

GENERAL PURPOSE STANDING COMMITTEE No. 1

Wednesday 20 June 2001

Examination of proposed expenditure for the portfolio areas

SPECIAL MINISTER OF STATE, ASSISTANT TREASURER AND INDUSTRIAL RELATIONS

The Committee met at 6.30 p.m.

MEMBERS

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

The Hon. Jan Burnswoods
The Hon. M. J. Gallacher
The Hon. A. B. Kelly
The Hon. C. J. S. Lynn

The Hon. P. T. Primrose
The Hon. J. M. Samios
The Hon. Dr P. 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.*

Premier's Department

Dr C. Gellatly, *Director-General*

WorkCover New South Wales

Miss K. McKenzie, *General Manager*

Mr P. Burrows, *Director of Finance*

Motor Accidents Authority

Mr D. Bowen, *General Manager*

Office of Drug Policy

Mr G. Barnden, *Director*

Ms M. Swain, *Senior Policy Office*

Department of Industrial Relations

Mrs P. Manser, *Acting Director-General*

CHAIR: I declare open the hearing of General Purpose Standing Committee No. 1 and welcome the Minister and those departmental officers who are in attendance tonight. 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 broadcasting 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 the media must take responsibility for what they publish or what interpretation they place on anything that is said before the Committee. There is no provision for members to refer directly to their staff while at the table. Witnesses, members and their staff are advised that any messages should be delivered to the attendant on duty or the Committee Clerk.

For the benefit of members and Hansard, I ask departmental officers to identify themselves by name, position and department or agency before answering any questions referred to them. When a member is seeking information in relation to a particular aspect of a program or subprogram it would be helpful if that program or subprogram was identified. To ensure that an accurate report is made of tonight's proceedings, I ask witnesses to provide Hansard with copies of any notes or other written material to which they refer when answering questions.

I declare the proposed expenditure open for examination.

The Hon. MICHAEL GALLACHER: Thank you, Mr Chair. My first question is one of a number of questions to Miss McKenzie. Miss McKenzie, can you tell the Committee how many unfair dismissal claims have been filed against WorkCover in the last three years, and can you provide details of how many of these claims finally were successful and how many were unsuccessful?

Miss McKENZIE: I actually do not have any details of any unfair dismissal claims against WorkCover. If that is not accurate I will have to take it on notice and check further.

CHAIR: We are happy for you to take questions on notice if required, and if the answers are not available at this meeting.

The Hon. MICHAEL GALLACHER: Can you inform the Committee as to the current state of workers compensation matters with regard to employees or staff of WorkCover?

Miss McKENZIE: WorkCover did actually change from its previous insurer to the Treasury Managed Fund, which led to an increase in the premium. When the insurer was changed WorkCover's classification was changed, so that led to an escalation in the premium. We have put a lot of measures in place to try to improve our performance in the workers compensation area, and that has led to a decrease in the last year's premium, and we are hopeful that that will continue in forward years.

The Hon. MICHAEL GALLACHER: Can you inform the Committee how many workers compensation claims or matters have been filed by employees of WorkCover and whether there has been an increase or decrease in those figures in recent years?

Miss McKENZIE: I do not have those details at hand. I will take that on notice.

The Hon. Dr PETER WONG: Minister, can you confirm that the workers compensation scheme in New South Wales is virtually breaking even at the moment and that the scheme's deficit is no longer increasing by a significant amount? I am referring to the increase in the deficit, not the tail of the current deficit.

The Hon. JOHN DELLA BOSCA: Mr Chairman, I am not sure of the distinction The Hon. Dr Peter Wong is drawing. I think we are talking about the cash flow efficiency or otherwise at WorkCover. I refer you to the actuary's report up to the end of December 2000. The scheme has total assets of \$6.88 billion, with total future liabilities—I think I mentioned these figures on a number of occasions—of \$9.06 billion, resulting in a deficit of \$2.18 billion. If The Hon.ourable member is implying that the deficit is not somehow a real figure, I can tell him that that deficit is a very real figure; it is a real deficiency. This is an increase of more than \$541 million in the six months since the June 2000 valuation. We have identified the reasons for that. The Government and WorkCover have indicated publicly on a number of occasions that there was a greater than expected increase in claims costs in the last six months of last year.

There was a particular increase of almost 30 per cent in the number of common law claims lodged in the last six months to 31 December, and an estimate of the total future common law liabilities has obviously increased by approximately \$360 million, or 23 per cent, on the June 2000 valuation. There has been a \$120 million increase in the estimated liabilities due to a revision of the actuary's assumptions about future inflation and investment returns. This, of course, is not indicative of the specific health of the scheme or otherwise but reflects the general state of the economy and is essentially out of WorkCover's control. The third important reason identified is undercollection of premium. While the average premium cost of the scheme was 2.89 per cent net of the GST, the Government has set a rate of 2.8 per cent of wages, net of GST, in order to keep premiums affordable for employers, so wages for the year 2000-01 year are also coming in at levels lower than anticipated.

I think the steps taken in order to deal with that situation have been fairly widely publicly canvassed at this point in time, but it is sufficient to say that I think it is important for the community to be aware, and the member to be aware in asking that question, that the cash flow deficiency or otherwise, or surplus of WorkCover in a year-to-year basis, is not relevant to the actual real calculations as to its overall deficiency, and any responsible organisation, any responsible Government, would take action to ensure that that actuarial deficit does not continue to increase.

The Hon. Dr PETER WONG: My question was not quite like that. In the brief to the crossbenches, Michael Costa mentioned the fact—as you just inferred—that if the income derived from WorkCover at this stage is adequate cover for the payout, and therefore the deficit does not in reality quite exist that way, you present to the Committee the actuarial projection rather than the reality?

The Hon. JOHN DELLA BOSCA: The best way to understand the distinction between the two kinds of deficiencies is that if you think in terms of the premium dollar collected, that premium dollar has to pay for all claims going forward, not just those claims made in that year. So the responsible thing for any insurance organisation to do—an organisation charged with monitoring or supervising an insurance scheme—is ensure that that premium dollar is sufficient to cover all projected likely costs associated with the insurance that that premium dollar buys. Therefore, I think the point of the question is whether or not the actuarial deficit that has been announced is real and has been real from year to year. It is in a very real sense no different to the sorts of deficiencies that have been canvassed in the media in relation to a number of superannuation insurance and other organisations. It is a real deficit.

The Hon. Dr PETER WONG: I am asking the question not because the media asked me to ask it or because I believe what the media said. My information was provided by Michael Costa himself, and Mr Chair was there. Michael Costa mentioned very clearly that there were deficits. However, such deficits are grossly exaggerated. Michael Costa also mentioned that it would only be necessary to increase the WorkCover premium by 0.2 or 0.3 per cent to eliminate the WorkCover debt over the medium term.

The Hon. JOHN DELLA BOSCA: That observation may or may not be true. I do not think I should enter into a shadow debate with my friend Michael Costa around this table. He is not yet a member of a committee like this, although he may well be soon. The issue at hand is whether or not the actuarial deficit is real and what premium increase would be required to cover the actuarial deficit as projected. I would not cavil with those numbers as genuine numbers, but as I have said repeatedly, and as the Premier has repeated on behalf of this Government—and I think most responsible members of the Parliament agree—the average premium level in New South Wales for workers compensation is quite high by jurisdictional standards. It is always a bit difficult to attack this question because how high is too high? It is like the length of a piece of string.

There is no doubt that many employers, especially in regional areas, are arguing that the premium costs are so high they are starting to limit their opportunity to employ labour. That means that jobs are being jeopardised or threatened specifically in regional areas and industries where perhaps marginal competition is an issue—States like Queensland and Victoria, where WorkCover premiums are relatively lower. So although it might be true that a marked increase in the premium might cover that deficit, the other difficulty you have to deal with is if the deficit, by trend, continues to increase.

CHAIR: We do face a dilemma in trying to establish what is the real deficit. Is there any way you could supply information to the Committee, a document that would show those figures, either now or on notice?

The Hon. JOHN DELLA BOSCA: I am very happy to make the actuary's report available to the Committee. I do not think I have a copy here to table, but I am quite happy to make one available. If the Committee would like more information over and above that, I would be happy to take that on notice as well and provide any more detailed information.

The Hon. MICHAEL GALLACHER: Miss McKenzie, does WorkCover have a monitoring role with respect to workers compensation claims made against other Government agencies?

Miss McKENZIE: I am not sure I follow your question, sorry.

The Hon. MICHAEL GALLACHER: Does WorkCover have a role to monitor, in monitoring workers compensation claims made against other Government agencies? For example, do other Government agencies have to report to you upon claims being lodged against them by employees for workers compensation?

Miss McKENZIE: No.

The Hon. MICHAEL GALLACHER: They do not?

