

# **GENERAL PURPOSE STANDING COMMITTEE NO. 1**

**Friday 22 August 2014**

**Examination of proposed expenditure for the portfolio area**

## **FINANCE AND SERVICES**

**CORRECTED PROOF**

**The Committee met at 2.00 p.m.**

### **MEMBERS**

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

The Hon. C. Cusack  
Dr J. Kaye  
The Hon. M. J. Pavey (Deputy Chair)  
The Hon. G. S. Pearce

The Hon. P. Primrose  
The Hon. A. Searle  
Mr D. Shoebridge

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### **PRESENT**

**The Hon. Dominic Perrottet, *Minister for Finance and Services***

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## **CORRECTIONS TO TRANSCRIPT OF COMMITTEE PROCEEDINGS**

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

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

**CHAIR:** Welcome to the public hearing for the inquiry into budget estimates 2014-15. Before we commence, I acknowledge the Gadigal people, who are the traditional custodians of this land. I also pay respect to the elders past and present of the Eora nation and extend that respect to other Aboriginals present. I welcome the Minister for Finance and Services, Minister Perrottet, and accompanying officials to this hearing. Today the Committee will examine the proposed expenditure for the portfolio of Finance and Services. Today's hearing is open to the public and is being broadcast live via the Parliament's website. A transcript of today's hearing will be available on the Committee's website from tomorrow morning.

In accordance with broadcasting guidelines, while members of the media may film or record Committee members and witnesses, people in the public gallery should not be the primary focus of any filming or photography. I remind media representatives that they must take responsibility for what they publish about the Committee's proceedings. It is important to remember that parliamentary privilege does not apply to what witnesses may say outside of the evidence at the hearing, so I urge witnesses to be careful about any comments that they may make to the media or to others after they complete your evidence as such comments would not be protected by parliamentary privilege if another person decided to take an action for defamation. The guidelines for the broadcast of proceedings are available from the secretariat.

There may be some questions that witnesses could only answer if they had more time or with certain documents to hand. In these circumstances, witnesses are advised they can take a question on notice and provide an answer within 21 days. Any messages from advisers or members of staff seated in the public gallery should be delivered through the Chamber and support staff or the Committee clerks. Minister, I remind you and the officers accompanying you that you are free to pass notes and refer directly to your advisers seated at the table behind you. Please turn off your mobile phones for the duration of the hearing. All witnesses from departments, statutory bodies or corporations will be sworn prior to giving evidence. Minister, I remind you that you do not need to be sworn as you have already sworn an oath to your office as a member of Parliament.

**JOHN HUBBY**, Acting Chief Executive, Office of Finance and Services,

**SAJEEV GEORGE**, Chief Financial Officer, Corporate Finance, Office of Finance and Services,

**WILLIAM MURPHY**, Deputy Secretary, Service Innovation and Strategy, Office of Finance and Services,

**CARMEL DONNELLY**, General Manager, Strategy and Performance, Safety, Return to Work and Support,

**GARY JEFFERY**, Acting General Manager, Workers Compensation Insurance Division, WorkCover Authority of NSW, and

**ANDREW NICHOLLS**, General Manager, Motor Accidents Authority of NSW, sworn and examined:

**ANDREW McMASTER**, Chief Financial Officer, Service NSW, and

**BRETT NEWMAN**, Chief Executive Officer, Government Property NSW, Office of Finance and Services, affirmed and examined:

**CHAIR:** I declare the proposed expenditure for the portfolio of Finance and Services open for examination. The questioning of the portfolio of Finance and Services will run from 2.00 p.m. to 4.00 p.m., instead of 5.00 p.m., as Government members will not be asking questions but reserve the right to do so if they need to.

**The Hon. GREG PEARCE:** Chair, I am sure the entire Committee would join me in congratulating Minister Perrottet on his appointment.

**CHAIR:** We do, and we miss him from the Independent Commission Against Corruption [ICAC]—that is the ICAC committee not the ICAC inquiry. We have agreed that questions will be asked in blocks, first by the Opposition, then by Dr Kaye from The Greens and finally by me for the Christian Democratic Party. As there is no provision for a Minister to make an opening statement before the Committee commences questioning, we will begin with questions from the Opposition.

**The Hon. PETER PRIMROSE:** Minister, congratulations again on your appointment.

**Mr DOMINIC PERROTTET:** I thank the Hon. Peter Primrose.

**The Hon. PETER PRIMROSE:** Finance and Services spent \$180,946.29 on Project Loftus media campaign advertising between 1 July 2013 and 31 March 2014. Can you tell us what Project Loftus was?

**Mr DOMINIC PERROTTET:** We are happy to take that on notice and come back to you.

**The Hon. PETER PRIMROSE:** In relation to Project Loftus, could you also advise on notice the total advertising expenditure in 2013-14 and the expected expenditure for 2014-15?

**Mr DOMINIC PERROTTET:** Yes.

**The Hon. PETER PRIMROSE:** Minister, are you familiar with the NSW Public Service Commission publication entitled "Appointment Standards—Boards and Committees in the NSW Public Sector" published in July 2013?

**Mr DOMINIC PERROTTET:** Yes.

**The Hon. PETER PRIMROSE:** This is not a trick question, trust me on this one.

**Mr DOMINIC PERROTTET:** Here we go.

**The Hon. GREG PEARCE:** What about the rest of them?

**The Hon. ADAM SEARLE:** We make no representations about the rest of them.

**The Hon. PETER PRIMROSE:** I am making it clear that on this issue I am simply seeking information.

**CHAIR:** Which is the purpose of this inquiry.

**The Hon. PETER PRIMROSE:** Exactly. That publication says:

... members' tenure should not exceed ten years in total, unless otherwise provided in legislation, or where such limitation would be contrary to the public interest.

If this provision is applied to the Workers Compensation Dust Diseases Board of NSW, I fear it likely that many, if not all, of its existing members would be removed at the one time, and accordingly decades of experience lost. Given the high regard with which the board is held and the decades of experience that would be lost, this would be detrimental to those suffering from dust diseases and their dependants. Minister, I was wondering whether you would agree to meet with the board with a view to seeking an exemption from this provision on the basis that it would be contrary to the public interest.

**The Hon. GREG PEARCE:** Chair, can I have a look at that document? I think it is relevant to Government trading enterprises.

