how many were returned and how does that compare to last year's statistics?

The Hon. JOHN DELLA BOSCA: I will have to take that question on notice and provide the information to the Committee.

The Hon. JAMES SAMIOS: What is the specific budget for the drug and alcohol directorate for 2001-02?

The Hon. JOHN DELLA BOSCA: Is the honourable member referring to the Office of Drug Policy?

The Hon. JAMES SAMIOS: Yes.

The Hon. JOHN DELLA BOSCA: The Office of Drug Policy is funded by contributions from the confiscated proceeds of crime account, \$3,000, and nine other government departments, \$6,600. Total funding of \$9,600 per annum has been at the same level for three years. No funds are required from consolidated revenue. Principal costs are staff costs. Approximately 70 per cent of costs are staff costs. There are approximately 8.5 staff, 6.5 full-time equivalent permanent staff and approximately two full-time equivalent temporary staff. The Office of Drug Policy was established in August 1999 in response to the specific recommendations of the May 1999 Drug Summit for better whole-of-government co-ordination of government activities and to tackle the drug problem. It aims to ensure better integration of drug programs and policies across government and non-government agencies and to ensure that the Government's Drug Summit plan of action is effectively implemented.

The Hon. Dr PETER WONG: It has been said that the Kings Cross injecting room costs taxpayers a lot of money. Will the Minister tell the Committee exactly how much it costs now as compared to initial costs? What cost benefits are there?

The Hon. JOHN DELLA BOSCA: The direct cost of the 18-month trial is estimated at \$4.3 million. That figure includes pre-trial costs. Direct costs involve the operation of the centre through a performance and funding agreement with Uniting Care, New South Wales and the Australian Capital Territory. That includes rent, nursing staff, security, a medical director, a full-time manager and day-to-day operational expenses. The salary costs represent more than half the costs. Essential nursing staff must be present at all times and the centre operates on a two-shift basis seven days a week. All those costs are funded from the confiscated proceeds of crime account.

Indirect costs for the 18-month trial are estimated at \$1.3 million. They comprise insurance costs, \$596,000; the evaluation program, \$487,000; and funding for linked services, \$225,000. The insurance costs are funded from the confiscated proceeds of crime account. Evaluation costs and linked health service costs are funded from existing health budget allocations. The 12-month extension of the trial will cost an estimated \$2 million in direct costs. Additional evaluation program costs are estimated at \$100,000 and linked health services at about \$150,000. Additional insurance costs have not been finalised at this time as the current insurance arrangements operate until 5 January 2003.

In addition, the Treasury Managed Fund has responsibility for primary public liability coverage. No funds have been diverted from treatment or rehabilitation services, which is probably the most important aspect of my answer. The honourable member asked me about cost benefits. If honourable members cast their minds back to the Drug Summit and the lead-up to the Drug Summit they will remember that there was considerable debate among the many people interested in drug policy as to the efficacy or appropriateness of medically supervised injecting facilities.

After the Drug Summit the Government decided to establish a limited trial in one specific region after community consultation. It has to be said that that trial has been a success in that there has been a large number of overdoses and no deaths. A significant number of people have been referred to health services and to treatment programs. The Government takes the view that the trial cannot be thought of as conclusive one way or another until a full evaluation is available. I think that that will enable a detailed cost benefit to be made and established. As honourable members already know, details of that well-canvassed evaluation will be available later next year.

The Hon. Dr PETER WONG: One of the major criticisms of the injecting room was that we do not know what drugs addicts are injecting themselves with. Does the Government intend to conduct a survey on a voluntary basis to assess that? If the Government does not intend to conduct a survey, are there experiences overseas of similar projects?

The Hon. JOHN DELLA BOSCA: The final evaluation of the medically supervised injecting room trial will contain fairly detailed information about the types of drugs that have been injected by users or visitors to the service or by registered clients. Just to reiterate a couple of critical points, on approximately one in every three visits a health care service was provided to clients, in addition to the supervision of their injecting. Half the occasions of service were injecting and vein care advice. Approximately one in 31 visits resulted in referral for further assistance. Among the 1,007 referrals for further assistance, 44 per cent were for treatment of drug dependence, 31 were to primary health care facilities and 25 per cent were to social welfare facilities.

During the medically supervised injecting centre trial there were 250 drug overdose incidents requiring clinical management—that is eight overdoses per 1,000 visits. There were 184 heroin overdoses, 50 cases of cocaine-related toxicity, eight benzodiazepine overdoses and eight non-heroin opioid overdoses. While that may not be a comprehensive answer to the member's question, I think it gives an indication of the range of drugs that are at least involved in the overdoses at the facility.

The Hon. Dr PETER WONG: In view of recent media criticism about the Government's marijuana policies in Kings Cross, what is the Government's policy? Do you intend to spend further funding in order to keep that situation under control?

The Hon. JOHN DELLA BOSCA: I think the specifics of the question, in respect of resources in relation to the recent publicity about cannabis, are probably matters for the Minister for Police.

The Hon. Dr PETER WONG: I am asking about the policy, which is a drug policy.

The Hon. JOHN DELLA BOSCA: We do have a comprehensive policy in relation to cannabis. I suppose the first and most important principle there is that the Government takes the view that it is inappropriate to add cannabis to the list of already legal drugs that can be abused and create harm. However, the Government is aware, and is sensitive to the fact, that the use of cannabis is widespread, that it is potentially widespread amongst youth and that, indeed, one of the major challenges the Government is planning to respond to is the difficulty that many of those who are most at risk as a result of cannabis use—becoming serious abusers or causing serious risk to them from a health, psychological or legal point of view—are our younger people, who fail to recognise the extent of the risk of the use of cannabis.

The Government is planning a significant education campaign for younger people in relation to cannabis use. Further details of that will be available in the next few months. The Government does accept the findings of the Drug Summit that there are general health risks associated with cannabis use. Therefore, as I said at the beginning of my answer, legislation will remain in place to deter its widespread use and sale. For some time there have been recognised linkages between cannabis and psychosis, and there is now new research suggesting that heavy use of cannabis can have links to depression. The Government is continuing to promote community awareness of the health risks associated with cannabis use, especially of young people through schools and parent information meetings. The Government is also trying to address some of the myths about cannabis held as truths by young people.

The Government's recent Z-card for young people, for example, raised issues such as driving under the influence of drugs such as cannabis and the high levels of tar in cancer-causing agents that are in cannabis. Since the Drug Summit we have trained doctors and other health professionals to deliver cannabis counselling interventions for people who need this assistance. In addition, our cannabis cautioning scheme aims to warn adults found in possession of small quantities of cannabis about the health and legal consequences of cannabis use and abuse, and provide them with information about treatment and support services. Those who are cautioned a second time must now undergo a mandatory educational session. Under a different scheme, young people found in possession of small quantities may also be cautioned by a police officer in the presence of a responsible adult or attend youth conferencing to address their drug use. This basically forms our approach to cannabis policy.

CHAIR: How many clients are using the Kings Cross injecting room?

The Hon. JOHN DELLA BOSCA: As at the time of the budget there were 2,229 individuals assessed and registered to use the services of the medically supervised injecting centre.

CHAIR: Do you have the total number of needles distributed to clients?

The Hon. JOHN DELLA BOSCA: In addition to the sterile injecting equipment provided during supervised injecting at the centre, over the 12 months a total of 17,937 needles and syringes were dispensed on 2,175 occasions to clients to take from the premises, an average of approximately eight needles and syringes per occasion. The number of needles and syringes dispensed has increased gradually from 94 during May to 2,371 during January, decreasing slightly to 2,050 during April. The rate of increase in dispensing of needles and syringes has a similar profile to the increase in the number of visits per month. That information is available in the recent evaluation report which was tabled in Parliament.

CHAIR: It is obvious that the clients are taking away a large number of needles. Could we surmise from that that the clients are not returning to the injecting room with those needles but are injecting elsewhere?

The Hon. JOHN DELLA BOSCA: I think it is something that the Committee could surmise. It is a conclusion that might reasonably be drawn.

CHAIR: Do you have a response to the allegation that the clients are using the injecting room as a drug testing facility, to test the quality of their drugs, in case they have a pure batch which could cause an overdose or a mixed batch with other chemicals? Has that allegation been investigated?