Miss McKENZIE: No. That is the short answer. The longer answer is it depends what Government agency you are talking about, but most Government agencies are covered by the Treasury Managed Fund, which is separately managed as part of the Treasury and is not part of WorkCover's responsibility.

The Hon. MICHAEL GALLACHER: How many employees does WorkCover have?

Miss McKENZIE: Approximately 800.

The Hon. MICHAEL GALLACHER: I am just a bit concerned that you are not aware how many of your employees currently have a workers compensation claim against WorkCover.

Miss McKENZIE: I do have those details; I just do not have them to hand with me tonight. We get a regular report on the workers compensation claims every time the Executive meets, which is normally once a week. We closely monitor those claims. We are putting in place best practice injury management to try to manage those claims in the most effective way. I just do not have, off the top of my head, exact numbers, but I could certainly supply those to you.

The Hon. CHARLIE LYNN: Miss McKenzie, What is the break-up of the current WorkCover deficit of \$2.1 billion between the public sector and the private sector?

Miss McKENZIE: The deficit is actually an actuarial calculation of the future liabilities of the scheme. Effectively, the deficit is all the people who are covered by the Workplace Injury Management Act and the future liabilities attached to that, so there is not a specific break-up of exactly what claims they are in which particular areas. It is based on whole-of-scheme figures.

The Hon. CHARLIE LYNN: Are you able to provide a figure for the last accounting period which an actuary would use to project the figure to come up with the \$2.1 billion deficit?

Miss McKENZIE: Yes, because the actuaries regularly value the scheme, so it is tracked over time. Trowbridge were the actuaries of the scheme until the last year, when Tillinghouse came in. When Tillinghouse did its first valuation of the scheme it had actually dropped down. Trowbridge's last valuation said it was \$1.8 billion. When Tillinghouse first came in it said it had gone down to \$1.6 billion, then when it did its next valuation it had gone up to \$2.18 billion, and that is as at December 2000.

The Hon. CHARLIE LYNN: Does WorkCover look at the public sector and the private sector as separate entities?

Miss McKENZIE: No. It gets complicated because it depends on what the basis of your insurance is. Large parts of the public sector are participants in the Treasury Managed Fund, which is separately managed by Treasury, as I said, and is not part of WorkCover's responsibility.

The Hon. MICHAEL GALLACHER: Is WorkCover doing anything to get the public sector in order with respect to workers compensation claims at the same time as it is constantly talking about what the private sector needs to do about getting its house in order?

The Hon. JOHN DELLA BOSCA: Mr Chairman, I think The Hon. Michael Gallacher's question might be best answered by Dr Gellatly, in light of the question about the public sector and workers compensation, if that is acceptable to the Committee.

CHAIR: Yes, perhaps to explain the percentages. As you say, most of it is in the Treasury Managed Fund. It might be a very small percentage.

Dr GELLATLY: Just to follow from Kate's comments, the majority of the public sector agencies are under the Treasury's managed funds. The big one is Health; there is Education—training all the teachers, all the nurses, and so on; the State Rail Authority; and all the big public sector employers, such as the Roads and Traffic Authority. As part of the corporate services reform agenda workers compensation premiums have been identified as a specific issue. In the major agencies, I think there are about eight, targets have been set for management of those premiums. Some are particularly high, like in the Department of Community Services, so specific measures have been taken into account through consultative arrangements with the unions to better measure what is happening, to have better plans for getting people back to work faster, and generally, to get the premiums down. That has been quite successful, and it has been recorded. We can provide the detailed information on the progress over the last five years, but, as I say, it has been a particular part of the corporate services reform to get overheads down in the public sector.

The Hon. Dr PETER WONG: Since the Minister is not discounting Michael Costa's claims that by raising the premiums slightly the Government can eliminate the debt over the medium term, by what proportion does the Government believe that workers entitlements under WorkCover need to be reviewed in order to eliminate this deficit over a five year period?

The Hon. JOHN DELLA BOSCA: Mr Chairman, The Hon.ourable member's question invites a response that takes the debate back to fundamentals. I can only answer his question by doing that. I think one of the critical points about the much discussed reform program in WorkCover dispute resolution is really the issue of the two ways in which people seek redress for workplace injuries, or seek compensation for workplace injuries. One is obviously the statutory scheme, which is, of course, a no-fault scheme which was founded, as we know, in the 1920s by Jack Lang. The workers compensation statutory scheme was meant to be a simple, cost-effective way by which workers who were injured in their workplaces or affected by workplace injuries or illnesses, could make claims. Of course, it was not, at the time, a full judicial process and it was a much simpler undertaking than it is now.

One of the suggestions that has been made to me—in fact by three or four different people from the reform programs—is to put the 1927 Act back to the Parliament. Unfortunately, life is a bit more complicated than that. But it is, I suppose, a half-serious option for change. The bottom line is that until 1987 or thereabouts, anybody who could prove negligence against an employer could also take matters out of the statutory scheme into the common law. Common law redress required workers to prove negligence or fault by the employer, and their claims could be discounted by contributory negligence but were otherwise a critical issue. Essentially, what has happened since then is a gradual flight away, for a number of reasons, from a statutory scheme to common law and increasing complication and emphasis within the statutory scheme on adversarial approach. That has resulted in the statutory scheme becoming slower, and generally speaking less beneficial to workers.

Therefore, where it is possible to prove a negligence claim, or otherwise, the common law has been a more attractive way, though a more expensive way, to achieve compensation for the individual. So, in general terms, the thrust of the Government's reform program is to make a statutory scheme, an overall statutory scheme, more attractive and to staunch the flight to common law, partly by again clarifying the situation at common law by going back to the situation in which only those seriously injured could go into common law, regardless of their capacity to prove negligence. So there is this question of threshold, and I will not anticipate the argument about that. But the critical point is that the Government's fundamental emphasis is on increasing benefits in the statutory scheme, so it can make the statutory scheme more attractive, over time, to injured employees.

CHAIR: Minister, would it be correct that the anticipated deficit of that \$2.18 billion would have been estimated through common law claims?

The Hon. JOHN DELLA BOSCA: The trend towards common law is a large part of the increase in deficit, yes.

CHAIR: Do you know what percentage? Is it 60 per cent or 70 per cent of the deficit?

The Hon. JOHN DELLA BOSCA: I think I should take that question on notice. I can provide an answer, but I would be disinclined to put it on the record now. The number you are talking about would be in the right order.

CHAIR: Would the common law claim also add a degree of uncertainty, because you cannot anticipate what the awards would be? In other words, are there trends within the system with various judges as to their judgments?

The Hon. JOHN DELLA BOSCA: The policy difficulties with common law I think are threefold, and that seems to be the thrust of your question. The first, and probably the most important one, is that the medical assessment itself becomes a judicial issue, or an issue of litigation rather than a medical issue. One of the things that the Government would seek to do, and I think that many people have suggested this, is to find a fair and consistent way of fixing that assessment prior to the judicial process so that you would remove the issue of assessing someone's medical condition or degree of impairment from the court process and have that as a pre-agreed issue, so to speak. The second complication with common law is the emphasis on its adversarial nature. One thing that any employer will tell you is when they want to pay their workers compensation premium. I think most civilised employers these days say that what they want to do is buy a relationship. They are not simply insuring for a risk to their business, they want to guarantee that they are giving some benefit to their employee.

One of the difficulties with an emphasis on an adversarial system like common law is that it means as soon as there is an injury there is tension, because there has to be a debate about causation and negligence. The benefits are largely termed by the extent of the time that a person needs to be off work. All of those things tend to mitigate and encourage people towards the opposite to getting a relationship; they actually buy enmity between the employer and the employee. That is another one of the difficulties with the common law scheme, although I have not proposed that the common law be eliminated from the scheme. It clearly does have a place. The third difficulty is that after the modifications of the original WorkCover scheme by the Greiner and Fahey administrations, the introduction of an ambiguous method of being able to achieve a common law claim—the so-called deemed loss provision—has meant that it has become a matter of judicial discretion whether people can make a common law claim, which has added again to costs and uncertainty.

CHAIR: On the issue of increasing the premiums, can you supply a comparison between the average premium in New South Wales and that of other States?

The Hon. JOHN DELLA BOSCA: I have a chart, Mr Chairman, if I may I table it?

Leave granted.

The Hon. MICHAEL GALLACHER: Mr Gellatly, following on from your announcement a few minutes ago about the study that is being conducted of government departments, are you in a position, in your capacity as Director-General of the Premier's Department, to give the Committee an indication of the breakdown of workers compensation claims between the private and the public sector?

Dr GELLATLY: No. My responsibility is in the public sector.

The Hon. MICHAEL GALLACHER: Who is monitoring this implementation of the scheme that you just told us about, within those key areas of the public sector?