**CHAIR:** Order! Does the Minister need to see a copy of that document?

**Mr DOMINIC PERROTTET:** I am happy to answer the question. I am more than happy to meet and discuss that. Obviously there are boards that have members who have certain expertise. I guess it may be difficult at times to attract people with that expertise to those roles. As a result, it can be the usual case that a lot of those positions can be up for renewal—rather than attracting fresh blood onto those boards. Obviously that is a board that would have specific expertise that would accompany those people who were to make those applications. I believe that a number of boards would be in the same position. Having said that, it is also important that we look at ways in which we can get new people onto boards. At some stage you will have retirements from those positions and you need to ensure that you have got people with an adequate skill set coming through the ranks who can serve in those positions. But if you are asking me whether I will meet with them to discuss the matter, the answer to your question is I am more than happy to meet with them.

**The Hon. PETER PRIMROSE:** Following the recent Law and Justice Committee inquiries the board and the work it does is clearly held in very high regard. Thank you very much for that. Advertisements have been placed by the Government under the heading "Important Announcement: Have your say on rebuilding NSW" promoting the Liberal-Nationals proposal to privatise the electricity network. Can you tell us how much has been expended to date on this campaign advertising?

**Mr HUBBY:** I would have to take that on notice.

**The Hon. CATHERINE CUSACK:** Do you mean the Government's proposal? Is that what you are referring to?

**The Hon. ADAM SEARLE:** The advertising.

**Mr DOMINIC PERROTTET:** I would think that would be a question for the Premier. I am happy to take that on notice and provide it in due course. I do not have those figures in front of me.

**The Hon. PETER PRIMROSE:** You do not include it in your portfolio?

**Mr DOMINIC PERROTTET:** I do not have the figures in front of me in relation to that campaign.

**The Hon. PETER PRIMROSE:** Can I ask if you may refer it to any of your officers?

**The Hon. GREG PEARCE:** He just did. He said the Premier.

**Mr DOMINIC PERROTTET:** I just did. My chief executive has said—

**Mr HUBBY:** I do not believe that we have managed any advertising campaigns on that particular project.

**Mr DOMINIC PERROTTET:** But we will check. We will take it on notice and come back to you.

**The Hon. PETER PRIMROSE:** The Government has just awarded a five-year contract worth \$34.9 million to an Indian IT company to supply services for Sydney Trains. All the work and all the jobs will be performed offshore. What action did you take to ensure that this work could not be undertaken by companies in New South Wales as part of the procurement exercise before sending the jobs overseas?

**Mr DOMINIC PERROTTET:** My understanding is that would be a matter for Transport, but what I can say in relation to IT services and services generally is that we make no apology for ensuring that taxpayers across this State get value for money and that services are provided in the most efficient way possible. Obviously when it comes to a range of services in which the private sector is involved there are different ways in which those contracts are prepared and they have different attributes. In relation to the specific one you are referring to with transport, I would say that is a matter for the Minister for Transport. That has been confirmed to me. But in any procurement process or with any services the focus of the Government is to ensure that we obtain the best value possible. That is what we will continue to do.

**The Hon. PETER PRIMROSE:** I read on your website that part of your responsibilities was the Government's procurement policy.

**Mr DOMINIC PERROTTET:** Absolutely.

**The Hon. PETER PRIMROSE:** If you cannot comment on this one can you then tell me more generally what action do you take and what mechanisms are in the policy to ensure that jobs will be retained locally within New South Wales—

**The Hon. CATHERINE CUSACK:** The same as when you were in government, Peter.

**The Hon. PETER PRIMROSE:** —and not sent offshore?

**The Hon. CATHERINE CUSACK:** Exactly the same as when you were in government.

**The Hon. ADAM SEARLE:** Point of order: The member is being disorderly by interjecting.

**CHAIR:** Order! Members will let members ask questions and get the answers.

**Mr DOMINIC PERROTTET:** When it comes to procurement, as I set out earlier, we have a focus on ensuring that we get the best value for taxpayers across this State and obviously an important part of that is jobs. Obviously that one before was in relation to Transport but if I were involved in any decision when it comes to procurement at my end I would say a key facet of it would be the provision of jobs locally. That is obviously an important part of the responsibility to ensure that people across this State are looked after. At the same time from a services perspective we need to ensure that we get the best value for money and that is where the focus is. But in relation to offshoring there is nothing that has come before me on that so far.

**The Hon. PETER PRIMROSE:** The Government changed the Local Jobs First Plan, which was in place for the first couple of years of this Government, to the current procurement policy. What are the reasons you changed it?

**Mr MURPHY:** The Local Jobs First Plan was independently reviewed I think in 2012.

**The Hon. PETER PRIMROSE:** Can I ask who reviewed that?

**Mr MURPHY:** It was reviewed by KPMG. That review essentially found that the policy could not be demonstrated to be effective in improving the uptake of government procurement opportunities by small-sized businesses in the State. Essentially, that plan worked by requiring large firms who engaged with New South Wales government procurement opportunities to maximise the involvement of small businesses in their tender proposals. However, at the end of the day that review showed that only a very small number of contracts had been awarded on the basis of the preference that was given under that scheme for small business involvement.

That Local Jobs First Plan has been replaced under the new procurement policy framework with an SME policy framework, which is a small and medium enterprises framework. That has a whole range of initiatives in it to increase the prospect of small businesses gaining access to government procurement. Some of those initiatives include putting in place an arrangement that would allow agencies to buy off whole-of-government contracts in their local areas in non-metropolitan areas with small businesses up to \$5,000 for purchase. There is a move away in the procurement framework from long-term established panel contracts which tend to suit larger businesses to more always-open prequalification schemes.

**The Hon. PETER PRIMROSE:** I get the picture because I have read the website as well. Was that 2012 KPMG review made public?

**Mr MURPHY:** No, I believe that has not been made public. That was a report to Cabinet.

**The Hon. PETER PRIMROSE:** Minister, will you consider making that report public?

**Mr DOMINIC PERROTTET:** I will consider it and take it on notice.

**The Hon. PETER PRIMROSE:** In a media release dated 23 July 2012 then Premier Barry O'Farrell announced:

210 government services will be available at 18 new one-stop shops across the State.

Combined with a new 24-hour phone service and a new internet portal, the one-stop shops are touted as saving businesses \$4.8 billion a year in lost productivity.

The figure of \$4.8 billion savings a year in previously lost productivity because of the introduction of the one-stop shop was subsequently widely reported. Given the former Premier's estimate of \$4.8 billion of savings from the one-stop shops, how much do you estimate that the one-stop shops saved business in lost productivity in 2013-14?