The Hon. JOHN DELLA BOSCA: I have not had reason to investigate that. I have certainly not heard that reported, and I have not seen it referred to anywhere. I am advised that the increase in the number of needles dispensed at the centre generally reflects the increase in the number of visits to the needle and syringe program, and it is one of the most effective tools. As I think members would be aware, that is a general provision outside the injecting room trial in the prevention of the spread of hepatitis C and HIV among injecting drug users, their families and the wider community. I advised that a number of general strategies are in place to minimise the control of discarded needles in public areas, as well those additional specific measures in areas known to be affected by discarded needles, such as Kings Cross. In relation to the issue of addicts and drug users using the trial as a testing facility, I am afraid I am unable to give any further details.

CHAIR: You have already given some details about the referral system; for example, you have said that various clients are referred to different follow-up treatment, counselling and so on. What procedure is in place to follow up those clients to ensure that they arrive at the drug rehabilitation centre? Is there any follow-up of those individuals that allows you to say that out of those referrals 10 per cent, 50 per cent or 100 per cent are going through a rehabilitation program?

The Hon. JOHN DELLA BOSCA: We have asked the evaluation committee to look at the appropriateness and the development of any referrals beyond the trial's operation. I do not have that information at the moment, but it is part of what we are asking the evaluation committee to review.

CHAIR: Do you agree that simply equating the large number of people who are referred is not sufficient evidence to say whether the trial is a success?

The Hon. JOHN DELLA BOSCA: I would agree with that, yes

The Hon. MICHAEL GALLACHER: Would you agree, therefore, that the number one priority for the Government is rehabilitation leading to a drug-free society? I am not asking for an opinion; I am asking about the Government's priorities.

The Hon. JOHN DELLA BOSCA: The key principles we have chosen, and which have gained widespread community acceptance, for the post Drug Summit initiatives are education, enforcement and treatment. I take it that the honourable member is referring to treatment. We have tended to treat those three initiatives as equal priorities: education, obviously, to prevent people from exposing themselves to risk; enforcement, obviously, to pursue law-breaking behaviour with regard to drugs, particularly large-scale producers and pushers of drugs. My personal opinion is that treatment is a very high priority, and it is certainly a high priority for the Government.

The Hon. MICHAEL GALLACHER: What are your priorities?

The Hon. JOHN DELLA BOSCA: Education, enforcement and treatment, but not necessarily in that order.

The Hon. MICHAEL GALLACHER: It is hard to argue about the end result of education. If they are giving out pamphlets and making sure people are up to date with safe practices, and so on, they can qualify education. Law enforcement will depend on the resources the Government gives the NSW Police to do its job. What is the figure you are looking for intensive treatment and rehabilitation to indicate success of the trial? Is it 5 per cent or 10 per cent?

The Hon. JOHN DELLA BOSCA: Are we specifically speaking about the medically supervised injecting room?

The Hon. MICHAEL GALLACHER: Yes, we are.

The Hon. JOHN DELLA BOSCA: I do not think I can give a positive figure until we have the final evaluation.

The Hon. MICHAEL GALLACHER: What sort of figure is the Government looking for to indicate that the trial is a success?

The Hon. JOHN DELLA BOSCA: I cannot answer that; it is an open-ended question. I do not have a specific target; no target has been established. I think the whole basis of it being a trial is on the assumption that we will find out when an evaluation occurs whether or not the centre has had a beneficial effect on people's health profile and drug addictive behaviour. It is a moot point as to what is the ideal number. It is really a value judgment. One might argue that a significant improvement in one person's lot is enough to justify a successful trial. Another person may argue it needs to be many more. That is why I think that once the evaluation is out there needs to be further community debate about it.

The Hon. MICHAEL GALLACHER: If you are satisfied that the education program is right, and you are satisfied that police have been given the right resources to do their job, could the trial still be a success if there were no examples of successful rehabilitation being undertaken by anyone who utilises the services of the injecting room?

The Hon. JOHN DELLA BOSCA: I think we established that there were two objectives of the centre. First, to reduce drug overdoses—to save lives, if you like. There was an assumption—it was not a primary objective, but a subsidiary objective—that the centre would affect the amenity of Kings Cross, and the health and safety of ambulance and emergency workers whose working lives are affected by drug overdoses. That is a basis on which the trial can be evaluated as being successful or unsuccessful. The second objective was the number of people who, having gone through the trial,

would be exposed to treatment services and improve their health profiles and/or reduce their drug-taking and risk-taking behaviour. So, those two have always been equal. It would be very disappointing if it became evident that nobody had been positively affected by the centre in their drug taking. As for whether or not it prevented overdoses, that is another thing that would need to be considered as part of its success.

CHAIR: One of the main arguments in favour of the injecting room would be that it is supposed to have saved people from an overdose death. You have already quoted the figure of 250 approximately. The question is: How objective are the measurements to ascertain that it was an overdose? For example, some countries want to reduce the number of overdose deaths in their statistics. It has no effect on actual overdoses, but they say that overdose deaths are only the ones where the needle is still in the addict's arm, which dramatically reduces the number of overdose deaths. How objective is the measuring in the injecting room of an overdose? I am not suggesting that the staff are dishonest, but the staff are part of the experiment and it is in their interests where there is doubt—say, if someone falls over on the floor—to say, "It is an overdose. We just saved another one. This will impress the Minister, we will get a good report." How objective is the overdose figure?

The Hon. JOHN DELLA BOSCA: I think it is about as objective as it is possible for these assessments to be. It is based on fairly strict clinical criteria. As you know, Dr Ingrid van Beek, the medical director of the centre, has ensured that the staff keep quite accurate records, and there are fairly tight criteria to determine the various issues classified in the report of the centre. It would seem to me, again, to invite speculation on my part, or anyone's part, about how universal those criteria for measuring an overdose may be. My understanding has been that Dr van Beek measures it by whether or not there is an occasion requiring their intervention.

In the 12 months, 250 drug overdoses occurred with 163 clients. That means there are a number of people who overdosed more than once. The majority were heroin-related overdoses, and 53 of these heroin overdoses required the therapeutic administration of narkan or naloxone—its registered name is narkan. The way in which those overdoses are assessed is whether or not they required, in the judgment of those supervising, the use of narkan in the more extreme cases or oxygen or other clinical treatment. Whether they would have resulted in deaths is a medical matter that I am not qualified to make an assessment of, but an independent assessment is to be done of all those occasions as well. The independent evaluation committee with Professor Kaldor and Professor Mattick on it will make determinations as to the veracity of these figures.

CHAIR: That means you need to be careful saying that you have saved 250 people from dying. Simply, they appear to be overdoses. However, your figures now indicate—if I understand the medical services by the public health system for overdose victims they find in the street—that narkan is a measuring rod, if you like, that they saved a person's life. So, one could say, instead of 250 it was 53?

The Hon. JOHN DELLA BOSCA: I have always been fairly conservative in describing the figures that have come out of the evaluations and assessments as the trial has proceeded. There has been clinical intervention, including the administration of oxygen. While it might not necessarily mean that the drug users may have died if they needed oxygen, it is also true that they may not necessarily have died if they needed narkan to be revived. I have never suggested that 250 people's lives were saved, but there have been 250 overdoses and lives have been saved. I cannot describe what proportion that is.

CHAIR: There is also a suggestion that if the Government had not set up the injecting room people would not have been overdosing in the injecting room. The provision of the facility and encouraging people to use drugs results in the potential for people to overdose.

The Hon. JOHN DELLA BOSCA: Again, that is something that we will be able to determine only when we get the evaluation. That is a legitimate hypothesis for you to have, but until we get the evaluation it would be impossible to answer.

The Hon. Dr PETER WONG: Can you tell the Committee how many patients or how many clients of the 250 needed oxygen therapy and the reason behind it?

The Hon. JOHN DELLA BOSCA: I am not sure that I have that information, but I am happy to provide it to the Committee.

The Hon. Dr PETER WONG: If that is the case, does the Chairman not have a point that, indeed, the most likely figure of those being saved with the injection of narkan is 53? The figure of 53 is probably more accurate than the 250 being used by many people?

The Hon. JOHN DELLA BOSCA: I do not think I can advance on the first part of my answer to the honourable member. I make the observation as a general point with this line of questioning that ambulance call outs and emergency service call outs in the vicinity are well down. I will also provide those figures to the Committee, along with the ones that the Chairman and Dr Wong have asked for.