Dr GELLATLY: It has been monitored by a group called the Corporate Services Reform Group. It is also an issue that was originally identified by the Council on the Cost of Government. As I said, for about the last four or five years it has been an issue right across the sector, and as Kate identified the practice in WorkCover, I think you would find that every executive of the public sector agency has as a reporting item in their broader management, or whatever their executive forum is, the progress of workers compensation claims. The Treasury Managed Fund provide to each agency a report that shows the current number of claims, how long they have been on the books, and what the cost is likely to be. It shows what their premium is and the hindsight premiums, because it goes back a number of years. So it is adjusted in the light of experience and what happens with those claims. We have had it as a push across the public sector for CEOs to monitor them, because there is an area there where there could be real gains in new premiums or even reductions.

The Hon. MICHAEL GALLACHER: Is WorkCover represented on that committee?

Dr GELLATLY: It is part of a broader corporate services reform agenda, and it is not specifically on that. There were a number of consultations with WorkCover on that program for workers compensation, about what the strategy should be. Obviously, given their general occupational health and safety work, we work closely with them and any information is given to agencies.

The Hon. MICHAEL GALLACHER: Am I right in assuming that there no analysis has been done at all by the government to determine the percentage between public sector and private sector?

Dr GELLATLY: That is not what I am saying. I am saying that my job is to look at the public sector agencies' performance in workers compensation, and that is a program we have.

The Hon. MICHAEL GALLACHER: Can any witnesses tell me whether any analysis has been done of the breakdown between the private sector's claim on the system and the public sector's claim on the system?

The Hon. JOHN DELLA BOSCA: If I could intervene at this point, the Hon. Michael Gallacher's point seems to be quite valid and, indeed, I am quite happy to research the answer to his question and provide that at a later date. However, I think there is still a little misunderstanding that the majority of public sector employees' claims are managed through Treasury Managed Fund.

The Hon. MICHAEL GALLACHER: I accept that. No-one is looking at that.

The Hon. JOHN DELLA BOSCA: If he is asking about public sector claims management, I think as a general off-the-shoulder observation it probably is true that the Treasury Managed Fund, as a claims management organization, are something that we can all be quite proud of in the context of the public sector because they do a very good job in comparison to a lot of the other insurance providers.

CHAIR: Is that a question that should be directed to the Treasurer?

The Hon. JOHN DELLA BOSCA: The Treasury Managed Fund come under the Treasurer's portfolio area, yes.

The Hon. CHARLIE LYNN: There has obviously been some consideration of a debt reduction levy to reduce the WorkCover deficit. If such a levy were imposed, would that be applied proportionally to the public and private sectors, and what impact would that have on the budget in regard to the public sector debt?

The Hon. JOHN DELLA BOSCA: I think I would have to take that question on notice, but I think that again it cuts across the problem that part of the deficit that is being discussed has not come out of the Treasury Managed Fund. The actuarial deficit that is projected in WorkCover is all of those employees whose insurance is covered by the WorkCover Authority. The Treasury Managed Fund is in fact a separate self-insurer—effectively outside the WorkCover scheme—that insures, as Dr Gellatly has already said, police, fire brigades, the RTA, and most of the inner budget public servants.

CHAIR: None of your WorkCover deficit is related to those areas at all?

The Hon. JOHN DELLA BOSCA: No.

The Hon. CHARLIE LYNN: My question is directed to Miss McKenzie. When did you first become aware of allegations from the Public Service Association this year that the Department of Public Works and Services had claimed immunity from prosecution by the WorkCover Authority for alleged breaches of the Occupational Health and Safety Act at several construction sites, including the Nepean Hospital site, and what action have you taken regarding this matter? Could you provide full details?

Miss McKENZIE: Sorry, what was the claim?

The Hon. CHARLIE LYNN: They are allegations from the Public Service Association that the Department of Public Works and Services has claimed immunity from prosecution by the WorkCover Authority for alleged breaches of the Occupational Health and Safety Act.

Miss McKENZIE: We became aware of that when the matter came up in court earlier this year, in the course of litigation. WorkCover is actually prosecuting the Department of Public Works and Services in relation to breaches of the Occupational Health and Safety Act, and the Department of Public Works and Services has raised the issue of Crown immunity as part of its defence in those prosecutions.

The Hon. CHARLIE LYNN: Has the WorkCover Authority prosecuted the Department of Public Works and Services at any other time for breaches of this Act since 1995? If so, could you provide details, including any penalties that were imposed?

Miss McKENZIE: I do not have the details of every prosecution off the top of my head, but certainly we would prosecute the Department of Public Works and Services just like we would prosecute anybody else who was found to be in breach of the Occupational Health and Safety Act.

The Hon. CHARLIE LYNN: Would you be able to provide details of any of those? You can take it on notice.

Miss McKENZIE: Yes.

The Hon. CHARLIE LYNN: Are any government agencies immune from prosecution by the WorkCover Authority? If so, could you please provide the details? Has any government department or agency ever claimed immunity from prosecution by the WorkCover Authority? If so, could you provide details of those?

Miss McKENZIE: Nobody is immune. Our legal advice and our current view until the court decides otherwise is that all government agencies are bound.

The Hon. Dr PETER WONG: Minister, you are also the Minister for Industrial Relations. Judging from what happened yesterday, I regard you as having failed in your duty as Minister for Industrial Relations. What steps do you intend take to rectify the situation?

The Hon. JOHN DELLA BOSCA: You are a harsh judge.

The Hon. Dr PETER WONG: I am a very fair judge.

The Hon. JOHN DELLA BOSCA: I do not know that I can give an easy answer to external matters: matters related to other people's attitudes. The simple fact of the matter is that as late as a few hours ago I have been having discussions with representatives of the organised labour or trade union movement, the Labor Council and employer organisations about the matters that are currently in the public arena and for public debate and parliamentary debate in terms of workers compensation reform. I do not resile from what I have said publicly about the events of yesterday, which is that it was indeed a very unfortunate event, and one which I think everybody would, from various different points of view, have cause to regret. Nonetheless, as I have said before, unions will do what unions will do. Governments need to do what they have to do, and from that point of view, relationships in terms of policy formation, industrial settlements—issues that have to be dealt with—will be ongoing.

The Hon. Dr PETER WONG: Could it be that part of the problem we are now facing with WorkCover is poor management? May I give an example. I have a patient who has dealt with injury for many months. Over two months ago his orthopaedic surgeon advised a cortisone injection. WorkCover, until today, has given no answer. I checked with his rehabilitation officer, who confirmed with me that WorkCover is delaying giving an answer. Is that not part of the problem?

The Hon. JOHN DELLA BOSCA: I do not know what information you are seeking from WorkCover. Could you be a bit more specific about what information was being sought?

The Hon. Dr PETER WONG: I am talking about a person who was injured at work and has seen an orthopaedic surgeon. The orthopaedic surgeon simply made a request to give the patient a cortisone injection. It took more than two months to give an answer.

CHAIR: That is dealing with claims management of a particular case.

The Hon. Dr PETER WONG: I am giving an example.

The Hon. JOHN DELLA BOSCA: I can answer as if it were a hypothetical question and say that almost certainly such a circumstance does not surprise me at all, but almost certainly the heart of the issue goes towards the original insurer's failure to accept liability, and that is probably the explanation for the delay. The only issue at stake here is something that has been confronted in the Government's reform program, which is that we have viewed as an essential part of the reform program to minimise disputes as early as possible. WorkCover will play an important role in resolving those disputes, as will the new disputes resolution process.

CHAIR: To follow up a question regarding the Department of Industrial Relations, I refer you to Budget Paper No. 3, Volume 2, page 17-13, line item Current Assets—Cash assets. What is the explanation for the increase in cash assets from \$197,000 for 2000-01, revised to \$865,000, to \$1,328,000 for 2001-02?

The Hon. JOHN DELLA BOSCA: Mr Chairman, if the examination of the Industrial Relations estimates has commenced, may I introduce to the Committee—

CHAIR: I am happy to deal with them in sections, but the Opposition may want to continue with WorkCover.

The Hon. MICHAEL GALLACHER: I think that is a reasonable observation. There is far more in relation to The WorkCover Authority at this stage than there would be in relation to the Department of Industrial Relations.

The Hon. JOHN DELLA BOSCA: Mrs MANSER, the Acting Deputy*** General of the Department of Industrial Relations, could answer that question very effectively.

Mrs MANSER: Basically, the extra \$400,000 is an advance payable which was made to the department to help cover the costs associated with the Workers Compensation Resolution Service. It is also partly contributed to by the fact that the department has a slightly higher than expected cash balance through savings achieved in current operating expenses, but the bulk of it is an advance from WorkCover to fund the Workers Compensation Resolution Service.

CHAIR: It is a transfer of funds?

Mrs MANSER: Yes.