**Mr DOMINIC PERROTTET:** Can I firstly say that I think one of the great success stories of this Government has been Service NSW. When we came to Government we inherited a service delivery model that had more than 400 shopfronts across New South Wales. We had more than 100 call centres, 800 different websites for government services—

**The Hon. PETER PRIMROSE:** So you stand by the \$4.8 billion?

**Mr DOMINIC PERROTTET:** —and 8,000 different phone numbers. That was clearly a service delivery model that was not modelled on putting—

**The Hon. PETER PRIMROSE:** Minister, I have read the website as well.

**The Hon. MELINDA PAVEY:** Point of order—

**CHAIR:** Order! Let the Minister finish his answer. He has almost finished.

**The Hon. PETER PRIMROSE:** My question was very specific. It was: Given the former Premier's estimate for an annual saving of \$4.8 billion from the introduction of the one-stop shops, how much do you estimate they saved in 2013-14?

**The Hon. GREG PEARCE:** You know the Minister is entitled to answer the question as he wishes.

**The Hon. PETER PRIMROSE:** I asking for him to answer that question. My time is limited.

**The Hon. GREG PEARCE:** The Minister is entitled to answer as he wishes. You know that.

**The Hon. CATHERINE CUSACK:** Stop repeating yourself and you will get the answer more quickly.

**CHAIR:** Order! The Minister is saying how they saved that money because they had—

**The Hon. PETER PRIMROSE:** No, I am not asking how they saved it.

**The Hon. CATHERINE CUSACK:** Peter, you are wasting your own time.

**The Hon. PETER PRIMROSE:** You do not ask questions. You will not ask questions.

**Mr DOMINIC PERROTTET:** Obviously by combining all of those services into the one-stop shop as we move to a more digital approach we have gone from having services spread out and 8,000 different phone numbers for government services across New South Wales to now rolling in more than 850 services at Service NSW centres. Can I say it is certainly a great result where we see that these centres now have a 98 per cent customer satisfaction level.

**The Hon. PETER PRIMROSE:** Did you save \$4.8 billion last year?

**Mr DOMINIC PERROTTET:** This is a great story in terms of—

**The Hon. PETER PRIMROSE:** Did you save \$4.8 billion last year?

**Mr DOMINIC PERROTTET:** —service delivery.

**The Hon. PETER PRIMROSE:** Did you save—

**Mr DOMINIC PERROTTET:** In relation to specific figures, I am more than happy to take that on notice.

**The Hon. PETER PRIMROSE:** Do you not know?

**Mr DOMINIC PERROTTET:** But what I can say to you is that we are making significant savings in relation to—

**The Hon. PETER PRIMROSE:** How much?

**Mr DOMINIC PERROTTET:** —the rollout of Service NSW.

**The Hon. PETER PRIMROSE:** How much?

**Mr DOMINIC PERROTTET:** We now have a situation where people across this State can obtain access to over 850 government services—

**The Hon. PETER PRIMROSE:** How much did you save last year?

**The Hon. GREG PEARCE:** He was not there as the Minister last year.

**Mr DOMINIC PERROTTET:** —electronically on their iPhones and on their iPads.

**The Hon. PETER PRIMROSE:** How much?

**Mr DOMINIC PERROTTET:** This is a great story for customer service across this State.

**The Hon. PETER PRIMROSE:** Was it \$4.8 billion?

**Mr DOMINIC PERROTTET:** In relation to the 2012 press release which you refer to, that predates my time as Minister. What I can say is that I am happy—more than happy—to provide information in relation to specific savings. But what I can say is that there is no doubt there would be significant savings, given the mess that we have had to clean up after 16 years—

**The Hon. PETER PRIMROSE:** Good. Was it \$4.8 billion?

**Mr DOMINIC PERROTTET:** —where your idea of service delivery—



**The Hon. PETER PRIMROSE:** Your Government claimed \$4.8 billion.

**Mr DOMINIC PERROTTET:** —was to set up 800 government service websites—

**The Hon. PETER PRIMROSE:** Was that true?

**Mr DOMINIC PERROTTET:** —and 8,000 phone numbers.

**The Hon. CATHERINE CUSACK:** Chair, I am trying to hear the Minister. I cannot hear him.

**The Hon. PETER PRIMROSE:** I am trying to hear an answer too, and I am not hearing it.

**The Hon. CATHERINE CUSACK:** You are talking over the top of him and making it impossible for the Committee to hear his answer.

**The Hon. PETER PRIMROSE:** Was it \$4.8 billion? Maybe one of your officers could tell me.

**Mr DOMINIC PERROTTET:** Eight thousand different phone numbers—that was your idea of service delivery. Obviously rolling in those services to a one-stop shop would result in significant savings to government.

**The Hon. PETER PRIMROSE:** It is far less than \$4.8 billion, is it not?

**Mr DOMINIC PERROTTET:** You have got to be kidding—

**The Hon. PETER PRIMROSE:** How much?

**Mr DOMINIC PERROTTET:** —out of all the issues to raise—

**The Hon. PETER PRIMROSE:** How much? You have a note. How much?

**Mr DOMINIC PERROTTET:** Out of all the issues that you would like to raise—

**The Hon. PETER PRIMROSE:** It was a lie, was it not?

**Mr DOMINIC PERROTTET:** —you are raising one of the great success stories of this Government.

**The Hon. PETER PRIMROSE:** It was a lie.

**The Hon. CATHERINE CUSACK:** The Hon. Peter Primrose is a disgrace.

**The Hon. PETER PRIMROSE:** It was a lie, was it not?

**CHAIR:** Order! The Minister has said he will take it on notice if you want the exact number.

**Mr DOMINIC PERROTTET:** I reject that. I have said—

**The Hon. PETER PRIMROSE:** Well, how much is it then?

**Mr DOMINIC PERROTTET:** I have said if you want a specific figure, I am more than happy to—

**The Hon. PETER PRIMROSE:** You said it was \$4.8 billion.

**The Hon. CATHERINE CUSACK:** He did not. It was 2012 that that was said.

**Mr DOMINIC PERROTTET:** I did not say anything. You are referring to a—

**The Hon. PETER PRIMROSE:** Your Government said it was \$4.8 billion.

**Mr DOMINIC PERROTTET:** You are referring to a press release in 2012. Mr Primrose, I have said—

**The Hon. PETER PRIMROSE:** Issued by your Premier.

**Mr DOMINIC PERROTTET:** I have said that I am happy to take—

**The Hon. MELINDA PAVEY:** No, not our Premier, now.

**The Hon. PETER PRIMROSE:** Not your Premier?

**Mr DOMINIC PERROTTET:** If your issue is to get the figure—

**The Hon. PETER PRIMROSE:** How soon they forget.

**Mr DOMINIC PERROTTET:** Are you interested in obtaining the figure? I have said to you that I am more than happy to provide it.