CHAIR: Seeing you have made that point, is it a fact that in Western Australia and other States that do not have injecting rooms the same dramatic decrease has occurred?

The Hon. JOHN DELLA BOSCA: I should touché at that point. Yes, I think it is probably something that anybody observing the drug issue should be fairly happy about—there has been a significant reduction in the rate of drug overdose. Unfortunately, with these things, where there is good news there is usually bad news as well. We do not know whether it is to do with the change in the habits of drug users to different drugs; whether it is due to a range of explanations about the so-called heroin drought; whether it is due to good law-enforcement initiatives, which many of us would like to think have played a significant part; or whether it is due to poor rain in Thailand and the war in Afghanistan. It is a complex problem.

The Hon. MICHAEL GALLACHER: I would like to tidy up a couple of loose ends in relation to drug policy before we move on to other things. Minister, you said that there were 163 clients and 250 overdoses. You also said 53 required narkan. Could you take it on notice and come back to the Committee with how many clients received the 53 doses of narkan? For example, has one person received five doses?

The Hon. JOHN DELLA BOSCA: Yes, I see. I am happy to get that information.

The Hon. MICHAEL GALLACHER: There is a distinct number between 163 clients and the 250 overdoses. We are talking about repeat overdoses by a certain number of people, and that 53 might be an interesting figure. If you will take that on notice.

The Hon. JOHN DELLA BOSCA: Yes.

The Hon. MICHAEL GALLACHER: The other thing that might be of interest to the Committee is the scale of treatment. Once the decision is taken by medical practitioners at Kings Cross to medically intervene, what is the scale of treatment? Is the first stage holding somebody's head upright to make sure that they are breathing okay, leading right through to hospitalisation that would constitute intervention and therefore would fall into that 250 category?

The Hon. JOHN DELLA BOSCA: I am happy to check with the medical director on those protocols and see whether they would be available to the Committee. I do not think there would be a problem with that. No disrespect intended, but I think they would be pretty complex clinical documents.

The Hon. MICHAEL GALLACHER: What I am after is a simple understanding that the Committee might have. If someone shows some sign of a reaction that warrants medical intervention, what is the least intrusive form of intervention—it might be just stroking the back of their hand and making them feel comfortable, leading right through to hospitalisation. What are the starting and finishing points of the intervention?

The Hon. JOHN DELLA BOSCA: I think I will have to get the protocols or suitable documentation from Dr van Beek.

CHAIR: Would you take that question on notice?

The Hon. JOHN DELLA BOSCA: Yes.

The Hon. Dr PETER WONG: Minister, has the presence of the injecting room at Kings Cross so far increased or decreased the drug trade in the Kings Cross area and, in addition, has the injecting room reduced the number of drug addicts injecting themselves in the streets or back alleys of Kings Cross?

The Hon. JOHN DELLA BOSCA: I cannot help the honourable member beyond two already public pieces of information. One is Dr Don Weatherburn's recent assessment, which was quite comprehensive, on the issues of street crime and its potential relationship to the injecting room. At the risk of sounding like a broken record, at the final evaluation a lot of these issues should be clear one way or the other. The levels of theft offences recorded by police were not affected by the opening of the injecting centre in the Kings Cross Local Area Command or the rest of Sydney. In fact, there was a decrease in the number of theft offences recorded by police in the Kings Cross Local Area Command immediately following the opening of the medically supervised injecting centre. It is unlikely that this decrease was causally related to the medically supervised injecting centre trial, but it at least demonstrates unequivocally that the trial did not have the effect of increasing crime in the Kings Cross Local Area Command.

There was neither an increase nor a decrease in violent acquisitive offences—that is, robbery—in either the Kings Cross Local Area Command or the rest of Sydney following the opening of the centre. There was a significant increase in both theft and violent acquisitive offences early in 2001, and this was reflected in the data for both Kings Cross and the rest of Sydney. This increase coincides with the reduced availability and increased price of heroin in Sydney and the rest of Australia. That is something that a number of studies, both academic and general, have referred to. Dr Weatherburn and his colleagues found evidence of an initial but unsustained increase in break, enter and robbery, and it is likely that these increases are due to heroin users increasing their rate of income-generating crime to meet the demands of higher priced heroin and are not related to the opening of the medically supervised injecting centre. As I said previously, the Government is awaiting the final report of the valuation before drawing any conclusion, however the interim report suggests that the centre is operating to date without major incident or major impact on the residents or the business community in Kings Cross.

I make the point, since we are in the estimates, that the medically supervised injecting centre component of drug expenditure projected in this budget is quite a tiny proportion. There is an allocation of \$52.2 million to be spent in the 2002-03 financial year, and most of that is on community drug action, the Families First Program, health care and treatment, drug programs in correctional facilities, additional specialised contributions to the law enforcement and justice system, and the Government's successful MERIT program. So the Government takes the opportunity to reiterate to the Committee that the Government's resources in drug policy are overwhelmingly going into the original areas identified by the Drug Summit as well as the injecting room trial.

CHAIR: One of the main reasons for focusing on the injecting room would be that if eventually it is claimed to be a great success it will become a major part of the drug program. Other people—not you personally—have said that they would like a drug injecting room in every town and suburb. It would then become a major part of the budget. So that is part of the reason for concern about the trial. If the trial is a success, does the Government then propose to open injecting rooms in other parts of New South Wales?

The Hon. JOHN DELLA BOSCA: I simply reiterate what I have said on many occasions: The Government sees the medically supervised injecting room trial as a one-off trial for Kings Cross, given the particular nature of the drug problem in the Kings Cross precinct. And that is it. There is, I think, a very large amount of material on the record about that from me, the Premier and other Ministers.

CHAIR: Another area of concern is the occupation or background of people who use the injecting room. How many of the females who use the injecting room have indicated that they are engaged in prostitution in Kings Cross?

The Hon. JOHN DELLA BOSCA: I do not have that number with me, but it is a considerable number.

CHAIR: What special counselling or assistance is given to those females, not just in the area of drugs but also in the area of prostitution?

The Hon. JOHN DELLA BOSCA: The centre includes the services of social workers. I think I probably should get as much detail as possible from the director of the service. I will take that question on notice.

The Hon. Dr PETER WONG: The second part of my question still exists, I think. One possible advantage of the injecting room is a reduction in the number of drug addicts injecting themselves in the streets and in the back alleys. However, if no such statistics are available, what is the point of having an injecting room in Kings Cross?

The Hon. JOHN DELLA BOSCA: I think the response I made to the series of questions from the Hon. Dr Peter Wong about the centre was that I would provide to the Committee the ambulance and emergency services call-out numbers. I think that would be an indicative answer, though not a comprehensive answer, to the Hon. Dr Peter Wong's question.

CHAIR: You have indicated that some of those aspects are covered by the Health portfolio and the police department, so you do not have those figures available.

The Hon. JOHN DELLA BOSCA: That is right.

CHAIR: Can you get those figures from the other departments?

The Hon. JOHN DELLA BOSCA: I can, but which specific figures was the Hon. Dr Peter Wong asking for?

The Hon. Dr PETER WONG: During the Drug Summit it was put that one of the possible advantages was that people would no longer inject themselves in the streets or in back alleys. If such data is not available, then there is a fault in the study. For example, if the number dropped from 150 received in a week or a day, at least there would be a perception that people were attending the injecting room to be safe or to be perceived to be safe. If such statistics are not available, the picture is pretty confusing.

The Hon. JOHN DELLA BOSCA: When we have the final evaluation I think the Hon. Dr Peter Wong's question will be satisfied. The effect on public amenity, overdosing and injecting drug use in the streets in the vicinity of the injecting room will be evaluated in the final report. I thought you were talking specifically about overdoses.

CHAIR: We shall move on to the public sector management area, which is another area of the Minister's portfolio.

The Hon. MICHAEL GALLACHER: Bearing in mind that there is legislation before the Parliament, can the Minister indicate to the Committee how many public servants have in fact been dismissed in the past 12 months?

The Hon. JOHN DELLA BOSCA: I am sorry, I will take that on notice.

The Hon. MICHAEL GALLACHER: I have other questions, but I will put them on notice.

