

GENERAL PURPOSE STANDING COMMITTEE No. 5

Thursday 16 October 2008

Examination of proposed expenditure for the portfolio area

COMMERCE

The Committee met at 12.00 p.m.

MEMBERS

Mr I. Cohen (Chair)

The Hon. R. L. Brown
The Hon. D. Clarke
The Hon. K. Griffin
The Hon. T. Khan

Dr J. Kaye
The Hon. M. Veitch
The Hon. H. M. Westwood

PRESENT

The Hon. C. M. Tebbutt, *Deputy Premier, Minister for Climate Change and the Environment, and Minister for Commerce*

Department of Commerce

Mr D. Callahan, *Acting Director General*

Mr P. Dexter, *Chief Financial Officer*

Mr G. Smith, *Executive Director, Corporate Services and Review*

CORRECTIONS TO TRANSCRIPT OF COMMITTEE PROCEEDINGS

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

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

DAVID CALLAHAN, Acting Director General, Department of Commerce,

PAUL DEXTER, Chief Financial Officer, Department of Commerce, and

GLEN SMITH, Executive Director, Corporate Services and Review, affirmed and examined:

CHAIR: We will commence with questions from the Opposition.

The Hon. TREVOR KHAN: Minister, it is the case, is it not, that in February last year your department sought the costing of an election proposal for the establishment of a single toll-free phone number and single New South Wales web portal?

Ms CARMEL TEBBUTT: You are asking if we sought the costing for that?

The Hon. TREVOR KHAN: Yes.

Ms CARMEL TEBBUTT: I will ask the Acting Director General to reply to that.

Mr CALLAHAN: I will defer it to our Chief Financial Officer.

Mr DEXTER: The single telephone number and a website, which is called Connecting New South Wales, is part of a program called Better Government Access. It is in Budget Paper No. 4. Essentially, there is a recurrent budget in relation to call centre staff at Parramatta and a capital program plan to start during this year to make that website bigger.

The Hon. TREVOR KHAN: Let us just talk about the phone line first, before we get on to the website. That was a proposal, was it not, to establish a call centre?

Ms CARMEL TEBBUTT: That is right.

The Hon. TREVOR KHAN: With some 32 people, as I understand it, in the call centre?

Ms CARMEL TEBBUTT: I do not have the numbers in front of me. Yes, that is right, approximately, yes.

The Hon. TREVOR KHAN: And it was to be established at a regional centre?

Ms CARMEL TEBBUTT: That is right, and we are trialling it for the 12 months it has been established at Parramatta in conjunction with the Fair Trading phone line. When we have assessed that trial we will look at the further roll-out.

The Hon. TREVOR KHAN: How many people are in the call centre at the moment?

Mr CALLAHAN: I think, from last checking, there are 37.

The Hon. TREVOR KHAN: The costing was for a proposed 32, is there some reason, at an early stage, you have 37?

Mr CALLAHAN: My answer might be incorrect. Mr Dexter might have clarification.

Mr DEXTER: The number right now is 28 full time.

The Hon. DAVID CLARKE: You are trialling it but it is intended to go into a regional area. Is there any reason why it is not being trialled in a regional area from the beginning?

Mr CALLAHAN: Yes. The reason is the existing systems and applications that are available within the Department of Fair Trading made it easier to establish it there in the first instance to test the environment.

The Hon. DAVID CLARKE: You do not believe there will be any problems in trialling it in Parramatta? You believe if you get it right there, it will automatically be right in the regional area you are proposing to go to?

Ms CARMEL TEBBUTT: It is a phone service, so therefore, yes. We believe we can make sure we get it right and then follow through our commitment to have it in a regional centre. Obviously, part of the reason you would have it in a regional centre is for job creation. It is not necessarily about the technology or the type of service.

The Hon. DAVID CLARKE: Which region is it proposed to go to?

Ms CARMEL TEBBUTT: I cannot provide the Committee with that information at this stage.

The Hon. TREVOR KHAN: You have 28 or 30 or whatever number and you have it set up and operating in Parramatta. You then decide to move it to a regional centre having already established it in Parramatta. What do you do with the 28 or 30 or 32 or 37 people you already have at Parramatta? Do you give it to them in the neck or do something else?

Ms CARMEL TEBBUTT: We will be looking at the regional expansion after we have had an independent assessment of the initial operations of the government contact centre. With regards to the existing staff, I will ask the Director General to respond.

Mr CALLAHAN: Those people have been engaged on a short-term basis.

The Hon. TREVOR KHAN: What is a short-term basis?

Mr CALLAHAN: I do not know the terms.

Ms CARMEL TEBBUTT: We will take it on notice.

The Hon. TREVOR KHAN: Does that mean they are part-time staff, casual staff?

Ms CARMEL TEBBUTT: I said we would take it on notice. They have been engaged for a short time. We will take the term on notice. I imagine they are a combination, if it is a call centre, of both part-time and casual staff. That is usually the way call centres work.

The Hon. TREVOR KHAN: The centre was up and running from, what, 19 August?

Mr DEXTER: There was some training before that date in the Fair Trading call centre. It would have been running from about May.

The Hon. TREVOR KHAN: The announcement by the then Premier was made on 19 August, was it not?

Ms CARMEL TEBBUTT: That is correct.

The Hon. TREVOR KHAN: It is a centre where people can ring in on a 1300 number, that is right, is it not?

Ms CARMEL TEBBUTT: That is right.

The Hon. TREVOR KHAN: What I want to suggest to you is that what happens at the present time is they call in, however many call in, and they are told to ring another number.

Ms CARMEL TEBBUTT: That has been your experience of it, is that what you are saying?

The Hon. TREVOR KHAN: That is what I am saying

Ms CARMEL TEBBUTT: That has been your experience of it or these are claims that have been made to you?

The Hon. TREVOR KHAN: I am not here to answer your questions.

Ms CARMEL TEBBUTT: I am just trying to clarify what it is you are asking.