**The Hon. PETER PRIMROSE:** It is a lie.

**Mr DOMINIC PERROTTET:** But what I am also saying to you is that—

**The Hon. PETER PRIMROSE:** It was a lie, was it not?

**The Hon. GREG PEARCE:** Point of order—

**Mr DOMINIC PERROTTET:** I completely reject that.

**The Hon. GREG PEARCE:** Mr Primrose has been a member for a long, long time.

**The Hon. PETER PRIMROSE:** Yes. I can sniff a lie when I hear one.

**The Hon. GREG PEARCE:** It has been quite offensive for him to keep using that term.

**The Hon. PETER PRIMROSE:** I am not disavowing the fact that the Premier—

**The Hon. GREG PEARCE:** He should be asked to behave with decorum.

**The Hon. PETER PRIMROSE:** Thank you. The Minister has been asked a question and will not answer it.

**The Hon. CATHERINE CUSACK:** Excuse me, you are now talking over the point of order.

**The Hon. PETER PRIMROSE:** He knows it is not true.

**CHAIR:** Order! He said he would take the question on notice to give you the figure.

**The Hon. PETER PRIMROSE:** I look forward to seeing the figure, Minister.

**Mr DOMINIC PERROTTET:** The only point I would say—

**The Hon. PETER PRIMROSE:** In the *Hornsby Advocate* of 11 August this year—

**Mr DOMINIC PERROTTET:** The other point I would say is that—

**The Hon. MELINDA PAVEY:** Order!

**The Hon. PETER PRIMROSE:** You are calling order now.

**Mr DOMINIC PERROTTET:** You have said it was a lie. If an estimate was made on the savings, an estimate was made on the savings back in 2012. I am happy to come back to you with a figure which was obviously based on an estimate in 2012. What I can say is that, obviously based on the success of Service NSW and the great work that is happening across this State in relation to those one-stop shops, there would be a significant saving to government—

**The Hon. PETER PRIMROSE:** The total is \$4.8 billion?

**Mr DOMINIC PERROTTET:** —combined with a greater service to citizens across New South Wales.

**The Hon. PETER PRIMROSE:** Let us have a look and see at the figure.

**The Hon. CATHERINE CUSACK:** I think he has run out of questions.

**Mr DOMINIC PERROTTET:** I am very proud to be part of a Government that has—

**The Hon. PETER PRIMROSE:** You have run out of answers.

**The Hon. CATHERINE CUSACK:** Do we have to keep going on the same questions?

**The Hon. PETER PRIMROSE:** In the *Hornsby Advocate* on 11 August this year—let us see if you can answer this one—under the headline—

**The Hon. GREG PEARCE:** Let us see if you can ask it.

**The Hon. CATHERINE CUSACK:** Let us see if you cannot be offensive.

**The Hon. PETER PRIMROSE:** —"Rezoning to bring 450 homes to Peat Island and Mooney Mooney", you were quoted as saying that these homes would create 915 jobs during the construction phase and 110 permanent positions in the local area.

**Mr DOMINIC PERROTTET:** Yes.

**The Hon. PETER PRIMROSE:** Can you tell us how you calculated that 110 permanent local positions would be created?

**Mr DOMINIC PERROTTET:** Here we go again in relation to a project that this Government is committed to, to bring employment to the local area, to bring opportunities—

**The Hon. PETER PRIMROSE:** I am asking you how you calculated it.

**Mr DOMINIC PERROTTET:** —to bring opportunities for not just local employment but for tourism options to an area which has been run down, where there has been no access to the public for many years now.

**The Hon. PETER PRIMROSE:** Yes. Take credit for it.

**Mr DOMINIC PERROTTET:** I am taking credit for it. I think it is a great idea.

**The Hon. PETER PRIMROSE:** How did you calculate 110 jobs?

**The Hon. CATHERINE CUSACK:** It is a great idea.

**Mr DOMINIC PERROTTET:** I think it is a great idea.

**The Hon. CATHERINE CUSACK:** Congratulations.

**Mr DOMINIC PERROTTET:** Thank you very much, Ms Cusack.

**The Hon. PETER PRIMROSE:** The 110 jobs; how did you calculate that?

**Mr DOMINIC PERROTTET:** The estimate on the jobs is based on the construction work that will occur there over the period of time. We will see as a result of this development—

**The Hon. PETER PRIMROSE:** No, it does not.

**Mr DOMINIC PERROTTET:** —in relation to—

**The Hon. PETER PRIMROSE:** We will come back to this one.

**The Hon. CATHERINE CUSACK:** You hate good news, don't you? You hate good news.

**The Hon. PETER PRIMROSE:** I want you to just explain.

**Mr DOMINIC PERROTTET:** In relation to this site, there will be—

**The Hon. PETER PRIMROSE:** The 110 permanent jobs; how did you calculate it?

**The Hon. MELINDA PAVEY:** The time for the Hon. Peter Primrose has expired.

**Mr DOMINIC PERROTTET:** If you would like me to answer the question, I will answer the question. If you would like to keep interrupting, you are not going to get an answer.

**The Hon. PETER PRIMROSE:** Just give us an answer.

**CHAIR:** Order! He is explaining how these jobs are created.

**The Hon. PETER PRIMROSE:** I will not get an answer out of you. You do not know, do you?

**The Hon. GREG PEARCE:** Mr Primrose was a Minister but obviously did not get the basics of how these sorts of numbers were calculated in his time.

**Dr JOHN KAYE:** Thank you, Chair.

**CHAIR:** Order! Dr John Kaye will now ask questions.

**The Hon. PETER PRIMROSE:** I think it is a fairy company.

**Dr JOHN KAYE:** If I may, I want to put a question to Mr Hubby.

**Mr DOMINIC PERROTTET:** That is fine, yes.

**Dr JOHN KAYE:** Mr Hubby, were you at a meeting with Mr Gaetjens and Mr Stowe on 4 July?

**Mr HUBBY:** Yes, I was.

**Dr JOHN KAYE:** Was the Hon. Matthew Mason-Cox at that meeting?

**Mr HUBBY:** Not at the time that I was present, no.

**Dr JOHN KAYE:** You were not present at the same time as the Hon. Matthew Mason-Cox.

**Mr HUBBY:** No, I was not.

**Dr JOHN KAYE:** Were you aware that the Hon. Matthew Mason-Cox had been there before you got there?

**Mr HUBBY:** Yes.

**Dr JOHN KAYE:** And were you aware of what he said at that meeting?

**Mr HUBBY:** I am not aware of the specifics of what he said, no, because I was not present.

**Mr DOMINIC PERROTTET:** Dr Kaye—

**Dr JOHN KAYE:** Are you aware, Mr Hubby, that the Hon. Matthew Mason-Cox said to Mr—

**The Hon. CATHERINE CUSACK:** Point of order: This is completely out of order.

**CHAIR:** Order! The member cannot quote hearsay.

**The Hon. CATHERINE CUSACK:** Yes.

**Mr DOMINIC PERROTTET:** I am happy to answer questions in relation to this, but I do not see how that is relevant to the CEO of Finance and Services.