CHAIR: I understand that the Premier can allocate some of these public sector areas to your portfolio. Can you indicate specifically what areas you are looking after?

The Hon. JOHN DELLA BOSCA: I think the best way of summarising it is that they are literally issues instance by instance. I have been involved on behalf of the Premier with Dr Gellatly and officers of the Premier's Department in working through the issues and negotiating the issues in relation to the new reforms to the Public Sector Management Act. So as matters fall due for the

Premier's consideration, he decides whether they should be dealt with by me or whether he takes personal control of them. There is no specific allocation or division.

CHAIR: There has been a report—it is a Commonwealth report but I assume it may also apply to the State—that some public sector executives are taking early superannuation and then being appointed on a contract or consultant basis. Can you provide any background to indicate whether that is a problem at the State level? I am referring to a report on the Commonwealth situation. Is there a parallel problem in the State? Is there a provision for public sector employees to take early superannuation at 55 and then be re-employed as a consultant at perhaps a higher salary?

The Hon. JOHN DELLA BOSCA: I have Dr Gellatly with me, and he would be best placed to answer that question.

Mr GELLATLY: I would have to take it on notice to confirm it, but my recollection is that some amendments were passed a couple of years ago to stop that happening in New South Wales. It was the case that you could take your benefit at 55 and then continue on, particularly if you were in the senior executive service. I think we have stopped that. The discussion that has been in the paper in the weekend actually refers to a special incentive in the Commonwealth where you can take your superannuation at 54, before you turn 55, but we do not have that in New South Wales for senior executives.

CHAIR: We will now deal with the Motor Accidents Authority.

The Hon. JAMES SAMIOS: What has happened with the HIH outstanding green slip claims since the collapse of the company? How many claims are still outstanding? When is it anticipated that they will be resolved?

The Hon. JOHN DELLA BOSCA: After the liquidation of the HIH group, CIC and FAI on 15 March, a short period of uncertainty prevailed as to the fate of policyholders and claimants. When the New South Wales Government announced on 11 May a \$50 million assistance package, this was raised to \$150 million for the 2000-01 period to cover the claims and claims costs of compulsory third party and building insurance claimants and related costs. Over the next four years funding of \$276 million—\$69 million annually—from the insurance protection tax and \$200 million from Consolidated Fund revenue will be made available by New South Wales Treasury.

With respect to the thrust of the second part of the question, the outstanding claims liabilities of FAI and CIC were estimated at \$482.7 million. That is an actuarial evaluation projected to 30 June 2002 by Taylor Fry without discounting. This amount is net of reinsurance recoveries of \$7.4 million and includes the clients handling expenses of \$17.1 million. In respect of the overall situation with HIH or former HIH claims, approximately 2,000 claims have been paid to date. The amount paid to May this year was \$138.7 million. Another \$10 million or so will be paid up to 30 June 2002. The clearing house arrears are known to be \$7.5 million due by CIC and FAI, excluding GST, and they are being managed by other insurers.

The Hon. JAMES SAMIOS: Are you saying that the provision you made was for a total of \$476 million, being \$200 million straight subsidy from the Government and a further \$276 million? That is \$476 million that was made available to cover the situation involving \$482 million.

The Hon. JOHN DELLA BOSCA: I am sorry, I missed the first part of the honourable member's question.

The Hon. JAMES SAMIOS: In essence you are saying that the Government made provision for a total of \$476 million to cover the outstanding claims, consisting of a \$200 million package and \$276 million.

The Hon. JOHN DELLA BOSCA: Only \$50 million of that is payable directly by the Government. The rest of the claims will be covered by the insurance protection tax.

The Hon. JAMES SAMIOS: How did the collapse of HIH affect premium rates for New South Wales drivers?

The Hon. JOHN DELLA BOSCA: Because of the way the new tax was structured, it prevented the passing on of costs to current premium payers.

The Hon. JAMES SAMIOS: What is the current average premium for owners of non-metropolitan passenger vehicles?

The Hon. JOHN DELLA BOSCA: The best price for a green slip on the Central Coast is now \$253 excluding GST. That is \$65 cheaper than it was before the reforms. For those aged 55 or over, the best price this year reduces further to \$225 excluding GST. That is \$83 cheaper than before the reforms. Country drivers—that is, other than the Central Coast and metropolitan drivers—have also benefited. Drivers from Bathurst to Wagga Wagga and Lismore can now get a best price green slip of \$241. Before our reforms they were paying \$318. That is a saving of at least \$77.

The Hon. JAMES SAMIOS: What is the current average premium for owners of metropolitan passenger vehicles?

The Hon. JOHN DELLA BOSCA: It is \$341.

The Hon. JAMES SAMIOS: How many compulsory third party insurance premiums were collected between 30 June 2001 and 30 May 2002?

The Hon. JOHN DELLA BOSCA: There are close to 3.5 million vehicles requiring green slips. Notwithstanding compliance and evasion, it is reasonable to estimate the number of green slip premiums that have been paid. If the honourable member requires the detail, we will endeavour to get it to him as quickly as possible.

The Hon. JAMES SAMIOS: What is the total cost so far of the Government's bail-out scheme in regard to HIH Insurance related claims?

The Hon. JOHN DELLA BOSCA: As I have indicated to the honourable member, the total cost to the Government will be \$50 million. The total claims paid amount to \$180 million. Obviously that will need to be recovered from the insurance protection tax going to make the balance between \$50 million and \$180 million.

The Hon. Dr PETER WONG: How does the cost of green slips in New South Wales compare to that in other States?

The Hon. JOHN DELLA BOSCA: We are competitive with, or approximately the same as Queensland, less expensive than the Australian Capital Territory and more expensive than other jurisdictions. By how much exactly, I would need to give the Committee subsequent information.. However, it is important to remember that New South Wales has a long tradition of being a jurisdiction that emphasises fault-based claims. Many other jurisdictions, especially Victoria—which is the most likely comparator—does not have a fault-based scheme, so the entire arrangement with regard to motor accident insurance is quite different and prices cannot really be related.

The Hon. Dr PETER WONG: Is the cost of green slips likely to increase during the next few years?

The Hon. JOHN DELLA BOSCA: I have quite a high level of confidence that the current scheme is performing well. That is notwithstanding the fact that in general terms the insurance industry has obviously taken some very heavy financial hits in recent times with the collapse of HIH and what some describe as the international reinsurance crisis, but let me say that some shocks to the international reinsurance industry have created a number of problems which we are all observing almost on a daily basis in the popular newspapers, let alone amongst our constituents. I am quite satisfied that in spite of those forces operating on insurance, especially fault-based third-party type insurances, at the moment the New South Wales Motor Accidents Scheme is financially affordable and performing well, and will stay affordable.

The Hon. Dr PETER WONG: I refer to Budget Paper No. 3, Volume 2, page 18-20, line item "Payments—Employee Related". Why has the revised 2001-02 figure of \$4.704 increased to \$6.048 million in 2002-03?

Mr BOWEN: The Motor Accidents Authority is increasing its staff numbers because of the growth in the assessment area and the compliance branch, which, under the previous scheme, did not exist. So it is new areas of function, and staff to go with it.

The Hon. Dr PETER WONG: On the other hand, under the line item "Other", the amount has decreased from \$16.420 million to \$14.415 million. Is that related to the above figure?

Mr BOWEN: No.

The Hon. Dr PETER WONG: Why has it suddenly decreased by about \$2 million?

Mr BOWEN: More disciplined budgeting, a substantial reduction in savings from bringing our computer in house. We no longer have an external payment for our computer bureau. It will be managed in house.

CHAIR: Page 18-4 of Budget Paper No. 3, Volume 2 states that the income of the Motor Accidents Authority is derived from a levy, set at 1.4 per cent, on gross CTP insurance premiums collected by licensed insurers. Is that levy set to remain at 1.4 per cent or are there plans to review or increase it?

Mr BOWEN: The levy is set on an annual basis, and the board has set the levy for the upcoming financial year again at 1.4 per cent.

CHAIR: Do you anticipate that it will stay at 1.4 per cent for some time?

Mr BOWEN: Yes.

CHAIR: I note that in the same volume on page 18-19 it is anticipated that there will be a big increase in investment income from \$904,000 to \$996,000. As interest rates are very low, on what basis do you anticipate that increase?