The Hon. MICHAEL GALLACHER: I would like to direct a question to Mr Peter Burrows. Can you indicate to the Committee any financial losses incurred as a result of investments in the last 12 months? I refer to amounts over \$1 million; I am not asking small amounts.

Mr BURROWS: The investment earnings of the The WorkCover Authority agency itself are positive and running in excess of budget. As for some losses that might have occurred within those total positive earnings, I do not have details tonight. But earnings are positive and running ahead of budget.

The Hon. MICHAEL GALLACHER: As Director of Finance, can you detail exactly where you believe the money would be invested, or where it has been invested?

Mr BURROWS: The moneys of The WorkCover Authority, which are generally there to fund the uninsured scheme and liabilities of the Insurance Guarantee Fund, are invested in a portfolio that ranges from the short to the very long term, because the nature of those liabilities is long term. We have a mix of short, medium and long term assets in our portfolio.

The Hon. MICHAEL GALLACHER: Have there been any significant losses that you can call to mind?

Mr BURROWS: No, certainly not. I would only refer the Committee back to my statement about how our investment earnings are running ahead of budget.

The Hon. MICHAEL GALLACHER: When you say you invest in long and short term investments, can you be more specific? Would you invest in hedge** markets?

Mr BURROWS: No, certainly not. Our investments over that time frame are in fixed interest securities, international equities to a small extent, Australian equities to pick up the growth aspects, the longer-term growth aspects that relate to the liabilities I mentioned. The Committee may be interested to know that we developed our investment portfolio using the part 4 powers granted to us by the Treasury under the Public Authorities Finance Arrangement Service.

The Hon. MICHAEL GALLACHER: Did the department for The WorkCover Authority have any money invested in HIH?

Mr BURROWS: We have checked our fund managers in relation to that and my advice is that we did not have any exposure. We only very recently made a move to Australian equities as part of improving our longer term asset mix, and we had no holdings in HIH.

The Hon. MICHAEL GALLACHER: That would also include FAI, obviously?

Mr BURROWS: Yes, that is right.

The Hon. MICHAEL GALLACHER: Would it be possible for the Committee to be provided with a list of investments where over \$1 million has been lost in the last financial year?

The Hon. JOHN DELLA BOSCA: Would it satisfy the Hon. Michael Gallacher if we simply made the details of all investments in that respect available to the Committee?

The Hon. MICHAEL GALLACHER: Showing pluses or minuses. It is important that we know exactly how much money was lost on investments, as well as how much was made. It is probably a good idea to have plus or minuses.

The Hon. JOHN DELLA BOSCA: I think the important thing is that the answer, in terms of the overall outcome, is that it is a positive outcome and any large amounts of investment, either private or public—as I think the Hon. Michael Gallacher would know—are obviously based on a portfolio approach. Clearly, the fact that there is a positive outcome ahead of budget means that it is a proven portfolio. That part of the matter having been covered on the record with that comment, I do not think we would have a difficulty making that available to the Committee.

Mr BURROWS: Most certainly.

CHAIR: We will take that on notice.

The Hon. CHARLIE LYNN: Minister, have there been any workers compensation claims from the staff employed on level 11 in Parliament House who required medical treatment following a possible exposure to asbestos or synthetic mineral fibres on 5 March this year?

The Hon. JOHN DELLA BOSCA: I do not know the specific answer to that question. I will obviously be able to obtain an answer for the Hon. Charlie Lynn. From my recollection, we did establish that it was not asbestos fibres. It was obviously another fibre substance that needed to be dealt with. But that is the only enlightenment I can give you: it was not asbestos. To my knowledge, no workers compensation claims have been lodged at this time, but we can find that out.

CHAIR: We may also follow that up with the President.

The Hon. CHARLIE LYNN: How many staff are currently employed by the Occupational Health and Safety Regulation Development Unit at the WorkCover Authority?*

The Hon. JOHN DELLA BOSCA: I do not have with me a breakdown by branch of the staff. Obviously I am happy to provide that information to the Hon. Charlie Lynn.

The Hon. CHARLIE LYNN: Would the general manager have that information?

Miss McKENZIE: Not off the top of my head. I do not know the exact number of people in that branch.

The Hon. CHARLIE LYNN: What funding does the unit receive; what projects are they currently engaged in; and what is the estimated timeline for the completion of these projects?

Miss McKENZIE: Once again, they are very detailed questions. I will have to take those on notice and come back to you with details.

The Hon. Dr PETER WONG: Minister, you have based many of your statements on actuarial calculations, and your figure has been challenged by the unions, the legal profession and, indeed, an actuary expert who briefed a member a few weeks ago. How can you be sure your figure is accurate, and has it been independently substantiated?

The Hon. JOHN DELLA BOSCA: The answer to that question is simply that the scheme has official actuaries, as any insurance-based body would have, and quite obviously the scheme relies on its official actuaries as its primary source of advice in relation to deficit and deficiency. Although I think, as many people appreciate—it is

something that I have only come to appreciate over the last couple of years—the actuarial profession is one where there is a lot of discretion in judgments, and although it is a mathematically based science or mathematically based vocation, it does rely very heavily on estimation. To that extent, obviously, different actuaries will assess trends, and the costs of those and the deficiencies involved in those in different ways.

I think, though, on the general question, that the honourable member would have to understand that any responsible organisation would take into account the views of its own actuaries, comments of its auditor and comments of any external advisers on those views. I do not know the name of the actuary he has been briefed by. I would venture to say it is Mr David Zerman, but I could be wrong about that, and I am happy to be wrong about that. Perhaps if I could just draw an analogy, at some risk and jeopardy to its possible misinterpretation and also much public scrutiny by the media, the relationship of the actuarial deficit to WorkCover is not unlike the deficiencies that we talked about or publicly canvassed in relation to HIH. On 30 June 2000 HIH's audited accounts showed assets of \$8.3 billion, liabilities of \$7.4 billion and, of course, a \$0.9 billion surplus.

In comparison, the WorkCover scheme has assets of \$6.3 billion and liabilities of \$7.9 billion and therefore, as at that time, had a \$1.6 billion deficit. HIH is now heading into liquidation, with unfunded liabilities of up to \$4 billion. I venture to say that if WorkCover were a private insurer, it might well have been put into liquidation some time ago. The deficit is now \$2.18 billion and rising. Obviously that is not sustainable, and the Government has to move to provide WorkCover with a framework to begin to bring those costs down in running that deficit. So I think, although it is a fairly general answer, the analogy is sustainable—the kind of numbers we are talking about in relation to HIH and the fact that there is now a good deal of public scrutiny at the Federal regulatory level of directors in their failure to respond to actuarial and other warnings. I think a Parliament that ignored those warnings would be very imprudent indeed. This Government does not intend to ignore those warnings.

CHAIR: We have heard from the Premier that he is very concerned about retaining this State's AAA rating. He is concerned that the deficit in WorkCover could affect that rating. How would an organisation that had awarded the AAA rating come to that conclusion? In other words, does it make its decision based on those figures that you are quoting? It is hypothetical. In other words, some people say it may or may not be a deficit. Would the authorities who handle the AAA ratings look at the figures that you have been quoting as the deficit?

The Hon. JOHN DELLA BOSCA: Ratings agencies, like actuaries, are a little bit discretionary in the way they do their sums. I think essentially the question you have asked is one that properly would fall under the portfolio of the Treasurer to make comments about ratings agencies. As Assistant Treasurer I can only echo the obvious benefits that any government of any political persuasion achieves on behalf of the people of New South Wales by having a very good credit rating. It is true, I think, that there is a possibility that unsatisfactory resolutions of issues like the WorkCover deficit could, in some medium or long term, impact on that rating. I think that is of general concern to the Government. It should be a matter of public concern to anybody who takes a responsible view of these things.

CHAIR: But you will agree that they would be looking at the same figures that you are looking at—a hypothetical deficit.

The Hon. JOHN DELLA BOSCA: The Public Accounts Committee of this Parliament has made some observations in relation to the WorkCover deficit. They are observations which I actually disagree with, but nonetheless it has made them. At the end of the day the issue is at what point in time does that deficit crystallize, and what are the impacts of that. I think it is sufficient to say that unsatisfactory resolution of issues like a deficit at the WorkCover Authority could well be of some concern to ratings agencies but, as I said, the specifics are matters that would be best dealt with by the Treasurer.

CHAIR: You raised the issue of HIH. It seems that when some of these large institutions go bankrupt they have in fact been using, or could be using, workers entitlements as virtually an internal cash loan. What action does the Department of Industrial Relations take to protect those workers entitlements, either by investigating companies or ensuring that companies are maintaining funds for those purposes?

The Hon. JOHN DELLA BOSCA: I am not sure that I understand your question.

CHAIR: If a company used up what should be workers entitlements to keep the company going, it could overlap with superannuation as well. Is the department taking any action in monitoring that situation?