**The Hon. CATHERINE CUSACK:** This is Finance estimates.

**Dr JOHN KAYE:** Mr Perrottet, were you at the meeting?

**CHAIR:** Order! The member cannot impinge the reputation of the Minister.

**The Hon. CATHERINE CUSACK:** No, sorry, you need to understand it is relevant to smear campaigns.

**Dr JOHN KAYE:** Were you at that meeting?

**The Hon. PETER PRIMROSE:** Order!

**Mr DOMINIC PERROTTET:** You are asking questions in—no, I was not at the meeting.

**Dr JOHN KAYE:** So you cannot answer questions about it.

**Mr DOMINIC PERROTTET:** Mr Hubby said that he was not at the meeting, either. You are asking questions in relation to—

**Dr JOHN KAYE:** He did not say that.

**Mr DOMINIC PERROTTET:** He was not there when Minister Mason-Cox was there—that is what he said—so he cannot speculate on what you are referring to. But these are matters for the Minister for Fair Trading that would be more appropriately put to him.

**Dr JOHN KAYE:** He did not answer them, either. Can I ask you a question about this year's budget for State Revenue? Expenses in the State Revenue program have gone up by 40 per cent. This is ongoing expenses that have gone up by 40 per cent. What was the increase in revenue collected?

**Mr DOMINIC PERROTTET:** Thank you for the question. In relation to State Revenue, Mr Hubby will take the question.

**Dr JOHN KAYE:** I am happy with either of you to answer it. I just want to know what the increase in revenue was.

**Mr HUBBY:** There was a budget allocation increase to the Office of State Revenue for 2014-15 over the forward estimates period relating to enhancements to debt management programs and fines collections activity. Both of those were reviewed and approved by the Expenditure Review Committee and resulted in an increase in the budget allocation.

**Dr JOHN KAYE:** My question is that annual expenditure is expected to go up by, roughly speaking, \$130 million. Can you tell us what the gain in revenue is for that investment? We are going to spend another \$130 million, roughly speaking.

**Mr HUBBY:** Yes.

**Dr JOHN KAYE:** What are we going to get in return for that?

**Mr HUBBY:** In each of those cases I do not have the exact expected revenue increase, except to say that the expenditure increases each came with an estimate of revenue or a debt collection that far exceeded the expenditure. On average or in general, the expenditure results, in most cases, in 150 or 150 per cent—

**Dr JOHN KAYE:** Of expense?

**Mr HUBBY:** Of debt reduction or revenue collection.

**Mr DOMINIC PERROTTET:** For example, one program will achieve more than \$54 in combined revenue and tax collections for every \$10 that has been invested.

**Dr JOHN KAYE:** Which program is that, Minister?

**Mr DOMINIC PERROTTET:** That was one of the initiatives, which is an overall tax revenue compliance program to further increase tax revenue over four years through analysis, investigation and audit of complex business structures.

**Dr JOHN KAYE:** Does it have a name so that we can talk about it?

**Mr DOMINIC PERROTTET:** There are four specific initiatives I am happy to take you through.

**Dr JOHN KAYE:** Could you table them, rather than going through them now because time is limited?

**Mr DOMINIC PERROTTET:** I am happy to provide them to you.

**Dr JOHN KAYE:** Or table them or provide them on notice?

**Mr DOMINIC PERROTTET:** I will take it on notice and I will provide you with the detail of those.

**Dr JOHN KAYE:** I would appreciate that. Will that give me the overall for the additional \$130 million, the additional amount that the State will collect?

**Mr HUBBY:** We can provide the specific numbers on notice.

**Dr JOHN KAYE:** That would be good, thank you. Can I go to the issue of procurement policies that Mr Primrose spoke about before? You talked about value for money. When you do value for money calculations, what do you do with externalities? Is that just purely value returned for dollar value spent or do you look at externalities at all?

**Mr MURPHY:** The best way to answer that question would be to provide you with a copy of the value for money policy, which sets out the way in which value for money is assessed.

**Dr JOHN KAYE:** I would appreciate that, it would be useful. But briefly—for my own instant gratification—do you, for example, take into account both social positive and negative externalities?

**Mr MURPHY:** There is a discussion in the value for money policy that explains the sort of ways you might assess value for money in different kinds of procurements. Those sorts of elements do come in in some kinds of procurements. I think the best way to look at it is to see how it is set out in the value for money policy, which I do not have to hand.

**Dr JOHN KAYE:** So those positive externalities might include, for example, in-State employment?

**Mr MURPHY:** I do not have the document to hand. I cannot remember how we treat that specifically in the value for money policy. It is best I get you a copy of the policy afterwards.

**Dr JOHN KAYE:** You will take that on notice and provide us with the document. In doing so, you might point out to me how you deal with the positive and negative externalities of employment. That is, the loss of employment when a contract goes out of State or overseas, and the gain of employment when a contract is in New South Wales.

**Mr DOMINIC PERROTTET:** Absolutely and obviously, as I said earlier Dr Kaye in relation to Mr Primrose's question, when it comes to procurement—and obviously jobs is a significant factor that is taken into consideration—I am more than happy to provide that information to you as part of that policy, on notice.

**Dr JOHN KAYE:** That is interesting and we will look forward to seeing that. Can I go to Service NSW for a minute? I could not find a line item in the budget for expenditure on Service NSW. Did I miss something?

**Mr HUBBY:** Service NSW only recently became part of the Finance and Services portfolio and previously was part of the Department of Premier and Cabinet [DPC].

**Dr JOHN KAYE:** For the purposes of 2014-15 and beyond, it is now part of the NSW Office of Finance and Services?

**Mr HUBBY:** It is part of the Minister's portfolio but it is a separate executive agency, so not part of the Office of Finance and Services.