Mr BOWEN: The board of the authority requires us to invest in risk-free investment, so most of it is based on bank rate of returns. At the moment we have projected increases in interest rates and we have projected an increase in investment returns.

CHAIR: On what interest rate do you base that during the financial year?

Mr BOWEN: We have estimated that on a rate of 4.34 per cent.

CHAIR: That is fairly conservative?

Mr BOWEN: Yes.

CHAIR: Has there been any further investigation by the NRMA into the number of fraudulent accidents? Do you monitor the insurance companies as to whether there is an increase in fraud? At some point the NRMA had a number of fraud cases with certain groups of people. Has that been resolved? Is that practice still continuing?

Mr BOWEN: Mr Chairman, you are actually going back quite a long while, which is a tribute to your memory, but those incidences were back in the mid-1990s. The data analysis that allows us to identify claimants, their medical practitioners and their solicitors allows the Motor Accidents Authority, and indeed the insurers themselves, to much better monitor who is making claims and whether groups of claims are coming from individual areas. We are satisfied that the level of fraud is very low. In conjunction with that, a person now has to sustain a reasonably serious personal injury to be able to get significant benefits out of the scheme, so the incentive to do that no longer exists.

CHAIR: In relation to the changes that have taken place to ensure that the whole motor accident area is viable, there have been recent media reports that there is some reaction by people experiencing motor accidents as to problems they encounter trying to get adequate care and compensation. Have you measured whether there has been an increase in complaints from people that the current legislation may be too strict or is being applied in a harsh manner?

The Hon. JOHN DELLA BOSCA: To which reports are you referring?

CHAIR: According to media reports, talk-back radio and others, there has been an increase in the number of people complaining. Are those complaints based on evidence from the NRMA? Has it received complaints, or is that just media hype?

Mr BOWEN: There are probably a number of components to the answer. Firstly, the Motor Accidents Authority maintains a complaints database. To give you an indication of the sort of numbers I am talking about, from 1 July to the end of April 2002 we received 53 complaints against insurers in relation to management of claims, and 52 of those have been finalised. The other aspect in relation to treatment is that the MAA has put in place treatment guidelines which we now audit, and we are satisfied on those audit results that the insurers have significantly improved their services in that area.

CHAIR: Are the 53 complaints an increase or decrease from previous years?

Mr BOWEN: Unfortunately, prior to the new scheme the Motor Accidents Authority did not monitor complaints in this way because we did not have a role to actively intervene to resolve them. I could find the figures for the previous year. I suspect that an increase is due partly to the fact that we are making the availability of our services better known to claimants.

(Short Adjournment)

CHAIR: We will now deal with WorkCover.

The Hon. MICHAEL GALLACHER: Minister, is it correct that WorkCover established a workers compensation compliance function in early 2000? Does it have 13 staff, including a three-person detection unit? Is it known as the Compliance Improvement Branch?

The Hon. JOHN DELLA BOSCA: Yes, it is.

The Hon. MICHAEL GALLACHER: If the three persons in the detection unit are assigned to fraud detection, what do the other 10 people do?

Ms McKENZIE: The balance of the people in the branch use our data mining software, in which we have invested in the last year. It is a mixture. Obviously, some people are doing administrative work, but the bulk of those people would be engaged in using the data mining software to find targets for investigation. This is one of the strategies we have employed to try to improve our fraud detection capacity. It is a fairly sophisticated decision-making tool that enables asked to go through a whole lot of scheme data to look for anomalies or something that does not add up and warrants investigation as to whether somebody might be underpaying premiums or not paying premiums. That is what the bulk of the work in the branch is invested in.

The Hon. MICHAEL GALLACHER: Are those 13 staff part of the 301 non-WorkCover inspectors?

Ms McKENZIE: No.

The Hon. MICHAEL GALLACHER: They are a separate unit?

Ms McKENZIE: They are a separate work force, although there is a close interaction between the people in the branch and the field inspectors.

The Hon. MICHAEL GALLACHER: You spoke about the data mining software and said that a certain number of the 10 people are involved in using that software to identify compliance by employers. Do they use this data mining software to target individual employees as well?

Ms McKENZIE: Yes.

The Hon. MICHAEL GALLACHER: So they can identify high-risk employees as well?

Ms McKENZIE: Yes.

The Hon. MICHAEL GALLACHER: They identify them on paperwork using computer software to target high-risk employees. Is it appropriate to call them high-risk individuals?

Ms McKENZIE: Yes.

The Hon. MICHAEL GALLACHER: They then pass on that information to the three inspectors in the Fraud Detection Unit. Is that correct?

Ms McKENZIE: It depends. There are a whole range of different paths that that sort of information could go down. In some circumstances it might be passed on to an inspector who is part of the inspectorate if we think further field investigations need to be undertaken. In some cases it will be handed on to the three-person fraud team. In some cases it would be handed on to the police, if it was considered sufficiently serious. So it depends on the nature of the issue and where it comes from as to which path it goes down.

The Hon. MICHAEL GALLACHER: The WorkCover 2000-01 annual report refers at page 22 to the specialist fraud investigators. Am I right in assuming that the specialist fraud investigators are the three-person Fraud Detection Unit?

Ms McKENZIE: Yes.

The Hon. MICHAEL GALLACHER: Are there 301 WorkCover inspectors?

Ms McKENZIE: That is right.

The Hon. MICHAEL GALLACHER: Could you indicate to the Committee exactly what is the role of the 301 WorkCover inspectors? Is it very broad?

Ms McKENZIE: It is a fairly broad role these days. The role of WorkCover inspectors is both to investigate complaints and to respond to complaints about breaches of occupational health and safety legislation. It is also to get involved in proactive prevention work. So they get involved in a whole range of proactive projects to educate and improve occupational health and safety performance across a range of industries. They are organised along industry lines, so that they have a particular focus on a particular industry. This enables them over time to gather knowledge and expertise in relation to that industry, and they feed back into our targeting process by bringing back from the field a whole lot of information about what is going on in a particular industry. They also have a role in assisting in the investigation of workers compensation complaints of various kinds. Now, as a standard part of going out and doing their field visits, they would be doing checks on workers compensation compliance as well as compliance with occupational health and safety legislation.

The Hon. MICHAEL GALLACHER: Do they look at both employees and employers?

Ms McKENZIE: Yes.

The Hon. MICHAEL GALLACHER: It is right to say, however, that the only specialist fraud detection unit you have within the WorkCover structure is the three-person Fraud Detection Unit?

Ms McKENZIE: I think you have to see this in the context of a whole hierarchy of activity that goes on around this. Those three have a particularly specialised job. I guess it is the next stage

flowing on from the use of data mining techniques to help to target. But we also have insurers engaged in auditing, we respond to complaints, and we also have a whole range of targeted programs that we engage in, sometimes using the inspectorate and sometimes jointly with the insurance companies. There is a whole range of activity that goes on in this area. So I think you need to see it in that context.

The Hon. MICHAEL GALLACHER: Are the three investigators in the fraud unit investigating the 191 referrals you spoke about in evidence that you gave to the Parliament earlier?

Ms McKENZIE: They would not be investigating all of those matters, but they certainly would be investigating a significant proportion of them, and they would be involved in overseeing where they are not actually investigating.

The Hon. MICHAEL GALLACHER: Could we talk about this unit for a minute? I am intrigued how this three-person unit investigates a large number of frauds or referrals. Even if 100 fraud cases are given to those investigators, I am intrigued how they can do their job. Do they investigate from within the office, or do they actually go out and do surveillance?

Ms McKENZIE: Mostly, it is from within the office. They are all experienced. A number of them are ex-policemen. So they are all experienced investigators, who often would be looking at it on the basis, if they need a field component, that they would get the inspectors to go and do the field component and feed the information back to them, with a view to seeing whether a particular case stacks up, or whether something going on warrants further investigation with a view to prosecution of anybody who is committing a serious breach of the law.

The Hon. MICHAEL GALLACHER: Are these three to be based at Gosford?

Ms McKENZIE: Yes.

The Hon. MICHAEL GALLACHER: These three essentially will sit in the office and go through the files, and make a decision based on the evidence in the file?

Ms McKENZIE: That is basically right.

The Hon. MICHAEL GALLACHER: Who does surveillance of fraud within the fraud investigative unit?

Ms McKENZIE: What do you mean?