The Hon. JOHN DELLA BOSCA: I think I could say that in a general sense the Department of Industrial Relations obviously has overview. Perhaps it is best if Mrs Manser answers that question.

Mrs MANSER: The department has no role in monitoring the actions of companies. That would come under the companies legislation.

CHAIR: We seem to find out after the company has gone bankrupt. There is apparently no preventive mechanism to become aware of the situation before it occurs?

MRS MANSER: No, at least not through the Department of Industrial Relations.

CHAIR: Any other department?

MRS MANSER: A State Government department authority would not have that authority. I think you would be looking at the Securities Commission for the kind of monitoring you are talking about, and even they, as you know, are generally reactive.

CHAIR: Is there any action by the department to protect the workers entitlements?

The Hon. JOHN DELLA BOSCA: That is clearly a policy question. I think the Committee is probably familiar with the repeated principles this Government has articulated about workers entitlements. We do support a scheme that preserves and secures workers entitlements, but it would need to be based on three principles: That it is not taxpayer funded, it is funded by the employers themselves—I think the general thrust of your question indicates that the sentiment is shared. That it is a national scheme and does not affect the individual competitiveness of any State—that, I think, is an important principle which, as I said, the Premier and I have articulated on a number of occasions. And probably equally important, it should not be a complicated or overly bureaucratic scheme, or a costly scheme. With respect to the current Federal scheme, the EESS, neither this Government nor the other State governments, including the coalition jurisdictions, are currently participating in because it does not accord with those three principles.

The Hon. MICHAEL GALLACHER: Minister, when have the five working groups who are dealing with injuries to the lower extremities, upper extremities, nervous system, spine and psychological injuries, been directed to finish their work? I acknowledge the opportunity you gave us this afternoon for a briefing, following on from points that were raised earlier and from the second reading speech in the Lower House yesterday.

The Hon. JOHN DELLA BOSCA: We have not fixed a specific date. I have to say that in a general sense the working groups which are developing guidelines are proceeding in a very satisfactory way. I gave the Labor Council of New South Wales and the trade union movement an opportunity to nominate additional medical professionals in whom we have confidence, so the process of developing those guidelines—

The Hon. MICHAEL GALLACHER: The working parties are in our bill.

The Hon. TONY KELLY: There is a bill before the House, which has been second read.

The Hon. MICHAEL GALLACHER: No, it has not. Please continue, Minister. You are getting it mixed up.

The Hon. JAN BURNSWOODS: The Opposition is out of order.

The Hon. MICHAEL GALLACHER: As you know, Minister, there is no relationship between the five working groups and the bill currently before our House, so please proceed.

The Hon. JAN BURNSWOODS: There is a direct relationship.

CHAIR: I will leave it to the Minister whether he wishes to pursue it.

The Hon. JOHN DELLA BOSCA: Mr Chairman, I appreciate the point, but to conclude my answer, those working groups are proceeding. There has not been a specific time frame, but I would expect that they would conclude their work within the next six to eight weeks at the latest.

The Hon. MICHAEL GALLACHER: So we are looking at September before it is finalised?

The Hon. JOHN DELLA BOSCA: I am putting the extreme limit on that, six to eight weeks being the longest I think it would take. It could be as short as two or three weeks. I really have to take a wide window of opportunity

because the matter involves medical professionals dealing with fairly complex matters, and I am basically in their hands to make sure they work through it very accurately.

The Hon. MICHAEL GALLACHER: If the legislation were to pass our House, when would be the earliest that these guidelines would be in place?

The Hon. JAN BURNSWOODS: Point of order. The member is quite clearly asking questions related to the progress of the legislation through our House. That is not the business of estimates committees.

The Hon. JOHN DELLA BOSCA: We have now clearly moved into the area of the legislation that is before the House.

The Hon. MICHAEL GALLACHER: If the Government does not wish to answer the question—

The Hon. JAN BURNSWOODS: Point of order. I object to the member referring to the Government's wishes when he persists in asking questions that are totally out of order for an estimates committee. I ask you to stop him making unfounded statements when he knows that he is out of order.

CHAIR: He is just finishing.

The Hon. MICHAEL GALLACHER: It is disappointing, that the Liberal Party is the party that is trying to clarify something for the workers, and the members of the left are not prepared.

The Hon. JAN BURNSWOODS: It is disappointing that you do not know the rules.

The Hon. MICHAEL GALLACHER: It is just continuing the disappointment for the workers of this State.

The Hon. PETER PRIMROSE: Point of order—

The Hon. MICHAEL GALLACHER: I am changing to another topic, Mr Chairman.

The Hon. PETER PRIMROSE: I am sorry, but a suggestion has been made by the honourable member that this is in some way a discussion of policy. We are all bound by the rules as outlined for budget estimates committees. We have been very happy to have a free-flowing discussion here because, to date, it has been within the bounds of the rules by which we are all bound. We are happy to abide by those rules, and we expect the Opposition and the crossbench to be bound by them. That is what we are seeking to apply. Nothing else should be read into it.

CHAIR: Do not make any inference—

The Hon. MICHAEL GALLACHER: Sorry, Miss McKenzie, what was the total of the legal and other costs incurred by the WorkCover Authority as at 20 June 2001 in defending the Port Kembla Hotel and the Port Kembla RSL Club in the passive smoking claim of Miss Marlene Sharp?

Miss McKENZIE: I do not have a final figure here on the quantum of legal costs, but they were significant.

The Hon. MICHAEL GALLACHER: If you do not have a final figure, do you have an interim figure at this stage?

Miss McKENZIE: No, unfortunately I do not, but they were around the \$1 million mark.

The Hon. JOHN DELLA BOSCA: Mr Chairman, if I may supplement Miss McKenzie's answer, Miss Sharp was awarded a total of \$466,048. I can simply point that the legal costs were many times in excess of the figure that she was awarded.

The Hon. MICHAEL GALLACHER: Miss McKenzie, has WorkCover's role in this case been concluded or is it still ongoing?

Miss McKENZIE: It has been concluded.

The Hon. MICHAEL GALLACHER: Are there any outstanding cases of a similar nature in which WorkCover is involved?

Miss McKENZIE: No, not at this stage.

The Hon. JOHN DELLA BOSCA: For the record, may I clarify whether the honourable member was asking Miss McKenzie if there were other passive smoking cases or was he asking another question in relation to WorkCover: are there matters pending?

The Hon. MICHAEL GALLACHER: Just a general question of any cases.

The Hon. JOHN DELLA BOSCA: About passive smoking?

The Hon. MICHAEL GALLACHER: Yes.

The Hon. JOHN DELLA BOSCA: I think Miss McKenzie's answer stands.

The Hon. Dr PETER WONG: What is the average premium charged by WorkCover in New South Wales compared to that in other States?

The Hon. JOHN DELLA BOSCA: The document I tabled earlier is a fairly detailed recitation of those comparisons.

CHAIR: Minister, in regard to your role as Special Minister of State, in supervising the recommendations of the Drug Summit in regard to the injecting room in Kings Cross, what costs has the Government had to meet up to this time?

The Hon. JOHN DELLA BOSCA: That is a very good question. I have to say I did anticipate that you might ask it. You have rightly pointed out that the trial of the injecting centre did experience some delays before its eventual opening last month. There was the withdrawal of the trial by the Sisters of Charity and the consequent delay until the Uniting Church stepped in. Then the identification of an appropriate site for the centre was a long process, involving police and probity checks, extensive community consultation and negotiations with property owners. Having secured a site that was entirely suitable for a whole host of reasons, including its capacity to accommodate assessment, resuscitation, after care and office space, the Uniting Church prepared to lodge its application. This process required an enormous amount of time and attention to detail to fulfil the requirements specified in the legislation.

Then, as I think you know, came the legal challenge to the validity of the Responsible Authorities issuing a licence to the Uniting Church. That is obviously the Uniting Church's social responsibility. This process delayed the opening of the centre by some six months and affected the ability of the licensee to employ qualified people to work in the centre, in addition to other consequences. With regard to the total cost of the trial, I informed this Committee last year that some \$1.8 million had been set aside from the Confiscated Proceeds of Crime Fund. This amount was, of course, an estimate only. Honourable members will appreciate that a trial of this nature is entirely new, not only in Australia but in the world. Both the Government and the Uniting Church have worked hard to ensure that the trial was set up in the best and most comprehensive way possible.

As the Premier advised the honourable member for Hornsby on 30 May, in answer to a question on notice, the original \$1.8 million estimate was meant to be revised. To 30 June 2001, some \$1.6 million has been expended on the trial. This obviously means that by the time the 18-month period concludes, the overall cost of the trial will be substantially higher than that. I am advised by New South Wales Health that the total cost of the trial will be approximately \$4.3 million. Many of these costs obviously relate to the establishment of the premises, the rental and renovation necessary, the fit-out requirements as specified in the Act, and, obviously, the staffing costs.