**Dr JOHN KAYE:** Is there a representative here of that agency? Mr McMaster has raised his hand. Minister, can you tell me what the forward estimated expenditure in the budget, the 2014-15 expenses, are estimated to be for Service NSW?

**Mr McMASTER:** The total expenditure for 2014-15 is \$268,822,000.

**Dr JOHN KAYE:** Do you have an estimate for 2015-16?

**Mr McMASTER:** There is in the forward estimates, but those figures are not in front of me at the moment.

**Dr JOHN KAYE:** And 2016-17, likewise?

**Mr McMASTER:** Yes.

**Dr JOHN KAYE:** Can you take that on notice and provide the Committee with those?

**Mr McMASTER:** Certainly. They are in Budget Paper No. 3, in the Department of Premier and Cabinet section.

**Dr JOHN KAYE:** I am looking in the wrong place. There is a line item in Premier and Cabinet?

**Mr McMASTER:** For Service NSW, yes, in respect of 2014-15.

**The Hon. GREG PEARCE:** Because it has just been transferred in?

**Mr McMASTER:** Yes.

**Dr JOHN KAYE:** It was transferred after the budget?

**Mr McMASTER:** Yes, 1 July.

**Dr JOHN KAYE:** That explains it.

**Mr DOMINIC PERROTTET:** We will obtain that information and provide it.

**Dr JOHN KAYE:** Does that also include the number of employees?

**Mr McMASTER:** It does.

**Dr JOHN KAYE:** And employee-related expenses?

**Mr McMASTER:** Yes, sir.

**Dr JOHN KAYE:** Thank you, I will have a look at those. The cost per service event in Service NSW—so the cost if I go and lodge a licence application to Fair Trading or lodge an application with what is now the Roads and Maritime Services—have you looked at the cost difference between what it was under the old agencies and what it is now, under Service NSW?

**Mr McMASTER:** That is an issue that is under constant review. As a start-up agency we have a lot of one-off initial costs, so it is hard to get a recurring cost basis to enable that calculation to be done. The other issue is that the comparison with other agencies is problematic in that those statistics, to our way of thinking, were not necessarily accurate. So it is hard, on two counts, to get a current estimate of the agency costs but also ours, in the start-up mode.

**CHAIR:** Minister, could you update the Committee on the current New South Wales credit rating and outline the proposals to reduce the net debt situation?

**Dr JOHN KAYE:** Is that in the Minister's portfolio area? It is more the Treasurer.

**Mr DOMINIC PERROTTET:** It is more appropriate for the Treasurer to answer that question on policy.

**CHAIR:** I was asking about the credit rating. Can you comment on that?

**Mr DOMINIC PERROTTET:** That is a question for the Treasurer, Mr Chair.

**CHAIR:** You have no answer to that or you cannot supply that?

**Mr DOMINIC PERROTTET:** I do not have the answer in front of me and it is more appropriately a question for the Treasurer.

**CHAIR:** Minister, I refer to recent reports that undocumented workers are purportedly being exploited on New South Wales building sites. I understand you said that the Government is committed to ensuring all workers are safe and receive what they are entitled to. Can you elaborate on what those steps are?

**Mr DOMINIC PERROTTET:** Yes. I believe you are referring to the news report a couple of weeks ago in relation to the site at The Ponds. In relation to that matter, that is—

**Mr HUBBY:** If I could jump in?

**Mr DOMINIC PERROTTET:** Yes.

**Mr HUBBY:** NSW Public Works—which is managing that project in question—does enter into contracts with principal contractors who, in turn, manage subcontractors and manage the employment of people directly, so those are not managed directly by Government. But we have confirmed that, even though there were some non-Australian citizens employed by those subcontractors, they were all legal workers with rights to work in Australia.

**CHAIR:** Under that special provision?

**Mr HUBBY:** I do not know what visas they were working under, but they have confirmed that they all had appropriate working rights in the country.

**CHAIR:** You do not know what those working rights were; what visas they were given?

**Mr HUBBY:** Not the specific visa arrangements, no.



**Mr DOMINIC PERROTTET:** I am advised that, before any of those contracts are awarded by NSW Public Works, the principal contractor must have demonstrated systems in place to manage worker safety on the site, which is obviously important. NSW Public Works requires principal contractors to have a process in place so that all workers, before starting work, produce a copy of the general construction industry safety induction card, and are provided with safety site induction, safety briefings and tool box meetings in languages they understand. And the Government is committed to ensuring that all workers are safe and receive what they are entitled to. Breaches are a serious matter. As I said at the time, if anyone has a concern that those procedures are not in place, they should make a formal complaint.

**CHAIR:** I note that you recently announced several enhancements to the 2012 Workers' Compensation Scheme reforms to better support injured workers returning to work. Can you describe those enhancements and how they practically help injured workers to get back to work?

**Mr DOMINIC PERROTTET:** I recently made an announcement in relation to enhancements to the Workers' Compensation Scheme. We inherited a scheme that was spiralling out of control. It was over \$4 billion in deficit. Business premiums were projected to rise by up to 28 per cent. I note the work by former Minister Pearce in this space. We now have the scheme back on a sustainable footing and what we are committed to as a Government is to provide a scheme that is both fair and sustainable. You cannot have a scheme that is fair without it being a sustainable scheme.

So, as a result of the scheme being back on a sustainable footing and following my appointment to the ministry, I announced some changes to the enhancements to the scheme. Some of those enhancements included for those injured workers with whole-person impairment of between 21 and 30 per cent, that they would obtain medical benefits until retirement age. Previously, there was a 12-month cap on those medical benefits. The enhancements ensure continued access to hearing aids, prosthetics, home and vehicle modifications, and related treatment until retirement age.

One of the changes also was to ensure workers injured in the 12 months before retiring age have the same entitlements as those injured at or after retiring age—I guess merely sorting out an anomaly that was present in the system. The two other enhancements we made to the scheme were to ensure that workers continue to be eligible for weekly benefits until a disputed work capacity assessment has been resolved—that is, if they had an unfavourable work capacity assessment decision and they were going through an appeals process, they would still be able to be eligible for weekly benefits during that period of time.

The final enhancement was to clarify the entitlement to a second surgery period for workers where the initial surgery required a second surgery falling outside the 12-month medical cap. That means if there is a medical cost associated with an injury that is covered within the 12-month medical cap and that injury requires a second phase of surgery, which surgery would occur after the 12-month period, then that second surgery would also be covered. I might refer to Mr Jeffery.