The Hon. MICHAEL GALLACHER: If there is a need for surveillance to be conducted in relation to, say, employee fraud.

Ms McKENZIE: It depends what you are talking about. If you mean surveillance in the sense that we employ private investigators to look at people over a period of time, the insurers do some of that and employ their own private investigators to do that. We would do some of that too. The field work done by the inspectors generally involves going out to particular workplaces, asking questions and following up a particular issue in a particular case.

The Hon. MICHAEL GALLACHER: How many of the 191 referrals to WorkCover would have had follow-up surveillance conducted by WorkCover?

Ms McKENZIE: I do not have those details.

The Hon. MICHAEL GALLACHER: Can you take that question on notice and provide an answer to the Committee?

Ms McKENZIE: Yes.

The Hon. MICHAEL GALLACHER: What are the prosecution results of the three-person fraud team?

Ms McKENZIE: As at April this year a number of investigations were under way. In terms of prosecutions, it depends what you are talking about. If you are talking about underinsurance, at the moment we have 373 cases on hand, 97 cases have been finalised, and we have collected \$4.1 million in additional premiums as a result of those investigations. We have issued 112 penalty notices, and penalty notice revenue is \$57,550.

The Hon. MICHAEL GALLACHER: That is on the employer side of the ledger. What about the employee side of the ledger in terms of fraud?

Ms McKENZIE: We have 11 matters that have been referred for prosecution this financial year, which is a 120 per cent increase on the previous financial year, but they are quite low numbers.

The Hon. MICHAEL GALLACHER: They are referred to the unit for prosecution, or does the unit refer them to the prosecution branch?

Ms McKENZIE: To the prosecutions branch, yes.

The Hon. MICHAEL GALLACHER: You have got 11 out of 191, as the Committee was told during earlier inquiries.

Ms McKENZIE: They are fraud referrals.

The Hon. MICHAEL GALLACHER: Is that a normal sort of the figure, the 191 that has been investigated in the past 12 months by this unit?

Ms McKENZIE: That is a big increase on what we had previously. The numbers before that were a lot lower.

The Hon. MICHAEL GALLACHER: By what number?

Ms McKENZIE: I just do not have that information to hand but I can take that on notice.

The Hon. MICHAEL GALLACHER: What did we have—a comparative 120 per cent increase in the number of prosecutions?

Ms McKENZIE: I just do not have those details of what the numbers were in previous years—I have only got 2000-01 and 2001-02—but certainly our aim is to improve our method of detection. Most of that increase is due to the fact that we are much more targeted in our investigations of these matters, whereas previously the investigations were much more complaints driven. Often times that meant a lot of work in investigating things that, in the end, did not stack up. We are trying to make sure that, by using these methodologies, we target our effort a lot more closely.

The Hon. MICHAEL GALLACHER: But we have 11 referrals, Is that out of the 190?

Ms McKENZIE: I am not sure what the 11 is.

The Hon. MICHAEL GALLACHER: You have just said that they are 11 referrals for prosecution.

Ms McKENZIE: Yes, okay.

The Hon. MICHAEL GALLACHER: Was that out of the previous figure that you gave the Parliament in response to the workers compensation inquiry—

Ms McKENZIE: Yes.

The Hon. MICHAEL GALLACHER:—where there was mention of 191 referrals for investigation to this unit?

Ms McKENZIE: Yes.

The Hon. MICHAEL GALLACHER: Is that 11 out of 191?

Ms McKENZIE: Yes, because those referrals come from a whole range of areas. They come from licensed insurers, self-insurers, public complaints—and the bulk of them come from public complaints—employer referrals and from internal referrals. As I say, often times people refer to us because they think there is fraud going on, but upon close investigation there is not sufficient evidence there to stack up for a prosecution. That is a very common experience and it is probably not very surprising.

The Hon. MICHAEL GALLACHER: By saying that people say there is fraud taking place and there is closer investigation, is it not the case that that closer investigation is simply, from what you have told the Committee this morning, an examination of the file?

Ms McKENZIE: No, not necessarily. It depends what the nature of the complaint is. In many cases that would also involve inspectors going out into the field or other activity that is needed to be engaged in to ascertain whether there is a likelihood of us getting enough evidence to prosecute somebody. That is a criminal standard and it is a fairly high standard of proof. In many cases it either tends not to be true or we cannot find witnesses who are prepared to come and give evidence, or there is some other shortcoming. That means that there is no point in trying to investigate it because we are never going to be able to get up enough evidence for a prosecution.

The Hon. MICHAEL GALLACHER: The three-person fraud unit, to whom are they answerable?

Ms McKENZIE: They are answerable to the head of the compliance improvement branch, which answers to Rod McInnes, the head of the insurance division, and then to me.

The Hon. MICHAEL GALLACHER: Is it true that that position is currently vacant?

Ms McKENZIE: Yes.

The Hon. MICHAEL GALLACHER: For how long has it been vacant?

Ms McKENZIE: The person who was in that position resigned—I cannot give you the exact date—reasonably recently, and we are in the process of recruiting. The process is almost complete. We are almost through the recruitment process and we would hope to have somebody on board as soon as possible.

The Hon. MICHAEL GALLACHER: You have given the Committee an undertaking to come back with a specific figure, and I might even make it more specific to save having to come back to it again on this matter. Of the 191 referrals that have gone back to the three-person investigation team for consideration, how many have resulted in additional surveillance being conducted, for example?

Ms McKENZIE: Once again, just to be clear, the only question is what you mean by surveillance because there is a range of things that we do.

The Hon. MICHAEL GALLACHER: Physical surveillance.

Ms McKENZIE: Well, that is not always the smartest way of going about this, I have to say. Often what we will do is the use professional auditors and accountants. To figure out whether you will have enough information to launch a prosecution, you have to get past that threshold before there is any point in wasting your time and going out and doing extensive field investigations, which often yields nothing and are a bit of a waste of time and energy, quite frankly.

The Hon. MICHAEL GALLACHER: Not for the employer, though, who is paying the premium.

Ms McKENZIE: No, I am not saying that. It is a waste of time and energy in the sense that it does not give us enough evidence to prosecute. Whenever we think there is the possibility that that will help us to gather enough evidence where we have enough to start with, we will engage in that kind of activity. But part of trying to run this efficiently and part of trying to improve our targeting is to try to make sure that we do not do that when it is just going to be a waste of time.

The Hon. MICHAEL GALLACHER: If someone has submitted a claim that is alleged to be fraudulent—for example, they allege that they have a crook back or a sore back and they cannot work—and the employer says that that is not true, can you indicate to me what benefit there would be in speaking to an auditor or an accountant before making a decision to pursue that?

Ms McKENZIE: In the first instance, those sorts of complaints would go to the insurer because it is a matter between the employer and the insurer as to whether the claim should be paid to begin with.

The Hon. MICHAEL GALLACHER: But is it not a correct observation, which many employers have made, that there is a real lack of enthusiasm by insurers to pursue the claims of fraud by employees?

The Hon. JOHN DELLA BOSCA: Mr Chairman—

The Hon. MICHAEL GALLACHER: Can I rephrase that question? Did you get complaints, received by you as the head of WorkCover, from employers who think that there is a lack of enthusiasm by insurers to pursue claims?

Ms McKENZIE: From time to time, but reasonably infrequently.

The Hon. MICHAEL GALLACHER: Do you get out and about much?

Ms McKENZIE: Yes, I do my best.

The Hon. MICHAEL GALLACHER: I am inundated with complaints from employers who tell me that there is a lack of enthusiasm from insurers.

The Hon. JOHN DELLA BOSCA: I ask that the honourable member make those complaints available to us and we will ensure that they are dealt with appropriately.

The Hon. MICHAEL GALLACHER: Sure.

The Hon. JOHN DELLA BOSCA: By way of general comment on the line of questioning, I point out that it is important to understand that we are changing the culture of the workers compensation scheme in New South Wales. Many of the concerns that some employers have traditionally had about assumed fraud or instances of fraud probably do not meet the criminal standard of proof. They often relate to people who are simply in a position of uncertainty under the old system: in the absence of clear guidelines for medical impairment and so on, there was allowance for a much more wide-ranging acceptance of people staying on the system when they could have been encouraged to go back to work. In instances in which there are complaints and some anger by employers and frustration with the old scheme, they may use the word "fraud", but oftentimes you would find that the instances they talk about would not meet the criminal standard of proof. That is probably not the correct way of conceiving the complaint. I think that a lot of our reforms will go a long way toward reducing that problem in the new system.