Staffing is a large component of the ongoing costs. The facility employs three registered nurses and five drug and alcohol counsellors, eight hours a day, seven days a week. The overall cost of the trial should also be put into perspective within the overall Drug Summit funding of \$176 million over four years. It remains a small fraction of this sum. In addition, I am advised that since the Summit, additional allocation has been made in the order of \$18.8 million for the Cabramatta Anti-Drug Strategy and \$14.3 million for the Adult Drug Court. This means that since the New South Wales Drug Summit we are spending an additional \$211 million on drug and alcohol expenditure. As I said, that makes the trial of the medically supervised injecting room a very small part of the overall expenditure.

Mr Chairman, I think you asked me about the cost of the trial, but I thought that in addition I should indicate that I have received a draft interim report from the independent evaluation group on the first month of operation of the Kings Cross medically supervised injecting room. Overall, I can report that the progress of the trial has been satisfactory: 46 individuals have been referred to other services, including five for detoxification, two for treatment and five for drug

and alcohol counselling. Over 303 clients have registered so far—a significant proportion of the Kings Cross drug-using population. Four overdoses occurred in the facility and were successfully dealt with by staff with the use of oxygen alone.

Although it is early days in the trial, seven people have been referred for treatment and four overdoses have been managed which might otherwise have proved fatal. Already this is a saving in terms of ambulance call-outs, and possibly lives—and obviously there might be different views on this. The lives of some who were at the very depth of the addiction cycle may well have been turned around. Although the report does not refer specifically to this aspect of the trial, I would say that there may be a significant consequential improvement to public amenity that may or may not be identifiable to those who reside in the precinct and have cause to do business there. I can also say that for some people contact with this facility may be their first contact with any health facility for a very long period of time, and that may have other positive implications for the health of this particular unfortunate group of people.

CHAIR: To clarify part of your answer, is it correct that the overall cost of the injecting room would be \$4.3 million?

The Hon. JOHN DELLA BOSCA: Yes, that is correct. That again is an estimate.

CHAIR: The trial is only for 18 months?

The Hon. JOHN DELLA BOSCA: Yes, 18 months.

CHAIR: You mentioned four years at one point.

The Hon. JOHN DELLA BOSCA: I was referring to the overall expenditure from the Drug Summit.

CHAIR: Can you table any document that would spell out the assessment procedure for the evaluation group? Obviously it may be possible to show that there is a drop in overdose deaths, for example, but are other factors being covered, such as an increase or decrease in drug use by individuals and/or an increase or decrease in the age of people using drugs, which might be influenced by the injecting room?

The Hon. JOHN DELLA BOSCA: I am sorry, I may have missed the last part of your question. In relation to information available, the evaluation report that I referred to in answering your first question will be available but it is not something that I can table or make available to the committee at the moment because it is a draft report. It has not yet been submitted to the Chief Health Officer of NSW Health, and I obviously have an obligation to make sure that is done before such a report is made public. The evaluation protocol, the methodology, has been available for public release. I am happy to table that document if that is helpful to the Committee.

Leave granted.

The Hon. PETER PRIMROSE: Minister, you have often referred to community drug action teams. Can you tell us what they actually do?

The Hon. JOHN DELLA BOSCA: Community drug action teams have been a very successful part of the Government's strategy in relation to the drug issue. The philosophy behind community drug action teams is that they provide a forum for the community to actually tackle the drug problem at a local level. I think people have heard me use the principle that one size does not fit all; that each community may want to muster a different sort of response to the drug problem. The interesting thing about community drug action teams, and something that indeed we hoped would happen when we developed the concept, is that they really have all been different. They have identified different needs, different priorities, and even their composition is different. To date 56 teams have been formed and all of them are making achievements in the communities that they serve.

The teams are made up of representatives of various State government, local government and, in some cases, Commonwealth Government agencies; service providers; voluntary organizations; and indeed, members of the general public if they wish to take part in them. There have been a couple of very simple but very profound achievements. For example, the Fairfield community drug action team obtained funding from the Law Foundation, the police, Burnside, and Cabramatta and Fairfield health services to translate their resource, "Drugs, Young People and the Law", into five community languages. There is often alienation because of language problems and the availability of community resources in different languages, the common ones in Fairfield being Vietnamese, Spanish, Chinese, Arabic, Laotian and Khmer. It comes in all those various languages and is available to any other group, be it private sector or a voluntary organisation that might require such a document.

The Penrith community drug action team, in partnership with the New South Wales Police Service and the Western Sydney Area Health Service, developed a wallet-size information help card to help people who have alcohol and other drug problems. It has a referral directory to assist police and community workers, and that is obviously an important achievement. This has all happened in a relatively short period of time. Wingecarribee Joint Youth Action Team held a three-day youth drug forum. The forum involved all six local high schools, both State and private. The forum asked year 9 and year 10 students what drug issues were relevant in their school communities and helped them develop strategies to confront the drug problems in their local communities and their local schools.

In regional New South Wales, the Corowa community drug action team is organising a 10-week photography workshop, which is something quite different for young people at Corowa. Young people have been invited to participate in the project, which will include an exhibition and a photography competition. The project aims to give young people a voice, an arts medium, and a useful and valuable recreational and cultural artistic activity, encouraging them to show what they like and do not like about living in Corowa and what might be done about it. The Kings Cross drug action team launched its local drug action plan on 8 December. That critical plan addresses issues such as reducing drug-related crime and improving access to treatment services.

The launch included a tour of several agencies in the Kings Cross area which provide services to illicit drug users, including the Wayside Chapel, Rankin Court, Auburn House detoxification unit, Rough Edges, which is a drop-in centre, the Kirkland Road Centre, and the various Police Service and enforcement agencies' activities. The community drug action team is considering repeating this tour during Drug Action Week. Community drug action teams are making a very valuable contribution in a very short time. Many of them get up and running in a very short time. There are 56 community drug action teams, which operate in many different areas of the State producing resources and doing a great job. We are already able to say they are one of the great successes of the Drug Summit and the program of tackling the drug problem.

The Hon. JAMES SAMIOS: Minister, can you estimate how many persons have an illicit drug addiction in New South Wales and how that number has changed in the past year?

The Hon. JOHN DELLA BOSCA: I am afraid I would only be guessing. I will have to take that question on notice.

The Hon. JAMES SAMIOS: How much money will be spent in 2001 and 2002 on drug education for school-age children? Will you provide full details, together with an itemised breakdown of the funding for 1999-2000 and 2000-01?

The Hon. JOHN DELLA BOSCA: I will have to take the second part of the question on notice. Can I answer the question broadly by saying that of the \$176 million, which I have indicated has increased as a result of those two other initiatives, the Cabramatta project—and that expenditure can be grouped in relation to drug action initiatives under health care and treatment, which obviously in some ways is the lion's share and was identified by the Drug Summit as the critical area—is \$112.9 million over four years.

The Family and Young People program is \$25.5 million over four years. Obviously some programs in treatment contain an educational element, and programs in correctional facilities may have some educational aspect. In particular, for education and community action the expenditure is \$9.4 million over four years, and in the law enforcement and justice area it is \$5.3 million over four years. That gives a rough outline of the overall numbers.

The Hon. JAMES SAMIOS: You referred to drugs policy. What is the budget for the Office of Drugs Policy, and how many equivalent full-time positions does it employ?

The Hon. JOHN DELLA BOSCA: You are referring to the drugs policy office within the Cabinet office. I think Mr Barnden can provide those figures.

Mr BARNDEN: It is stated in the budget papers that average staffing is approximately six full-time staff, plus we also have approximately two to three secondments at any one time from other agencies, or appointed on a temporary basis.

The Hon. JAMES SAMIOS: Perhaps that should really embrace the wider concept of office. I really want to know how many full-time positions are involved as a result of your funding for your drugs policy. It would not really be just the Cabinet Office, it would be the total Government. That is more significant.

The Hon. JOHN DELLA BOSCA: I will take that question on notice as well.

CHAIR: With regard to education, particularly for school-age children, in view of alarming information about the effects of marijuana, which some young people think is harmless, does the education program include some of the new information—such as its impact on the brain and schizophrenia—in educating young people about the potential dangers? Are you budgeting for that in this current year?

The Hon. JOHN DELLA BOSCA: I am not able to give you a specific breakdown for what component is dealing with the marijuana issue with regard to education. I do have the new recurrent funding breakdown for programs in relation to the Department of Education and Training initiatives. I can make that available to the Committee if that is helpful, but it does not specifically deal with any component of programs oriented towards cannabis alone. It refers to cannabis in the context of other alcohol and drug problems for students.

CHAIR: Will you take that question on notice?

The Hon. JOHN DELLA BOSCA: I am happy to take it on notice.