**Mr JEFFERY:** One of the amendments we are trying to do is when an injured worker has initial surgery—for instance, they might require pinning of a fracture or something like that—and they can return to work on that and then the medical cap would have applied, hence they could not go back to have the pins removed or re-pin the fracture. It is allowing provisions for injured workers to have those post-operative surgeries done again.

**CHAIR:** They are positive changes. Are they being publicised so that all workers know their rights, as well as those who deal with workers' injuries?

**Mr JEFFERY:** Once the regulation is made, then that will be made public. We are also working with insurers because it is a regulation that impacts those claims made prior to 1 October 2012. We are working with the insurers to proactively contact injured workers who will be impacted by this as well.

**CHAIR:** Minister, in April I understand you claimed that there were no plans to sell the Waverley Bus Depot. Reports have now emerged that the New South Wales Government Architect has recommended that high-rise apartments be built above the depot. Can you confirm the Government's intentions regarding the Waverley Bus Depot?

**Mr DOMINIC PERROTTET:** The Government, to my understanding, has no plans in relation to Waverley Bus Depot. I made comments in April and those comments remain.

**CHAIR:** You see the depot remaining open with high-rise apartments built above it?

**Mr DOMINIC PERROTTET:** No. Government Property NSW has undertaken a strategic review of both North Sydney and Waverley bus depots. The review looked at opportunities to improve utilisation of the sites in line with the Government's asset management framework. It was recommended that the Government prioritise the North Sydney Bus Depot to progress to a registration of interest. The North Sydney one proceeded, but in relation to Waverley, currently there are no plans at all. So I can say that the position I put out in April remains the same, but I might pass to Mr Newman.

**CHAIR:** Did someone ask the Government Architect to provide a plan?

**Mr DOMINIC PERROTTET:** I might ask Brett Newman to answer.

**Mr NEWMAN:** I might just add to that by saying my understanding is that the Government Architect has undertaken preliminary master planning in relation to Oxford Street, which includes the Waverley Bus Depot. As far as I am aware, the Government Architect has made no statement and no recommendation in relation to any construction on that site. In fact, it would not normally be the role of the Government Architect to make those types of recommendations.

**CHAIR:** Perhaps it was an area plan he was working on?

**Mr NEWMAN:** Exactly, a master plan for the whole area.

**Mr DAVID SHOEBRIDGE:** Can you table the document for the Committee?

**CHAIR:** Is there anything in writing from the architect?

**Mr NEWMAN:** We can take that question on notice. We will need to clarify who the Government Architect is undertaking the work for and whether the Government can gain access to that document.

**CHAIR:** If you could take that on notice, it would be appreciated.

**The Hon. ADAM SEARLE:** Minister, how many properties is the Government proposing to dispose of in or near the Parramatta Justice Precinct, and why?

**Mr DOMINIC PERROTTET:** In relation to the disposal of government property in Parramatta or anywhere across New South Wales, the Government has a process that if we determine the property is surplus to government needs, is underutilised or not fit for purpose and is not associated with front-line service delivery, then a feasibility study or consideration is put towards ways in which those assets could be better utilised and in certain circumstances divested and those funds realised and put towards front-line services. In relation to the Parramatta Justice Precinct, to which you refer, we have announced two buildings that we have said we would proceed to a sales process in relation to. The first is the former Blood Bank building located at 4 George Street. The second is the justice precinct office building at 160 Marsden Street.

The marketing for those properties commenced in August. The decision the Government made in relation to those buildings, in line with the principles I have set out, will have minimal impact on the general public or workers in the precinct. Both buildings I referred to are being sold with lease-back options, meaning public servant staff will remain in Parramatta. The project is in line with the Government's commitment to realising non-core assets, such as generic office buildings, that do not need to be owned with proceeds reinvested in improving service delivery and infrastructure across the State. Do you want to make any further comments, Mr Newman?

**The Hon. ADAM SEARLE:** Minister, the justice precinct is comparatively new. The Director of Public Prosecutions and other justice agencies operate out of it. How can it possibly be the case that these buildings either are not fit for purpose or surplus to requirements? Even on your own analysis, people are going to keep working in them. Why are you selling them?

**Mr DOMINIC PERROTTET:** An analysis is done as part of that process. In particular, I said that these assets will be sold with lease-back options. As part of that process analysis is done in looking at the cost to

government of maintaining those buildings and the future costs associated with the lease-back option. I might defer to Mr Newman.

**Mr NEWMAN:** One of the other principles under the Property Asset Utilisation Taskforce report included the principle that where properties do not need to be owned by government as part of core service delivery, they may be considered for sale and that capital reinvested into other services or into the improvement of other assets held by government. In line with that principle, the asset that has been announced for sale is a core office block. It is not part of the delivery of the court or courts administration. It houses justice department employees and, consistent with that principle and test, the decision has been made that that office block does not need to be owned by government as part of the justice core service delivery. Therefore, it is being considered for sale.

**The Hon. ADAM SEARLE:** What will be the impact on government sector finances if you sell that office block and then have to lease it back?

**Mr DOMINIC PERROTTET:** As Mr Newman has said, as part of that process we ensure that when any of these government assets are sold with a lease-back option the net effect over time to the Government is that our finances are in a much better state by realising value for money from the sale and by feasibility studies done through Government Property NSW to ensure there is value for money from proceeding down a lease-back option.

**The Hon. ADAM SEARLE:** If you follow that logic, you would sell every office building the Government owns and lease everything.

**The Hon. GREG PEARCE:** Good idea.

**The Hon. ADAM SEARLE:** That does not seem to be very persuasive.

**Mr NEWMAN:** Not necessarily.

**The Hon. ADAM SEARLE:** No interjections from former Ministers.

**Mr NEWMAN:** The general principle is that the agency and occupation will commence paying rent, which has a benefit of aligning the true cost of the service delivery, and the capital raised from the sale of the building is recycled into other services or other capital that is required for government service. We consider each asset on a case-by-case basis.

**The Hon. ADAM SEARLE:** Can you give a commitment that any proceedings realised from the sale will go back into the provision of justice services?

**Mr DOMINIC PERROTTET:** As part of the principles of the Property Asset Utilisation Taskforce, any funds that are generated from the sale of government assets are redirected back to the agency. In relation to justice, proceeds from those sales will return to that agency.

**The Hon. ADAM SEARLE:** To justice, okay. Do you have carriage of the provision of doubtful debts across government as the Minister for Finance?

**Mr HUBBY:** We manage a debt portfolio in the Office of State Revenue.

**The Hon. ADAM SEARLE:** What provision for doubtful debts for debtors over 90 days has been made across government for the last financial year?