The Hon. TREVOR KHAN: What I am suggesting is this, and I ask you to agree, what is happening is that if somebody calls in and, say, asks about a train timetable, the person on the other end of the phone says "You have to ring another number", and then hangs up.

Ms CARMEL TEBBUTT: I will clarify whether that has been the case. Clearly, this started in August. We have a commitment to improve government services. We know that one of the things people find frustrating is the plethora of government agencies and services and where to go to get the right question answered, and that is what we are trying to address through this service. There is no doubt there is a likelihood there will be some teething issues because in any new service there usually are. Despite your best attempts to get me to agree with your supposition, I am not going to but I will ask if there have been teething problems that my department is aware of as outlined by the member?

Mr DEXTER: The concept is to refer a caller to another call centre if more detail is required. That is probably the experience you have encountered.

The Hon. TREVOR KHAN: Issues such as timetables are not an intense problem. I am suggesting that your call centre does not operate as I suggest you would expect by ringing on a 1300 number and then, if it needs to be sent on, you are put on hold and the call is transferred. That is simply how a call centre works, is it not? You could even do that from Delhi. What is happening is not that sophisticated. All you have is, "I will give you the number now"—whatever the number of the department is. Then the person has to make another phone call. That is not a call centre. It is a bit of a joke.

Ms CARMEL TEBBUTT: Clearly, when you are talking about services provided by government agencies as complex as health, community services and transport, it is not going to operate in the same way as a call centre that has a limited number of questions that it needs to respond to or information that it needs to provide. So there are different ways call centres need to operate. My view is that what we are trying to achieve is to make it easier for our community to be able to find the information they need. Obviously, there is no point in providing people with information through a call centre that does not meet the specific needs they have identified. So, if we can help refer that person to the right agency where they can get the more details information they need, in my view that is satisfying the goal we have set ourselves.

The purpose of this call centre was to make it easier for people to contact the government agency or get the information they need. As much as possible we would like to provide the information from the initial contact with the call centre, but if the information is more detailed, clearly, as the initiative is being rolled out, people will be referred to the government agency that can provide the more detailed information. If you have specific examples that you think are particularly unsatisfactory, I am happy to take those on notice and we will look into them. Without knowing the detail of the type of information that people are seeking, it is a bit impossible to respond to what you say is inadequate.

The Hon. TREVOR KHAN: Just before we end that section, has the call centre got the capacity, when somebody calls in, to transfer the call to a government department?

Mr DEXTER: If you are talking about the physical transfer of a call that would then end up in a queue within that other government agency, no, it does not, nor does Telstra when you want to talk to Telstra, then get through to Big Pond.

The Hon. TREVOR KHAN: I am asking about your call centre?

Mr DEXTER: No, it does not.

The Hon. TREVOR KHAN: So the answer is that it does not have the capacity to on-transfer the call?

Mr DEXTER: There is no whole-of-government contact centre that does.

The Hon. DAVID CLARKE: What is the difference then between that situation and someone merely phoning up an operator at Telstra?

Ms CARMEL TEBBUTT: If you phone an operator at Telstra, you are relying on their knowledge of the various different government services and they do not always refer people to the right agency. We have people who have a much better knowledge of what it is that government agencies provide and can therefore more satisfactorily respond to people's desire for the information and the right place to get it.

The Hon. DAVID CLARKE: So is it the position that it will never be the situation where people will phone in and just be automatically put through to the appropriate department? In every single situation they will have to hang up and then just join the queue on the new number that they have been given by the telephone operator?

Ms CARMEL TEBBUTT: I think what we have already made clear is that there is a range of information that the centre can respond to; it does not need to refer people on, but when people have more detailed requests or need more detailed information or need to speak to someone in an agency but they are not sure which agency, then the call centre would give them the appropriate number and the person would then make that contact.

The Hon. DAVID CLARKE: Have your operators been given guidelines on what should be referred on and what they can deal with on the spot? Do they have written guidelines on that now?

Mr CALLAHAN: Yes, they have and it is work in development because we do not know all of the types of calls that will end up in the call centre. One particular call that I am aware of was a very stressed citizen who was asking what to do with a dead body. They came to this call centre number because they saw it there and it was dealt with appropriately. You cannot script in advance for a question like that coming into a call centre like this.

The Hon. DAVID CLARKE: Did you investigate outsourcing this call centre or was it just automatically assumed from the beginning that it would be an in-house operation?

Mr DEXTER: Can I refer you to Budget Paper No. 4, where a \$19 million capital program is planned to be spent over a number of years. This is the very first phase.

The Hon. DAVID CLARKE: In the first phase did you consider getting quotations from private enterprise?

Mr DEXTER: I am not aware of that.

The Hon. DAVID CLARKE: When you say you are not aware—

Ms CARMEL TEBBUTT: We will take that question on notice. I was not the Minister at the time.

The Hon. DAVID CLARKE: The reason is that it is pretty important for us to know whether from the very beginning investigating it being outsourced was even considered as an option?

Ms CARMEL TEBBUTT: I do not agree that that is an important thing for you necessarily to know. Government services are established all the time and provided for within the public sector. That is not an unusual process for government to go through, but there are times where we look at whether in fact the private sector can provide something more cheaply with the same service level as what the government sector can do. Whether that was done in this case, I cannot respond and I will take it on notice, but I would not accept any premise that with every government service we go to the private sector first to find out if they should deliver it, if that is what you are suggesting.

The Hon. DAVID CLARKE: Normally you would look to see whether we might get a better deal for the people of New South Wales cost-wise from other areas in the community, apart from the Government itself. We do that with motorways and many other areas. Why would we not at least investigate and see what the costing shows? Can we get this at maybe 20 per cent or 30 per cent cheaper by outsourcing it with the same level of competency as we can get by having it in-house? That is an important issue, is it not?