The Hon. CHARLIE LYNN: I understand that the methodology for assessing the injecting room trial is not the same as the evaluation. Will you table the evaluation report when it is ready?

CHAIR: You are referring to when the trial is completed?

The Hon. CHARLIE LYNN: Yes.

CHAIR: Will the report be made public when the trial is completed?

The Hon. JOHN DELLA BOSCA: Most certainly, Mr Chairman. I actually did not pick that up from the Hon. Charlie Lynn's question.

The Hon. CHARLIE LYNN: What I was saying is that there is a methodology for assessing it. The trial is not the same as the evaluation. Will you table the evaluation report when it is completed?

The Hon. JOHN DELLA BOSCA: I am happy to give an undertaking to do that. I have not yet received the full advice from the chief medical officer. Can I ask the member to clarify again what document he wants tabled?

CHAIR: You agreed to table the earlier one, the method of assessing.

The Hon. CHARLIE LYNN: As I said, I understand that the methodology for assessing the injecting room trial is not the same as the evaluation. Maybe it is the interim evaluation.

The Hon. JOHN DELLA BOSCA: I am afraid I am going to have to take that question on notice. Obviously we are anxious to be transparent, but if I can clarify that report I am happy to comply with the general spirit of what the honourable member is asking, which is all the information relating to the methodology on which the trial is evaluated. I am still not clear. I need advice on exactly what report he is asking for.

CHAIR: Were you asking for the actual evaluation report?

The Hon. CHARLIE LYNN: Yes, or the interim evaluation report.

CHAIR: Is there an interim evaluation?

The Hon. JOHN DELLA BOSCA: Yes, there is an interim one, which is a final draft at the moment. When that has been formally given to me by the chief medical officer and I have had the chance to consider it, I would be happy to make it available to the Committee.

The Hon. Dr PETER WONG: Firstly, I would like to congratulate the Government for spending a lot of money in Cabramatta and other affected areas. I notice that many of these activities and teams who are providing counselling for the drug and youth activity are not really very well co-ordinated. Has the Government considered spending some money to co-ordinate all these different groups? We all understand that in order to rehabilitate addicts we need to have a replacement activity in the affected area so they do not fall into the trap again once they have stopped using drugs. How does the Government intend to provide this proper activity and co-ordination?

The Hon. JOHN DELLA BOSCA: The general response is that \$18.8 million has been allocated over the next four years to implement the Cabramatta strategy. As the honourable member is aware, it includes new police powers in relation to drug searches, drug houses and firearms; increased police strength in Cabramatta; tough new bail conditions to make it a breach of bail to not attend drug centres for all recent offenders; establishing the merit scheme in Cabramatta, which I think has been a very successful reform in other parts of the State so far; 500 extra drug treatment places and eight new transitional rehabilitation beds; three acute care beds and four additional mental health beds; a new City Watch forum; 47 extra crisis accommodation places; a mobile childcare team and expanded family support services; a DOCS street team to work with young people with drug problems; a Gateway program to work with young people at risk, including schools and community centers being established under the Families First program in poor areas to help disadvantaged families; a new community of multicultural drug education programs targeting families affected by drug abuse; and a youth drug action team to ensure a co-ordinated approach to youth services. So there is actually a co-ordination, secured by that last initiative.

Funding allocations under the strategy are protected items and agencies will be required to report the implementation to the existing system currently reporting on drug-related programs. This will be monitored by the Office of Drug Policy and reported through me to the Cabinet committee on drugs. A full-time co-ordinator from the Premier's Department will co-ordinate all of the State programs in respect of the Cabramatta strategy and the senior officials co-ordinated committee on drugs, although the purpose of the strategy is implementation, enabling a whole-of-Government response to any implementation problems. I hope that answers the member's question.

The Hon. CHARLIE LYNN: Minister, what has been the increase in the number of residential treatment places since the Drug Summit of 1999 and the projection for 2001-02?

The Hon. JOHN DELLA BOSCA: The answer to the first part of the question is 62. It is referring simply to full-time rehabilitation beds. Recently I announced an additional two facilities, so for the forthcoming year that number will be in the low 80s. I have to get back to the honourable member with the exact number because I am afraid it escapes my memory right now, but I announced some full-time facilities in Lismore and in Dubbo, but I cannot remember exactly how many beds there are in each of those. There would be at least 74—six beds in each. There may well be more.

The Hon. CHARLIE LYNN: You can provide that information to us later.

CHAIR: You can take that on notice.

The Hon. CHARLIE LYNN: What has been the increase in funding per person for residential treatment, and what portion of that is the increase in Commonwealth funding?

The Hon. JOHN DELLA BOSCA: I will have to take that question on notice. For the record, I am quite happy to acknowledge the contribution of the NIDS program to the Drug Summit strategy. That is something I have been quite up-front about. I am magnanimous. So was the discovery.

The Hon. CHARLIE LYNN: How many persons have been rehabilitated from illicit drug abuse in the past year?

The Hon. JOHN DELLA BOSCA: That is another question I will have to take on notice.

The Hon. CHARLIE LYNN: Could you provide a cost per person of that rehabilitation?

The Hon. JOHN DELLA BOSCA: Yes, a useful statistic.

The Hon. CHARLIE LYNN: What has been the increase in the value of seizures from convicted drug dealers?

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

CHAIR: We might move on to the Motor Accidents Authority. The community has been shocked by the collapse of the HIH Insurance group. What effect is it having, or will it have, on green slip premiums? There have been reports of a dramatic increase in premiums for other insurance categories. Do you anticipate any problems with green slip insurance premiums, in view of the Government's policy of trying to keep them at a certain level?

The Hon. JOHN DELLA BOSCA: I do not wish to be churlish, but currently the Treasurer has a bill in Parliament in relation to that matter. I would seek your guidance on how to answer that, as it is currently a matter before the House.

The Hon. MICHAEL GALLACHER: Which one?

The Hon. JOHN DELLA BOSCA: Are you asking about the quantum in respect of the green slips?

CHAIR: What impact will the collapse of HIH have on premium levels on green slips? I understand that there has been an increase in other categories of insurance. Do you expect any flow on into the green slip area? I understand that HIH did have that category as part of its business.

The Hon. JOHN DELLA BOSCA: Perhaps I could ask Mr David Bowen, the General Manager of the Motor Accidents Authority, to make a general comment about the relationship between the collapse of HIH and the operation of the Motor Accidents Authority. That may enlighten you in more detail. I think I might prefer to take it on notice.

Mr BOWEN: The HIH group includes two groups of licensed insurers, FAI and CIC. We do not anticipate any indirect effect on premium as has happened in other areas as a result of the insufficiency in underwriting, because the policies currently in force have been transferred to Allianz. In terms of the direct impact, there is a loss that has been accumulated, but the Government is currently looking at how it will fund that loss.

CHAIR: A loss where?

Mr BOWEN: There is a loss which arises because, in the case of insolvency of an insurer, the nominal defendant, which is established under the Motor Accidents Act, has to meet the liabilities on the insolvency. That has been determined, but the means of providing the funding for that is a matter that is with the Treasurer at the moment.

CHAIR: Is there any responsibility for the Motor Accident Authority to meet that itself?

Mr BOWEN: The Motor Accidents Authority is the nominal defendant.

CHAIR: So normally you would have to meet it unless there was some other method, such as a levy?

Mr BOWEN: That is correct.

CHAIR: Is that going to assist that, or is it only going to cover house insurance?

The Hon. JOHN DELLA BOSCA: The method by which a deficiency is created by the inability of FAI and CIC to meet their commitments, which fall to the nominal defendant—which, as Mr Bowen has said, under the Act is the Motor Accidents Authority—is a matter about which the Treasurer will be making announcements shortly.

CHAIR: Is the total amount confidential or is that something the Treasurer will be announcing?

Mr BOWEN: No, the total amount has already been announced in the present value, and the actuarial assessment is \$500 million.

The Hon. JAMES SAMIOS: Minister, one of the tasks of the Motor Accidents Authority, outlined in its 2001-02 budget, is to review and monitor premiums; handle claims, inquiries and complaints; collect and analyse statistics; and monitor solvency and financial performance of insurers. How many compulsory third party insurance premiums were collected between 30 June 1999 and 30 June 2000, and between 30 June 2000 and 30 June 2001?

The Hon. JOHN DELLA BOSCA: The number of individual premiums collected for each of those years?

The Hon. JAMES SAMIOS: Yes, third party insurance premiums.

The Hon. JOHN DELLA BOSCA: I would have to take that question on notice. Is that the total amount or total individual premiums?

The Hon. JAMES SAMIOS: How many compulsory third party insurance premiums were collected between 30 June 1999 and 30 June 2000, and between 30 June 2000 and 30 June 2001?

The Hon. JOHN DELLA BOSCA: The general answer to that question is every registered vehicle in New South Wales, but I will find out what the actual numbers are.