The Hon. MICHAEL GALLACHER: I have one more question on the compliance improvement branch. Does the compliance improvement branch have an internal manual or a guide in terms of how it operates?

Ms McKENZIE: Certainly there is not a comprehensive guide, but there are a lot of written-down procedures for people to follow in terms of how they figure out how to investigate things. But it is not pulled together in any comprehensive way.

The Hon. MICHAEL GALLACHER: Would you collect the guides as to how they are to operate and provide those to the Committee so that we may examine them? I think it is a fairly important part of the overall ability of the scheme to work in a cost-effective way. We have three people involved in a fraud investigation team—

The Hon. JOHN DELLA BOSCA: Mr Chairman, may I ask the honourable member for some tolerance or ask your advice on this matter? I am speculating but I think that perhaps some of this material could be sensitive and in fact could compromise investigations, prosecutions, and so on. Could we consider our position and come back, through you, to the Committee about the best way to make some of this information available to the honourable member and to other members of the Committee?

CHAIR: It may have to be received in camera or in confidence.

The Hon. MICHAEL GALLACHER: I am not after specific cases. I am looking at their instructions as to how they are to operate. If we could have a look at those, that would be great.

The Hon. JOHN DELLA BOSCA: Mr Chairman, I repeat my general concern. I assumed that the honourable member was not necessarily asking for individual cases. From the line of questioning and from some of Ms McKenzie's answers, it is fairly obvious that people who are perhaps deliberately evading their responsibilities under the Workers Compensation Act on either side of the coin, could use some of that material, if those records were part of the public record, to further adjust their methods of evasion. I ask for your advice about that, Mr Chairman. While we have no problem with the Committee having access to any material that Ms McKenzie can put together, I would have concerns about that becoming part of the public record.

CHAIR: We will leave it to you to make a decision on the material you provide. You can indicate whether some of it should be made public and simply provided to the Committee. You can advise us on that matter and the Committee will consider your response. We understand the need to keep operating methods secure. I believe that the same applies to the police. We will leave it to you as to which documents you send us and we will examine them.

The Hon. Dr PETER WONG: Minister, what is the financial position of the New South Wales Workers Compensation Scheme at the moment? What is the New South Wales Government's current liability or exposure in relation to the New South Wales Workers Compensation Scheme?

The Hon. JOHN DELLA BOSCA: The WorkCover scheme actuaries, Tillinghast Towers Perrin, originally provided a report on the financial position of the WorkCover scheme as at 31 December 2001. This is the first review of the scheme's overall financial position since the June 2001 evaluation, and I previously announced that figure. I am pleased to inform the Committee, as I have previously made clear in public and in the House, that the financial position of the scheme has improved since the June evaluation and the actuaries have reported that as at 31 December 2001, the scheme has \$6.79 billion in assets and estimated total outstanding liabilities of \$9.35 billion, resulting in a deficit of just over \$2.65 billion.

This is an improvement of \$198 million since the June 2001 valuation. These heartening results provide some positive indications of the impact of the reforms last year to the WorkCover scheme. Without the reforms the actuaries estimate that deficits in the scheme as at 31 December 2001 would have been over \$3.4 billion, almost \$900 million worse than the actual result due to reforms introduced last year. WorkCover's actuaries have allowed \$757 million for one-off savings from those reforms. In addition, the actuaries have estimated ongoing annual savings of approximately \$262 million. These results are based on relatively conservative projections of the impact of these reforms. If the actual results are closer to the targeted outcome, the savings will be significantly higher. The Government and WorkCover continue to work closely with stakeholders and service providers to ensure that the best possible results are achieved in regard to the scheme's financial health.

CHAIR: The Minister would be aware that that information is important. The figures are often at the centre of controversy. I note that the figures the Minister quoted are not included in the WorkCover budget or in the budget papers. Would it not be far more efficient and transparent for the Government to provide those figures on an annual basis? Page 18-24 of Budget Paper No. 3 refers to

total liabilities for the WorkCover Authority as \$265 million, which is misleading in view of the overall picture. There has been debate about where those figures should be placed. They could be included in Budget Paper No. 3 so that there is some form of transparency.

The Hon. JOHN DELLA BOSCA: There is absolute transparency in relation to the WorkCover scheme. WorkCover produces an annual report which provides a detailed summary of all its internal financial accounts and the actuarial deficit. I am concerned about the approach that you are suggesting in that the deficit is not consolidated in the State's whole-of-government accounts, which are based on a legal opinion by the Crown Solicitor. We are aware that the scheme's deficit is not calculated as part of the liabilities to the Crown. Therefore, it does not appear as part of the budget. An inquiry held by the Public Accounts Committee on this issue during the year 2000 did not conclude that consolidation was required.

CHAIR: The Crown Solicitor's advice could be included under those figures with a statement to indicate that the figures are not part of the State budget.

The Hon. JOHN DELLA BOSCA: That could be a risky approach on two grounds. First, it is not part of the budget and it is separately reported in the public arena by virtue of the WorkCover annual report. Second, that would still imply that any deficit—or, for that matter, any net assets—would be incorporated into the State's accounts. That would not be in accordance with the Crown Solicitor's advice.

The Hon. TONY KELLY: Why was the premium discount scheme set up and how it is operating?

The Hon. JOHN DELLA BOSCA: The premium discount scheme was established in June 2001 to increase incentives for employers to ensure that there are significant improvements in occupational health and safety and injury management. Premium discount advisers approved by WorkCover audit the occupational health and safety and injury management performance of employers and assess whether they qualify for a discount. There are 112 premium discount advisers, a large number of whom are based or operate in rural and regional areas. The discounts that they can offer are based on their competency and experience in assisting employers to improve their occupational health and safety and injury management.

In the first year of participation employers can receive a discount on their premiums of up to 15 per cent, in the second year up to 10 per cent and, in the third year, up to 5 per cent. To receive these discounts employers must meet benchmarks to ensure that they build a practical occupational health and safety and injury management system to use on an ongoing basis. Those systems will deliver ongoing benefits to employers and employees through increased workplace safety and lead to ongoing reductions in workers compensation premiums and increased competitiveness for industries in this State. As at 31 March this year, a total of 578 discounted verifications had been completed with a total discount on these policies of \$16.3 million.

Under this scheme we have also established a small business strategy where approved sponsors are funded by WorkCover to provide practical health, occupational safety and injury management programs tailored to the needs of small business. These sponsored programs will provide structured training and other assistance to small businesses in a range of industries. Many programs specifically target rural industries such as commercial fishing, forestry, timber manufacturing, cotton growing and so on. As at 31 March 2002 a total of 699 small business employers received discounts under the strategy totalling \$1.3 million, making a total rebate to employers as at 31 March 2002 of \$17.6 million.

WorkCover actuaries Tillinghast Towers Perrin have estimated that cost savings from reduced claims will substantially exceed the discounts given and the administration costs of the premium discount scheme. More important than this financial saving is the reduction in injuries to workers in this State that arises from the improved occupational health and safety that this scheme encourages. In the latest copy of "WorkCover News" employers discuss their experiences and the benefits that they have achieved through participating in the scheme. All Committee members should read this publication, if they are allowed to, during the Committee's deliberations.

The Hon. MICHAEL GALLACHER: I understand that the Collard Group Pty Ltd, architects of the base building for the new head office in Gosford, provided WorkCover with colour options for various rooms. Will the Minister inform the Committee of the level and amount of resources that the WorkCover Authority dedicated to the establishment of the two colour options for the toilets preferred by the staff?

The Hon. JOHN DELLA BOSCA: Ms McKenzie will answer that question.

Ms McKENZIE: It is, believe it or not, something about which staff feel quite strongly. We put a lot of effort into ensuring that we can provide as pleasant a working environment as possible to try to keep our staff with us on the move to Gosford. In the process of doing that we felt that it was important to use our internal expertise, so we established a technical advisory committee of internal WorkCover staff who have expertise in and knowledge about how to design an internal arrangement in the new building that maximises safety and helps to prevent injuries in WorkCover. As part of that whole process we obviously consulted with staff on colour schemes. There is no specific dollar amount. The architects just gave us options. Our internal consultative mechanisms were used to get input from the staff about which options they preferred. There was a surprising degree of unanimity about the colour scheme that the majority of people preferred.