Ms CARMEL TEBBUTT: Certainly government getting the most effective and efficient service for the people of New South Wales is a very important issue. I am simply making the point that every time the Government makes a commitment to establish a new service to support the people of New South Wales or to provide particular information or other activities that the people of New South Wales need, we do not always automatically consider whether that can be better done in the private sector. There are many things that we know are best done and delivered in the public sector. Having said that, I cannot comment on whether there was an exercise that looked at whether the private sector would provide this more cheaply, and I will certainly come back to you on that.

The Hon. TREVOR KHAN: How many calls have been received at the call centre since it was established?

Ms CARMEL TEBBUTT: We will take that question on notice.

The Hon. TREVOR KHAN: Does the information exist as to the number of calls?

Ms CARMEL TEBBUTT: I assume so, yes. Most call centres operate so that you can track the numbers, so yes.

The Hon. TREVOR KHAN: What sort of tracking system do you have to determine, for instance, the numbers are building at the call centre?

Ms CARMEL TEBBUTT: As I said, we will take on notice your question to provide the number of calls. I am happy to provide the number of calls.

The Hon. TREVOR KHAN: With respect, I have moved on from that. I am asking what systems are in place to track the performance of the centre.

Ms CARMEL TEBBUTT: What do you mean by the performance—the number of calls and whether they are increasing or not?

The Hon. TREVOR KHAN: You will have some key performance indicators, will you not, to determine whether you are wasting money at the centre? What are the key performance indicators that you have with regards to the operation of the centre?

Ms CARMEL TEBBUTT: Quite clearly we do not believe that we are wasting money. We have set up what we believe is a very important service for the people of New South Wales. It provides the opportunity for people to be able to better access government information. It has got a powerful search facility. It provides, for the first time, a single source for the government contact centre. As I said, we will come back to you on the number of calls.

The Hon. TREVOR KHAN: Minister, what are the key performance indicators? I am not asking numbers now, with respect. The question is simple. How are you tracking the performance of the centre?

Ms CARMEL TEBBUTT: I will ask the Director General to respond to that.

Mr CALLAHAN: There is appropriate performance metrics around the system.

The Hon. TREVOR KHAN: What are they?

Mr CALLAHAN: I will need to take that on notice.

The Hon. DAVID CLARKE: So you can tell us that there is a set of performance indicators and that you will provide those to us?

Ms CARMEL TEBBUTT: That is right, and as we have indicated there are a number of phases to this. The first two phases are focused on setting up, operating and assessing the government contact centre, and then we will be having an independent assessment of the initial operations of the government contact centre. We will take on notice your request for further information but there will be an independent assessment of the initial operations, which will be after 12 months.

The Hon. TREVOR KHAN: What are the offsets that have been identified for the current financial year and how have they been calculated?

Ms CARMEL TEBBUTT: Sorry, the offsets?

The Hon. TREVOR KHAN: The cost offsets?

Ms CARMEL TEBBUTT: For the establishment of this service?

The Hon. TREVOR KHAN: Yes?

Ms CARMEL TEBBUTT: With regards to the establishment of this service, this was about improving services to the community of New South Wales. There clearly could well be some savings over time. It has got a budget in 2008-09 of \$1.2 million capital and \$3.2 million recurrent. But it was not established simply as an efficiency measure. It was established as providing a better service to the people of New South Wales.

The Hon. TREVOR KHAN: Minister, is it not the case that where a program such as this is created, one of the things that you and your department have to do is not only identify the costs but also the offsets, that is, the efficiency gains that you are going to achieve by the establishment of such a centre as this? That is part of your normal process, is it not?

Ms CARMEL TEBBUTT: All agencies are required to meet a 1 per cent efficiency dividend across a—

The Hon. TREVOR KHAN: No, I am not talking about an efficiency dividend.

Ms CARMEL TEBBUTT: You asked about offsets. I will answer the question. All agencies are required to meet a 1 per cent efficiency dividend. It is clearly not the case that every time a government agency or government itself sets up a new service that it is then offset somewhere else. That is not the way government works. Sometimes we make a decision that we are going to actually expand services. We believe that this service is something that will, over time, be an improvement for other agencies because they are clearly not taking the calls if they are coming through the better access centre but there is not a direct offset. We will meet our 1 per cent efficiency dividend in Commerce. That is what we are required to do. We are not required to offset every single individual program we set up with savings elsewhere. That is not the way government works.

The Hon. TREVOR KHAN: Let me let you in on the secret. When the costing of the election proposal was done, if you go to the line "Less recurrent offsets", you will see, for instance, in year 2009-10 that there is an apparent offset of \$21 million-odd. If you look at the proposal, \$19.5 million is said to be offset in terms of your website—and we might have time to come to that—but at least by my maths you have to come to the conclusion that there is some identified recurrent offset relating to the operation of this call centre. I am asking you—the hypothesis being that you are going to save money here—what that recurrent offset is and what it is this year? The document that is being released publicly, contrary to what you previously said, clearly identifies that there is an offset. I am asking you as the Minister what it is?

Ms CARMEL TEBBUTT: Quite clearly, as I said, we have a 1 per cent efficiency dividend across the whole of Commerce, and we will meet that 1 per cent efficiency dividend. If there is more information I can make available to you with regard to savings, it will be in the reduction of websites across the whole of Government. I will come back to you on that.

The Hon. TREVOR KHAN: I am talking about the call centre, Minister, not the website.

Ms CARMEL TEBBUTT: The two are linked.

The Hon. TREVOR KHAN: So the answer is, "I do not know", is that right?

Ms CARMEL TEBBUTT: I clearly said—

The Hon. MICHAEL VEITCH: Point of order—

CHAIR: I uphold the point of order. You have a right to ask the questions, and equally the Minister has a right to answer as she sees fit.

Dr JOHN KAYE: Minister, may I ask you about the proposal for a free city Wi-Fi service that collapsed in about May 2008. At the point at which the proposal to build a free Wi-Fi service in the city collapsed, how much had been spent on the entire project at that time?

Ms CARMEL TEBBUTT: I do not have that information; I will have to take it on notice.