The Hon. JAMES SAMIOS: Since 5 October 2000, what is the average premium for owners of metropolitan passenger vehicles?

The Hon. JOHN DELLA BOSCA: As I think I have indicated on a number of occasions, a majority of owners of metropolitan passenger vehicles are paying \$318 or less for their green slips.

The Hon. JAMES SAMIOS: Will the Minister give an undertaking that the premium for owners of metropolitan vehicles will remain on average at least \$100 less than the average premium at 30 June 1999?

The Hon. JOHN DELLA BOSCA: Before our reforms, as I think the member knows, the same average payment was \$441 exclusive of GST. In September 1999, just prior to the reform package, the average premium for a metropolitan class 1 sedan was \$441. At the end of March this year, the average metropolitan class 1 premium was \$342, a drop of exactly \$99 or 22.5 per cent. So more than 80 per cent of motorists are now paying less than \$318 dollars for their green slips. I think the member is asking for a prospective commitment. This is the first time that anyone has asked me for a public commitment about the green slip premiums into the future. Obviously Mr Bowen has already dealt with the general statement about the impact of HIH on the nominal defendant, and all I can say is, exclusive of that issue, the scheme and its processes have been working very satisfactorily and there would be reasonable confidence that the kind of premium levels we have seen will be ongoing. However, I think it would be imprudent of me to speculate beyond making those two observations.

CHAIR: To follow up on one of my earlier questions about HIH, as the nominal defendant, were you monitoring the solvency of HIH, in particular its green slip business? Did you have any warnings that there may have been such a massive collapse as that which has occurred?

The Hon. JOHN DELLA BOSCA: As you know a Federal royal commission is pending, at which there is a possibility that Mr Bowen or I may be witnesses. In that sense I think it is probably appropriate for me at this point in the Committee's deliberations to make a general statement that in relation to the obligations of the Motor Accidents Authority, they have been carried out so far as the ability of the authority exists. The Government has made clear, through statements by me, its view about the role of the Australian Prudential Regulatory Authority and its obligations. I think beyond that we are in a position to make only fairly limited comment about that because of the pending royal commission.

The Hon. MICHAEL GALLACHER: In your other role as Assistant Treasurer and your responsibilities for MAA, but more importantly in relation to your role as Assistant Treasurer, what is the estimated cost to the State Government of payroll tax owed by the collapse of the HIH Insurance group?

The Hon. JOHN DELLA BOSCA: I will have to take that question on notice.

The Hon. MICHAEL GALLACHER: In your capacity as Assistant Treasurer, are you aware of whether the HIH Insurance group currently owes the State Government outstanding moneys in so far as its responsibilities to pay payroll tax?

The Hon. JOHN DELLA BOSCA: I think the general line of questioning obliges me to answer the question the same way. I have to take it on notice.

The Hon. JAN BURNSWOODS: Minister, can you tell us how information is distributed about the new motor accidents scheme and what assistance has been given to help motor vehicle owners in New South Wales?

The Hon. JOHN DELLA BOSCA: As a result of the changes to the motor accidents scheme, access by the community to information on the scheme has increased significantly. Information about green slips and the new motor accidents scheme is provided by the Motor Accidents Authority helpline and the web site. The Motor Accidents Authority has also established a claims advisory service to assist claimants. The helpline was updated and approved following changes to the motor accidents scheme. Two telephone services are provided. The first is an automated green slip helpline, which is available seven days a week, 24 hours a day to provide a green slip price service. There is also an operator service helpline that can answer general inquiries. The automated services receive approximately 4,700 callers a week. The helpline customer service operators receive an average of between 800 and 1,000 calls a week. The majority of people who speak to customer service staff are requesting information about green slip price comparisons.

The Motor Accidents Authority web site received an average of 955 visits per day during the first five months of this year. This compares with the commencement of the new scheme in October 1999, when there was an average of 455 visitors per day to the Motor Accidents Authority web site. The claims advisory service was established under the new scheme to help claimants and to improve access to the scheme. The advisory service provides procedural advice over the telephone or in face-to-face interviews with claimants. Claim advisory service staff explain the operation of the scheme, help with filling out the forms, ring and remind claimants of medical appointments or claim advisory resolution service dates to ensure that the system proceeds effortlessly. The claims advisory service has received 11,690 calls from January 2000 to the end of last week. There has been a significant increase in the number of calls received during this year. The amount of information being provided to the public on the new scheme has increased greatly since the scheme commenced. This can be seen in the increased use of the updated and approved services provided by the Motor Accidents Authority.

The Hon. JAMES SAMIOS: Minister, will you instruct the Motor Accidents Authority to conduct a review into discount premiums for pensioners aged under 55 years? If not, why not; and if so, when?

The Hon. JOHN DELLA BOSCA: The Motor Accidents Authority has already conducted a review along the lines that the honourable member is asking. Insurers use different risk rating factors to apply discounts and loadings when calculating agreements to the price: the age of a driver or the owner of a vehicle; a comprehensive insurance history; and at-fault claims history are examples. Insurers generally applied the maximum loading to pensioners aged under 55 before 5 October 2000, using age of the youngest driver as the risk factor, claiming that non-age pensioners were a higher risk than non-pensioners of a similar age. This generally meant that all non-age pensioners had a higher green slip price than non-pensioners of a similar age. This group of pensioners perceived this practice by insurers as discriminatory.

The Government agreed that the previous system was unfair for non-age pensioners and abolished the pensioner vehicle requirements. Whilst extra dealer classes have ceased, the change generally results in a better outcome for both age and non-age pensioners as well as all vehicle owners aged 55 or more. All vehicle owners over 55 or more may now be entitled to an increased discount of up to 25 per cent, which was previously only 15 per cent. Non-age pensioners will no longer be charged more than non-pensioners of a similar age. As a result, many non-age pensioners will now qualify for the best price available. The majority of non-age pensioners will now receive a similar or better green slip price. All pensioner vehicle owners, of course, regardless of whether they are non-age or age pensioners, indeed all owners, should shop around for the best price for their category.

The Hon. JAMES SAMIOS: One of the tasks of the Motor Accidents Authority outlined in the 2001 budget is to operate medical and claim assessment services for claimants. Given this, how many claims have been made for injuries suffered as a result of motor vehicle accidents from 5 October 1999 to 30 June 2000, and from 1 July 2000 to 30 June 2001?

The Hon. JOHN DELLA BOSCA: I am advised by Mr Bowen that the most recent statistics available to answer the member's question are available and have been tabled directly in the House via the most recent law and justice committee report, so I think they are already available to the Parliament. In the general sense, I just make one cautionary observation about interpreting those figures: The most serious claims in motor accidents are severe trauma claims; that is the group that makes the largest claims. The types of injuries that occur in motor accidents, severe trauma, take a long time to stabilise. Claims do take relatively longer to finalise because of that, because the injuries themselves do not stabilise for quite a lengthy period. So those figures need to be read with that caution.

CHAIR: Minister, in regard to the Building and Construction Industry Long Service Payment Corporation, Budget Paper No. 3, Volume 2, page 17-30 shows an increase of over \$7 million in the deficit over that of the previous year. Could you explain that deficit and what impact that will have on the corporation? The 2000 budget showed a deficit of \$7 million, revised to \$10 million, and the budget now anticipates a deficit of \$17 million.

The Hon. JOHN DELLA BOSCA: I am afraid I will have to take that question on notice. I have got a general answer to the impact of the operating statement on the corporation, including pay claims for workers. The corporation's operating statement shows a deficit of \$10.4 million. This deficit is budgeted with the objective of reducing the retained surplus. Actual investigations in 1999 estimated that the levy rate should be 0.23 per cent. However, the current rate applied remains constant at 0.2 per cent as there are sufficient funds available to meet the long service payment liabilities. The corporation has adequate funds to meet long service leave payment liabilities. At the moment it has about \$385 million in investments with Treasury Corporation, and as per the actuarial estimates, the scheme liabilities, the accrued benefit reserve are \$313 million as at 30 June 2001. In relation to the issue you referred to, which relates to other expenses in the scheme, the comparison between the two, or the comparison that you are referring to, I will take it on notice.

CHAIR: The answer is, the levy is not high enough. That is the point you have made.

Miss McKENZIE: If I could just partially answer that. It is actually because it had more reserves than the actuaries thought necessary, it is running down those reserves, so it is showing deficits because the 2 per cent levy rate is being kept at 2 per cent. So overall, the health of the long service payments corporation scheme is maintained, but it is not building up excessive reserves, so it has more money than it needs. That really is the explanation.

CHAIR: So that has got to do with policy to reduce the—

Miss McKENZIE: To try to keep the scheme in balance.

The Hon. JOHN DELLA BOSCA: I was thinking of saying that the scheme is embarrassed by riches, Mr Chairman.

The Committee proceeded to deliberate.