The Hon. MICHAEL GALLACHER: The "Gosford Bulletin" is clear: It asks them to comment only on the toilet colour.

Ms McKENZIE: No, they were asked about colour schemes in general.

The Hon. MICHAEL GALLACHER: The "Gosford Bulletin" talks only about toilet schemes. Were they asked about colour schemes in tea rooms and those sorts of areas?

Ms McKENZIE: Yes.

The Hon. MICHAEL GALLACHER: And not just in toilets?

Ms McKENZIE: Yes. I suspect that the item referred to in the "Gosford Bulletin" was in response to a question from a member of staff. We try to ensure, when we put out that bulletin on a regular basis, that we respond to any issues that might have arisen from staff about what is happening with the Gosford move. It contains a lot of information which is very much tailored to the sorts of issues that staff are raising to try to keep them fully informed about what is going on.

The Hon. MICHAEL GALLACHER: Was Mr Philip Reed, Assistant General Manager, to lead that consultation with employers?

Ms McKENZIE: That is right.

The Hon. MICHAEL GALLACHER: What was the overall cost of Mr Reed's time to consider the colour of the toilets?

The Hon. JOHN DELLA BOSCA: Mr Reed is a senior executive of WorkCover. The appropriate management of the work force, a significant government or public agency, is obviously a general part of his duties. So whether it is dealing with employees over what colour their offices should be or working out consultative mechanisms to determine the colour schemes of people's offices, it is really quite a marginal thing. His duties cannot be costed on an hourly basis. That is part of his overall duties.

The Hon. MICHAEL GALLACHER: The document states clearly:

The architects of the base buildings for the new head office have provided WorkCover with two colour options for the base building toilets located in each of the buildings.

He wants their views about the colour of the toilets. He does not talk about any other part of the building.

The Hon. JOHN DELLA BOSCA: I can advise the Committee that Mr Reed is a thorough man. I am sure that his consultations on colour schemes, et cetera, were comprehensive and that they extended well beyond the boundaries of the toilets.

CHAIR: As it is a new building, you have taken the opportunity to ensure that it is painted with colours with which the staff are happy and which produce a greater work output.

The Hon. PETER PRIMROSE: Earlier, during a stream of consciousness, the Leader of the Opposition alluded to WorkCover's investment in technology. Will the Minister indicate what improvements are occurring as a result of WorkCover's investment in technology?

The Hon. JOHN DELLA BOSCA: There have been significant improvements to technology as a result of monetary allocations by the Government. In the coming fiscal year, 2002-03, the Government will invest \$16.3 million in upgrading the technology and systems of the WorkCover Authority. These systems are to be based on modern Internet technology, which will enable both workers and employers to instantly access information as well as speeding and simplifying the process of dealing with WorkCover. For the first time industry bodies and service providers will have direct access to statistics and trends in workplace incidents so that they can better manage their responsibilities to reduce the incidence and severity of injuries and improve return-to-work rates for injured workers.

Advanced investigation techniques such as data mining—an issue to which I referred earlier—will enable fraudulent activity, such as the underpayment of workers compensation premiums, to be quickly identified and eradicated. Technology such as video conferencing and electronic document management will be used to smooth the transition from WorkCover being an organisation based in the central business district to the new headquarters at Gosford. This is another example of how we are utilising technology to make workplaces safer and reduce the cost of workers compensation in New South Wales.

CHAIR: Page 18-22 of Budget Paper No. 3 refers to the sale of goods and services. You are anticipating what appears to be a \$20 million increase in the sale of goods and services. Why do you anticipate such an increase in the sale of goods and services? Is that as a result of the WorkCover Authority's move to Gosford?

The Hon. JOHN DELLA BOSCA: No, it is not about the Kent Street premises. Sales of goods and services is a New South Wales Treasury description, and for WorkCover it predominantly consists of compulsory contributions from insurers and self-insurers. Other items include occupational health and safety prosecution recoveries, and occupational health and safety licensing and certification fees.

CHAIR: It is, therefore, perhaps misleading to categorise it as sales of goods and services. Perhaps it should be separated under subheadings.

The Hon. JOHN DELLA BOSCA: Yes, it is an accounting term. An explanation for the increase is the transfer of additional funds of \$18.8 million from the WorkCover scheme statutory funds to fund major initiatives related to recent workers compensation, occupational health and safety legislative reforms—including the Workers Compensation Commission, which commenced operations on 1 January 2002—and an increase in revenue of \$2.2 million from prosecutions, particularly in underinsurance by employers.

CHAIR: Budget Paper No. 3 Volume 2, page 18-23, shows that grants and subsidies totalled \$35 million in the previous budget, and that in 2002-03 the figure was \$25 million, which is a \$10 million reduction. How was that reduction achieved in grants and subsidies?

The Hon. JOHN DELLA BOSCA: I do not have the answer to that. I will have to take the question on notice.

The Hon. Dr PETER WONG: I refer to Budget Paper No. 3 Volume 2, page 18-22. The figure for employee-related expenses has been revised from \$89 million to \$85 million. The Committee has been informed that there have been staff retrenchments for employees who are not

relocating to Gosford. Furthermore, Ms McKenzie has indicated that more staff have been employed for extra activities. Given that state of affairs, why have employee-related expenses decreased rather than increased?

The Hon. JOHN DELLA BOSCA: I am advised that operating expenses in 2001-02 were \$8.1 million, or 10 per cent above budget—

Ms McKENZIE: Which line item are you referring to?

The Hon. Dr PETER WONG: The operating expenses are about the same. However, employee-related expenses have decreased from the revised \$89 million to \$85 million. Other operating expenses remain the same at \$550 million. You informed the Committee that you had to employ extra staff for extra activities, and you also told the committee that there had been retrenchments for those who did not want to relocate to Gosford. Yet employee-related expenses remain the same.

The Hon. JOHN DELLA BOSCA: I am having trouble isolating the issues.

CHAIR: I think the Hon. Dr Peter Wong is saying that he assumed there had been a reduction in staff because of the relocation to Gosford, but it seems there were no reductions in staff.

The Hon. Dr PETER WONG: The Committee was also informed that WorkCover employed new staff for other activities, which means that staff numbers should have increased. With the retrenchments and redundancies —

Ms McKENZIE: We have not made anybody redundant.

CHAIR: Has the overall staff figure remained the same, with reorganised departments?

Ms McKENZIE: Yes, it is reasonably stable.

The Hon. JOHN DELLA BOSCA: Is the Hon. Dr Peter Wong concerned about increase in figures in relation to other operating expenses, that is, from \$81.057 million in 2001-02 to \$89.141 million revised, which then became \$85.841 million?

The Hon. Dr PETER WONG: That is right.

The Hon. JOHN DELLA BOSCA: They are not employee-related expenses. Employee-related expenses are shown in the line above that, culminating in the figure of \$70.090 million. The line you are asking about relates to other operating expenses.

The Hon. Dr PETER WONG: But surely quite a few members of staff do not want to relocate to Gosford and there will be retrenchments. Obviously, expenses will then go up, will they not?

The Hon. JOHN DELLA BOSCA: It is a separate issue. But on that issue, WorkCover has not retrenched any of its current staff, and at this stage it does not have any plans to do so. Employees who do not wish to relocate to Gosford and follow their jobs to Gosford are obviously able to take on other positions within the public sector. Indeed, that process has been going on for effectively two years now—just as people in the public sector who live in Gosford and surrounding areas and work for other departments are making applications to work at WorkCover.

CHAIR: I remind you that the Committee has resolved that the answers to questions taken on notice are to be lodged within 35 calendar days. The Committee has also resolved that if members of the Committee wish to forward further questions to you, those questions must be lodged with the Committee Clerk by 5.00 p.m. on the second business day after the day on which the relevant hearing took place, and that the Minister be requested to lodge answers to questions on notice within 35 calendar days of the day on which the question was forwarded to the Minister by the Committee Clerk. Do you agree to that timetable?

The Hon. JOHN DELLA BOSCA: Yes, Mr Chairman.

The Committee proceeded to deliberate.