Dr JOHN KAYE: What was the anticipated total cost of the project?

Ms CARMEL TEBBUTT: I will have to take that on notice.

Dr JOHN KAYE: Can you explain why the project was abandoned?

Ms CARMEL TEBBUTT: I was not the Minister at the time, so I do not have that information. I am happy to take on notice the questions you have asked. My understanding is that the project could not be delivered for the available funds that the Government was prepared to put into it. But I will take on notice the questions you have asked and come back to you.

Dr JOHN KAYE: Mr Callahan, were you in the department at the time the project was abandoned?

Mr CALLAHAN: If you could refresh my memory as to when it was abandoned.

Dr JOHN KAYE: May 2008.

Mr CALLAHAN: Yes, I was in the department at that time.

Dr JOHN KAYE: Were you aware of the project?

Mr CALLAHAN: I am Acting Director General; I have assumed this responsibility in the last two weeks as the existing Director General has had need for urgent surgery. My substantive role is as the Deputy Director General of Procurement. This matter really sits within the Chief Government Information Office area of Commerce. It would be more appropriate, I would say, if we took the question on notice and came back with an answer to it. Was I in the department at the time? The answer is yes.

Dr JOHN KAYE: Is there anyone in the room who had the vaguest idea of what was going on?

Ms CARMEL TEBBUTT: We have said we will take the question on notice and we will come back to you.

Dr JOHN KAYE: I have a series of questions I want to ask about the project, which I will place on notice. Does the department run any other free Wi-Fi services in any other locations?

Ms CARMEL TEBBUTT: Not that I am aware of. We will take that on notice.

Dr JOHN KAYE: Do I take it that I cannot ask questions about information technology?

Ms CARMEL TEBBUTT: You can ask questions about information technology.

Dr JOHN KAYE: I will come back to that in a moment. I turn to New South Wales Government purchasing policies in respect of services and goods. Does the State and the Department of Commerce have policies that favour local suppliers and contractors?

Ms CARMEL TEBBUTT: I will ask the Acting Director General to respond.

Mr CALLAHAN: New South Wales is a signatory to the America-Australia Free Trade Agreement [AFTA], so there has been considerable change to the policy environment around procurement. Markets are now more open to competition, versus local preference.

Dr JOHN KAYE: Can you spell out for us the ways in which the America-Australia Free Trade Agreement has restricted the State's ability to favour local providers?

Mr CALLAHAN: No. It is rather a complex agreement, and I am unaware of any restriction that has occurred since the introduction of that.

Dr JOHN KAYE: At first glance, that appears to contradict your answer to the previous question. You said we are now a signatory to AFTA. I thought Australia was a signatory to AFTA, but I was not aware that New South Wales had signed. Are you saying New South Wales has signed on to AFTA?

Mr CALLAHAN: Yes, jurisdictions.

Dr JOHN KAYE: You said we signed on to AFTA and that changes the way we do purchasing?

Mr CALLAHAN: There are different requirements around preference now.

Dr JOHN KAYE: Can you explain the way in which those different requirements around preference limit our ability to favour New South Wales providers of goods and services?

Mr CALLAHAN: I would like to take that on notice because it is a technical legal question.

Ms CARMEL TEBBUTT: We will take that on notice. But clearly, with our procurement policy what we are trying to do is to get best value for the taxpayers of New South Wales. Therefore we are looking at price and we are looking at quality of service. But the Director General will take on notice your specific questions.

Dr JOHN KAYE: Minister, in answer to that question you are saying you look at price and quality of service. Do we also look at ways in which we can encourage the development of the provision of goods and services in specific New South Wales industries?

Ms CARMEL TEBBUTT: The policy of procurement is the responsibility of Treasury. We implement the policy. So you would need to direct that question to the Treasurer. But our focus is on making sure we get the best value for Government, and, in that way, for taxpayers.

Dr JOHN KAYE: And that value does not include encouraging local providers?

Ms CARMEL TEBBUTT: As I said, the policy is set by Treasury. We implement the policy and make sure we get the best value for taxpayers.

Dr JOHN KAYE: Can you provide for us what is the total percentage of the value of items purchased by the Department of Commerce that are Australian manufactured or provided, as opposed to overseas manufactured or provided?

Ms CARMEL TEBBUTT: I think we need to take that on notice.

Dr JOHN KAYE: Do you have a rough estimate, so we can have a conversation about it? We are not doing fabulously well, are we?

Mr CALLAHAN: Through the whole of government contracts that are managed via the Department of Commerce through New South Wales procurement, which is my substantive role, approximately \$3.6 million worth of goods and services are procured. As to the national source of those—because we are dealing through up to 1,300 different vendors—where they source those goods and services from, that is a very elaborate equation to try to work out. Do I have those numbers? No. Ultimately, could I get those numbers, as to what parts of goods and services have been manufactured where, in finished product that is in Australia? I would say that would be rather complex. I do not know that anybody could ultimately work that out without a very considerable investment.

Dr JOHN KAYE: So the New South Wales Government does not have a way of estimating or understanding the percentage of its expenditure on goods and services that occurs in the State?

Ms CARMEL TEBBUTT: As I said, the sorts of goods and services we are procuring on behalf of government agencies are many and varied. Our primary focus through procurement is to get the best value for the taxpayers of New South Wales; that is what we are tasked with doing through Commerce.

The policy settings are established by Treasury. I think the level of detail you are asking for is no doubt not available. We are happy to take the question on notice and provide you with what information we can. But the role of Commerce is to implement the policy that has been established by Treasury.

Dr JOHN KAYE: Minister, as Deputy Premier do you see it as important that we do have a policy setting in New South Wales that encourages the development of local businesses, local jobs and local expertise?

Ms CARMEL TEBBUTT: Yes, and we do that through State and Regional Development. But you do not necessarily run that through your procurement policy; it can play a role. State and Regional Development is the agency that has responsibility for that. If you try to use your procurement policy to implement all your social and economic policies, you end up not really having a procurement policy that is of any value. But, clearly, there are other ways that we as a Government do that, and State and Regional Development has a very clear policy responsibility in that regard.

Dr JOHN KAYE: You say that procurement plays no role in the Government's policy settings in terms of developing industries and expertise within the State or the nation?

Ms CARMEL TEBBUTT: No, I am not saying it plays no role. I am simply saying that if I take the line of questioning that you seem to be pursuing, if you try to run all your social and economic policies through procurement, you end up really not having a procurement policy.

Dr JOHN KAYE: With respect, Minister, I need to correct you on that. That is not the line of questioning I was running at all.

Dr JOHN KAYE: The line of questioning I am trying to get to—and I am obviously not doing a very good job of it—relates to the role that the New South Wales Government sees its procurement policy playing in the development of specific industries and expertise within New South Wales.

Ms CARMEL TEBBUTT: And, as I have said, developing specific industries and expertise within New South Wales is primarily the function of agencies such as State and Regional Development. The Department of Climate Change and Environment plays a role with regard to renewable—

Dr JOHN KAYE: I understand that but—

Ms CARMEL TEBBUTT: Well, do you want me to answer your question or not?

Dr JOHN KAYE: Yes, I do.

Ms CARMEL TEBBUTT: I am simply saying we do not run our procurement policy for that end. Our procurement policy is to gain goods and services for government agencies at the best value to taxpayers. Treasury sets the policy and we implement that policy. That is not to say that it does not also have a role in developing particular industries but that is not the primary purpose of the procurement policy. The Director General wants to comment further on this.

Dr JOHN KAYE: But I am trying to get to what that role is. When I ask you does it have no role, you say that is not right. Then when I say what is the role you say—

Ms CARMEL TEBBUTT: No, I was very clear. The primary role of our procurement policy—

Dr JOHN KAYE: I know that but I want to know what you think the role of the procurement policy is in developing specific industries in goods and services in New South Wales? What roles does it play?

Ms CARMEL TEBBUTT: The development of particular industries in New South Wales is predominantly the responsibility of State and Regional Development. The Department of Climate Change and Environment plays a role with renewable energies. That is other government agencies, and it is normal—

Dr JOHN KAYE: I raise the white flag. I have not communicated at all well. I am abandoning that line of questioning because it is not being answered. Can we now talk about the Government's advertising policy? I understand the Department of Commerce plays a key role in the advertising policy. Can you walk me through the peer review process and the submission of advertising proposals to the BBC that, for reasons I cannot understand, stands for the Standing Committee on Budget within the Cabinet?

Ms CARMEL TEBBUTT: I will provide some initial details. The Government has advertising guidelines that establish a clear set of principles and procedures that are to be observed by all government agencies. These guidelines were updated in August 2008 in consultation with key stockholders and the consideration of best-practice advertising processes, as well as specific recommendations made by the Auditor-General in 2007. The updated guidelines feature procedures and procedures to be observed by government agencies. They introduce detailed criteria to ensure that publicly funded advertising does not serve party-political interests. They require agencies to publish the cost of complete activities on their websites and require the Department of Commerce to publish the total advertising media expenditure in its annual report. They make clear that the two-month quarantine period applies before State elections. The updated guidelines were released in August 2008 and the Budget Committee of Cabinet makes the final decision with regards to government advertising. As to the peer review process, the Director General can provide some more detail or take it on notice?

Mr CALLAHAN: I will take it on notice.

Dr JOHN KAYE: If I went to the website of the Department of Commerce and downloaded something called the "New South Wales Government Advertising Guidelines", I would have the August 2008 guidelines?

Ms CARMEL TEBBUTT: I would certainly hope that you would have the August 2008 guidelines.

Dr JOHN KAYE: Let us work on that basis then. The Peer Review Committee, as I understand it, is a group of advertising people who answer the question of whether we are getting value for money?

Ms CARMEL TEBBUTT: Yes.

Dr JOHN KAYE: Then it goes to the BCC, which is the Standing Committee on Budget within the Cabinet of the New South Wales Government. They really are the only key points at which an advertising proposal would be rejected? There is no other place at which they would be rejected?

Ms CARMEL TEBBUTT: That is my understanding.

Dr JOHN KAYE: So the peer review does not look at the guidelines? The peer review just asks the question: Is this value for money? Does it deliver value for money advertising? Does the advertising and decision-making facilitate effective communication? So the keeper of the guidelines is the BCC?

Ms CARMEL TEBBUTT: That is right.

Dr JOHN KAYE: So the decision as to whether an advertising campaign is party-political or not is made by the Cabinet of New South Wales without reference to any external body?

Ms CARMEL TEBBUTT: There is the peer review process. I might just point out that some of the advertising campaigns that we have done speak for themselves and have been very successful.

Dr JOHN KAYE: You have no quibble with me on that at all. I think I am on the public record as congratulating the Government on a number of them, including one that was conducted when you were the Minister for Education and Training to encourage people to become teachers. I want to look at the issue of some other advertising that is possibly more questionable. Part of the updated guidelines talks about commitment to being accountable to all activities and to responding to community needs and expectations. Can I ask how much money was spent on advertising in respect of what the Government refers to as the electricity industry restructuring process?

Ms CARMEL TEBBUTT: As you would be aware that occurred before I was the Minister. Advertising expenditure for July 2007 to June 2008 was \$116.3 million and non-campaign advertising was \$34.3 million. I believe future electricity supply was \$1.3 million but I would like to confirm that.

Dr JOHN KAYE: So about \$1.3 million. I suspect it is probably a little bit more than that because on our freedom of information request made on 6 May 2008 it was \$1.25 million. You would be aware that there has been a substantial amount of television, radio and print advertising between then and now and we were at \$1.25 million then. How can you explain the community needs and expectations requirement of advertising for something that was completely against community expectations? The community was totally opposed. Every opinion poll came up with the community being opposed to electricity privatisation—the Government's so-called restructuring plans. How did it get through these guidelines?

Ms CARMEL TEBBUTT: From my advice the campaign was prepared in accordance with the previous advertising guidelines. The guidelines that are now in place were the ones that were reviewed and put in place in August 2008. So my understanding is that the electricity advertising was under the previous guidelines and the new guidelines improve transparency and accountability of the Government's advertising processes.

Dr JOHN KAYE: Would a similar advertising campaign not get through the current guidelines?

Ms CARMEL TEBBUTT: I do not think I am able to comment on that because I did not see the detail that was provided with the previous advertising with regards to electricity supply. What I would simply say is that it was under the old guidelines. The new guidelines are more rigorous and more transparent.

Dr JOHN KAYE: Under the new guidelines where it talks about responding to community expectations, would that stop advertising in respect of a Government proposal or policy that is opposed by 80 per cent of the voters of New South Wales?

Ms CARMEL TEBBUTT: If we are to get into a debate about what your view of what Government policy should be and how we should advertise to communicate with the people of New South Wales, then we are probably never going to agree. The point that I would make is that the guidelines have been reviewed and the new guidelines have been available since August 2008. I am advised that they are more transparent and more rigorous. The Premier has made this very clear as well. I think that all governments are guilty of occasionally sailing a little bit close to the wind in terms of the advertising they undertake. Sometimes it is difficult, I confess, to distinguish how you clearly and concisely present the information that the community need to know without necessarily covering it with the policy and philosophy of the government. Having said that, the Premier has made it very clear, this Government is not interested in spin. We are not interested in advertising that is party-political. It is not what we are about.

We have some very good advertising campaigns, and I know that we are all aware of them, but nonetheless in the interests of balance it is probably worthwhile just referring to a couple of them. Firstly, of course, the quit smoking campaign—\$11.4 million was spent this financial year. The smoking rate in New South Wales has been driven down from 24 per cent to a new low of under 18 per cent in the last 10 years. Advertising has been a big part of that. It cannot claim all the credit for it but a big part of it. Similarly, the award-winning pinkie campaign of the Roads and Traffic Authority has increased the awareness of the dangers of speeding amongst young male drivers. That has a very high recognition rate. So there is some very good government advertising that is undertaken that plays a very important community information-raising role. The Rees Government has no interest in advertising that in any way can be seen to sail too close to the wind with regards to politicisation of the role of government and the information we are sharing with the community. That is why the new guidelines are much more transparent.

Dr JOHN KAYE: Can you explain what is meant by the expression "responding to community expectations"?

Ms CARMEL TEBBUTT: Government advertising plays a number of roles. Obviously there is the very basic advertising that we need to do for recruitment purposes. We advertise when we want to advise the community of particular initiatives that may well have changed—for example, water saving regulations, and information about TAFE and its enrolment period. It is practical information that the community needs to know, and it is clearly most cost efficient to do it in a public advertising way. Then there is government advertising that seeks to change community behaviour, for example, decreasing smoking, reducing speeding, cancer advertising.

That sort of advertising is also very important, although sometimes it is a little bit more difficult to marry the advertising with the outcome. As you know, for example, reduction in smoking is in part due to advertising but in part due to a range of other measures as well.

The Hon. DAVID CLARKE: How many weeks of redundancy pay have been offered to those to be made redundant by the one-stop call centre?

Ms CARMEL TEBBUTT: I will have to take that on notice.

The Hon. DAVID CLARKE: Can I ask Mr Dexter does he know? It is a major issue.

Mr DEXTER: Could you clarify that question?

The Hon. DAVID CLARKE: Presumably there will be redundancies, according to your own documentation. How many weeks of redundancy pay have been offered to those who are being made redundant by this one-stop call centre?

Mr DEXTER: This is in relation to future planning?

The Hon. DAVID CLARKE: Yes, and those who may have been made redundant already.

Mr DEXTER: That has not been determined yet. This is the first phase.

Ms CARMEL TEBBUTT: Quite clearly, we answered your question earlier. The way you phrased that question I thought you were talking about something else. We answered your question earlier that the staff that have been employed are on short-term contracts. That would therefore mean that redundancies are not a part of what happens when we move into the next phase.

The Hon. DAVID CLARKE: I am talking about those made redundant in other departments as a result of this one-stop call centre. I think you have given some figures in your own documents about the redundancy costs per staff member.

Ms CARMEL TEBBUTT: The redundancy provisions that will apply will be the standard government redundancy provisions. I do not have what they are in front of me in terms of numbers of weeks. We are happy to come back to you on that.

The Hon. DAVID CLARKE: Mr Dexter, could I suggest to you that it is 52 weeks per redundant worker? What would you say to that?

Ms CARMEL TEBBUTT: I do not believe that is correct.

Mr DEXTER: I understand they are employed under a section 27 contract, which is a temporary employment contract.

The Hon. DAVID CLARKE: I am talking about those who are being made redundant in other departments. There is an allowance here. Treasury estimates redundancy costs will start at \$80,000 and it has given specific amounts totalling about \$10 million up to 2009-10. Would you agree with me that it has already been agreed that there will be a 52-week redundancy payout for those made redundant as a result of this one-stop call centre?

Ms CARMEL TEBBUTT: As I said, we will take that on notice and come back to you. That sounds high to me, but we will take it on notice and come back to you.

The Hon. DAVID CLARKE: If it were 52 weeks, you would agree that is high?

Ms CARMEL TEBBUTT: It sounds high to me, yes.

The Hon. DAVID CLARKE: Mr Dexter, have you entered into any discussions with the trade union representing the workers who are likely to be made redundant as a result of this one-stop call centre?

Mr DEXTER: I would like to refer that to Glenn who looks after the HR [human resources] aspects.

Mr SMITH: The people working in the call centre are temporary employees and contractors not subject to redundancy payments. The people in other organisations that may be impacted by the implementation of the initiative would be the subject of discussions with the unions representing staff at those agencies. To the issue of redundancy payments, as the Minister said, redundancy payments for permanent public servants are award provisions. The factors that influence the payment relate to years of service, salary, job search allowance and other provisions that apply with respect to each individual. So the redundancy payment to each individual is based very much on individual circumstances. It would be the case that a very long-term public servant who has had many years of service as a permanent public servant with job search leave added could have a redundancy payment of close to 52 weeks.

The Hon. TREVOR KHAN: I think what Mr Clarke is getting at is this: In the "Costing of the Election Proposal" under the heading "Single new web portal" the following observation is made:

Phased-in redundancy costs are included in the costing for staff impacted by the move to centralise website management. Redundancy cost per staff is estimated to be \$80,000 comprising 52 weeks per staff plus \$5,000 staff job assistance payment to help with financial and personal counselling.

I am not critical about the latter part. Clearly, a proposal has been put up to Treasury that seems to be predicated on the theory of 52 weeks paid redundancy. One can come to two conclusions, I suggest, and I would invite comment. Either something is being put in place that proposes everyone will get 52 weeks paid redundancy leave, which frankly is ridiculous, or alternatively the costing that has been done is meaningless because it is based upon essentially a ridiculous figure. Which is it?

Ms CARMEL TEBBUTT: I suggest the questions coming from the Coalition around election funding costings are probably a bit—

The Hon. TREVOR KHAN: Just keep to the subject.

Ms CARMEL TEBBUTT: You asked about it, you raised it. What are you talking about "just keep to the subject"? It is a little bit rich, given your record and efforts with regards to funding and costing of election commitments. Having said that, I think that you are trying to get further ahead than where we are at with regards to the Better Government Access Program. What I have made quite clear is that when we are talking about the government contact centre, which is the phone-in component of it, there is going to be an assessment after the initial operation. Agencies will debate and discuss till the cows come home, quite frankly, and resist, I guess, savings that they may well benefit from because of the work of another government agency. But the reality is that through programs that Commerce undertakes more broadly—and this is one of them, and a decentralised website is another aspect to it—agencies could well make some savings. If they do, then the redundancy provisions that apply would be the government redundancy provisions that are in place for that agency. We are currently going through a whole mini-budget process, as you are well aware. This means that every agency is looking at savings and they are looking at ways that they can do things more effectively and more efficiently. I have no doubt that if there are opportunities where agencies are making savings as a result of the work that Commerce has done, then that will be uncovered by the very close and careful work that the budget expenditure committee is undertaking.

The Hon. DAVID CLARKE: I do not want to be rude, but I want to get back to the specific question of redundancy. I have a Treasury document that talks about a redundancy payout for staff of 52 weeks.

Ms CARMEL TEBBUTT: I do not know what document you are quoting from. If you want to give me a copy of the document, I am happy to comment, but I simply cannot continue to respond to questions that you put forward from a document that you do not share with me. What document are you talking about?

The Hon. DAVID CLARKE: Do you agree that if provision has been made for 52 weeks redundancy pay that that is very, very high? In fact, I think you indicated earlier that it seemed very high to you.

The Hon. TREVOR KHAN: It is on the second page halfway down. It is a document signed by John Pierce, I think.

Ms CARMEL TEBBUTT: It is clearly not appropriate for me to be commenting on documents of unknown status. These are the costings of the election proposal. With regard to redundancy provisions, the

Government has a standard redundancy package and then they will add to that if there are particular circumstances where they are trying to achieve redundancies over a quick time frame or where they are trying to achieve a level of redundancy that is over and above what you might normally expect it to be with the standard package. It is true that from time to time the standard package is enhanced in order to get a better take-up, and I have no doubt that that is something that will be under consideration with regards to the mini-budget process.

The Hon. DAVID CLARKE: You say the situation may have changed from time to time; this appears to be one of those times, because the document says "52 weeks", which, as you say, in normal circumstances would seem to be excessive. Are you aware that provision has already been made, Mr Dexter, for 52 weeks redundancy pay to be given to those made redundant as a result of this call centre? Or do you hear this for the first time today?

Mr DEXTER: As I mentioned earlier, on Budget Paper No. 4 there is a capital program of \$19 million. To date we have only spent a little under \$1 million, so we have yet to go into phase two, which is a much bigger phase.

The Hon. DAVID CLARKE: I am talking about apples and you are talking about oranges. I am not talking about that, I am talking about the redundancy payout; I am talking about the weeks of redundancy payout.

Mr DEXTER: We have no accrual in relation to redundancy payout. If there was a redundancy payout, it would be within the agencies that are actually affected or impacted.

CHAIR: I was riveted by the discussion on Commerce, Minister. You stated at one point that clearly you are looking, in terms of procurement of what is quite a significant amount of materials and products for the various departments through the Department of Commerce, the best deal for taxpayers. I would like to compare that to the very enthusiastic program that you have under the Department of Environment and Climate Change—recycling office paper, recycling printer cartridges, and a number of other items obviously with this bulk of purchase. Are you undertaking a similar process with recycled product and suchlike? Local product has already been mentioned but actually getting recycled product through this department, is that part of your agenda or policy?

Ms CARMEL TEBBUTT: What I can say is that Commerce is also making a significant contribution to the overall environmental performance of the Government. There is the New South Wales Water Solutions, which is that unit within Public Works and Services, and they are doing a range of things with regards to wastewater in the environment sectors. With regards to New South Wales procurement, they have got the job of finding construction contractors for a \$20 million project in the Sydney catchment. I might ask the Director General if he wants to talk a little more in detail.

I will just mention in addition the role of the State fleet, because clearly that is another area where Commerce has some significant role to play in reducing the environmental impact of its passenger fleet. In 2003, two-thirds of the Government's passenger fleet was made up of six- or eight-cylinder cars and, generally speaking, these vehicles use around 20 per cent more petrol than a four-cylinder counterpart—they produce higher CO₂ emissions obviously—and that balance has now been reversed. Two-thirds of the fleet is now four-cylinder vehicles using less fuel and producing fewer emissions, and the State fleet has also delivered benefits that were unforeseen when the policy was first introduced because the smaller cars have preserved more of their resale value. The Director General might like to talk about some of the recycling initiatives.

Mr CALLAHAN: When we go to market for goods and services—let us say in terms of ICT—within our tender documentation there are environmental aspects around what we do with take back. So one of the very positive outcomes that I am aware of within the ICT portfolio is that I understand that 15,000 computers have been taken back for recycling appropriately. When we go to market for office supplies there are requirements around the recycle content of paper, for instance. Some of the parts of imaging equipment, et cetera, they will be documented in the tender and have environmental demands placed around them. We talked about the State fleet and its environmental rating, which is a success story of New South Wales; electricity procurement—there are important components as to the source of that electricity and our go to markets for those.

So with regards the role that Commerce plays, I talked about that \$3.6 billion worth of goods and services spend across a whole range of categories reaching all the way down into things like food for hospitals,

et cetera. There are environmental aspects in our tenders that go to market and there are ratings against the responses from industry as to their performance and what will happen in terms of those.

CHAIR: Recycled paper, for example, where is that sent?

Mr CALLAHAN: There is currently a tender in the market at the moment for office supplies for the New South Wales Government. Within that tender documentation there will be requirements around the componentry of recycle within paper category itself. You can look at the tender document. That is the role New South Wales procurement does when it goes to market. The offer on behalf of Government can stipulate the environmental requirements of the State.

The Hon. ROBERT BROWN: You talked about your fleet. Do you buy diesel fuels or is that the province of the various departments?

Mr CALLAHAN: The New South Wales Government has a whole-of-government fuel contract. Depending on price—I am talking about gross expenditure against that contract—it ranges between \$300 million to \$400 million worth of fuels, of which those fuels are made up of premium-unleaded, unleaded petrol, and also diesel comes through that. The big diesel users are obviously the State Transit Authority and also rail has some use of diesel.

The Hon. ROBERT BROWN: And Soilcon and people like that?

Mr CALLAHAN: Sorry, I could not hear.

The Hon. ROBERT BROWN: Soilcon—the Department of Lands.

Mr CALLAHAN: They would be, yes.

The Hon. ROBERT BROWN: When you specify a purchase of diesel fuels do you have any conditions in your documentation in regard to the environmental output of particular purchasers, number one, and, number two, the efficiency of that diesel fuel?

Mr CALLAHAN: I have not been in Commerce whilst we have gone to market for fuel but we will be going to fuel in the near future. The particulate content of diesel is a national standard. From memory I think the current particulate standard of diesel produced in Australia is 50 parts per million and there is an international recognised table of reduction against those down to, I think the target is, 5 parts per million of particulate within diesel.

The Hon. ROBERT BROWN: Were you aware that there is a particular diesel fuel being marketed in New South Wales at the moment that actually achieves that 5 per cent reduction now?

Mr CALLAHAN: Below the 50 parts per million?

The Hon. ROBERT BROWN: That is right.

Mr CALLAHAN: I was not aware of that, but that might be the case. I would need to know who it was to check whether they are a current supplier on our contract. If they are a current supplier on our contract, then they are more than welcome to promote that within the use of the New South Wales Government fleet.

The Hon. ROBERT BROWN: I think this particular product is being sold to China and Vietnam but not to New South Wales.

Mr CALLAHAN: There is just one caveat around the criteria content of fuels, that we have a considerable investment in assets, being fleet on the road. Many of the manufacturers have specific warranty criteria around what you can put in your vehicles. A good example of that would be ethanol, and there are, depending on the type of vehicle, risks to warranty. So it is quite a complex equation: the source of fuel versus the warranty stipulations. Some bio diesels, for instance, might not be warranty covered by some of the big international bus company manufacturers. I need to look at all the detail, but if there is an existing supplier out there, and hopefully they are on contract and hopefully they would not breach any current warranty requirements, I am more than happy to promote them.

Dr JOHN KAYE: Given that the guidelines to advertising changed in August 2008, would you expect there to be a reduction in the total amount of money spent by the State of New South Wales on total advertising?

Ms CARMEL TEBBUTT: I would suggest that the mini-budget will take us there anyway without wanting to hear the outcome of that.

Dr JOHN KAYE: How much was spent in 2007-08 on advertising?

Ms CARMEL TEBBUTT: From July 2007 to June 2008 a total of \$116.3 million was spent on advertising, and non-campaign advertising expenditure—that is public notices and recruitment—was \$34.3 million

Dr JOHN KAYE: How much was spent on campaign advertising?

Ms CARMEL TEBBUTT: That figure was \$116.3 million. That covers things like cancer prevention, lotteries, road safety, tourism, WorkCover, health and water conservation.

Dr JOHN KAYE: What was the figure for non-campaign advertising expenditure?

Ms CARMEL TEBBUTT: That was \$34.3 million.

Dr JOHN KAYE: As one of the major providers of IT services to the public sector, what steps is the department taking to move towards open source software, or is that something that we cannot address without the chief information officer?

Ms CARMEL TEBBUTT: No, we can deal with that. Agencies with significant open source software include the Department of Education and Training, the Roads and Traffic Authority, the Office of State Revenue and the New South Wales Judicial Commission. Many more agencies are using open source software for the back-end operations, such as web service, that allow computers in an office to connect to the Internet.

Open source software is recognised as an integral component of People First, which is the Government's information and communications technology strategic plan. The Government's chief information office is promoting more use of open source software in the New South Wales Government. The Department of Commerce is about to initiate an open source software solution on desktop computers with the Government chief information office, which will be used to showcase how agencies can adopt open source successfully into their business operations.

CHAIR: Minister, the Committee has determined that questions on notice should be answered within 21 days and the Committee has 48 hours to submit any questions in response to them.

Ms CARMEL TEBBUTT: Thank you, Chair, and thank you committee members.

(The witnesses withdrew)

The Committee proceeded to deliberate.