**Mr HUBBY:** First, not all debt is managed by the Office of State Revenue. I would have to take it on notice in regard to the specific number.

**The Hon. ADAM SEARLE:** I am happy for you to do so. To the extent that it is your responsibility, could you also advise the Committee of the quantum of debts that have been written off in the last financial year and the process by which you determined to do that?

**Mr DOMINIC PERROTTET:** Yes.

**Mr HUBBY:** I can certainly provide those on notice for the portion of the debt portfolio that we manage.

**The Hon. ADAM SEARLE:** Who else has the debt portfolio if it is not you?

**Mr HUBBY:** Health manages most of its own debt. Transport will have some level of debt. There will be a range of clusters and portfolios that manage debt.

**The Hon. ADAM SEARLE:** In relation to the construction of the new Raymond Terrace GP Super Clinic, that was constructed using Federal money and the then Department of Finance and Services had carriage of the project. Can you advise the Committee whether that involved the provision of any State money or was it simply receiving Commonwealth money?

**Mr HUBBY:** I am not familiar with that project.

**Mr DOMINIC PERROTTET:** I am not familiar with that project. I am happy to take that question on notice. The question is whether there were State funds involved?

**The Hon. ADAM SEARLE:** Yes and, if so, how much of State funds.

**Mr DOMINIC PERROTTET:** I am happy to take that on notice.

**The Hon. ADAM SEARLE:** In relation to that project, as I understand it the Department of Finance contracted to National Buildplan which in turn contracted to a series of subcontractors. National Buildplan was placed in administration and subcontractors were owed around \$600,000. They were not paid because, of course, National Buildplan could not pay. The question is: Any Commonwealth moneys that were provided for the construction of that service, did Finance and Services pay all that to National Buildplan or did Finance and Services in fact retain a portion of those funds? If you did, will you make some of those funds available to the people who did the construction work but who have not been paid?

**Mr DOMINIC PERROTTET:** That is a fair question. Obviously I have to take that on notice because I am not aware of the arrangements that were in place. I am more than happy to look into the matter, take that question on notice and come back to you with a response.

**The Hon. ADAM SEARLE:** I am not seeking to be difficult, but you do not have any knowledge of that, Minister?

**Mr HUBBY:** Presumably it was a construction project. Again, I do not have knowledge of the specific project and that is why I am hesitant to engage in conjecture.

**The Hon. ADAM SEARLE:** You did not receive representations from the local member of Parliament?

**Mr HUBBY:** It is possibly a project managed by public works and they manage a range of projects. They have a portfolio of projects that they manage. Again, we will have to determine whether that was in the portfolio of projects that they do manage and come back to you.

**The Hon. ADAM SEARLE:** I think when you were the Minister public works was part of the finance portfolio. Is it not part of your portfolio?

**Mr DOMINIC PERROTTET:** It still remains part of the portfolio.

**The Hon. ADAM SEARLE:** If public works had carriage of it, you should know about it?

**Mr HUBBY:** Yes, but I do not know and certainly the Minister does not know about the details of every project that public works manage. They manage billions of dollars-worth of projects.

**CHAIR:** Do they send you reports or summaries of reports? You are the Minister.

**Mr DOMINIC PERROTTET:** In relation to this specific case, public works falls within a portfolio. As Mr Hubby has said, there are a number of projects. I will take that on notice. I will look into the matter and I will confirm the arrangements that were in place and provide that to you in accordance with the standing orders.

**The Hon. ADAM SEARLE:** To be clear, you have been the Minister since April, is that correct?

**Mr DOMINIC PERROTTET:** That is right.

**The Hon. ADAM SEARLE:** Do you recall receiving any representations on this issue from the local member of Parliament, the member for Port Stephens?

**The Hon. CATHERINE CUSACK:** How many letters would the Minister get in correspondence?

**Mr DAVID SHOEBRIDGE:** He can answer for himself.

**The Hon. ADAM SEARLE:** I am not asking necessarily about correspondence. I am happy for him to take correspondence on notice.

**The Hon. CATHERINE CUSACK:** You are trying to be nasty, let us be honest.

**The Hon. ADAM SEARLE:** Did the member for Port Stephens speak with you about this matter, Minister?

**Mr DOMINIC PERROTTET:** I cannot recall—

**The Hon. CATHERINE CUSACK:** Unbelievable.

**Mr DOMINIC PERROTTET:** —this specific issue. As I said to you, I am very happy to take it on notice.

**The Hon. ADAM SEARLE:** Thank you.

**Mr DOMINIC PERROTTET:** I will look into the arrangements that were in place and report back to you.

**Mr HUBBY:** If indeed that was a project that we managed.

**Mr DOMINIC PERROTTET:** Yes, if it was a project that we were involved in.

**The Hon. ADAM SEARLE:** Minister, why will your Government not implement the recommendations of the Collins report and, in particular, the establishment of a trust fund scheme to protect entitlements of those working in the construction industry as was committed by the former Minister for Finance, the Hon. Greg Pearce, on 18 April last year?

**Mr DOMINIC PERROTTET:** Since the release of the Collins inquiry in January, the Government has undertaken a number of reforms to improve protections for subcontractors across New South Wales. One of the key recommendations of that inquiry was for Government to strengthen the existing security of payments framework that you referred to. In November 2003 the New South Wales Parliament passed amendments to strengthen the Building and Construction Industry Security of Payment Act and improve cash flow for small businesses through prompt payment provisions. My understanding is that they were provisions for payment to be made to subcontractors within a 30-day period. The amendments also introduced a legal requirement for head contractors to provide written statements affirming that all subcontractors had been paid.

Head contractors who breach this requirement will be targeted through a range of compliance activities. Those amendments commenced earlier this year on 21 April. Important reforms to New South Wales Government construction have also commenced. There are now revamped financial assessments of tenderers on New South Wales Government contracts. Under a New South Wales procurement board direction that took effect on 1 January 2014, agencies are required to undertake rolling financial assessments of contractors

engaged by Government. The Government is also trialling the use of project bank accounts or trust accounts on up to 10 construction projects across 2014-15 to address unfair payment practices in the supply chain.

In response to the Collins inquiry, as you say, the Government has committed to introducing a statutory trust scheme for subcontractor retention moneys on construction projects. A consultation paper on a proposed model development from the NSW Small Business Commissioner was released on 12 November last year. Stakeholders have been asked to comment on matters relating to the cost administration and scope of the scheme. The New South Wales Government has also established a broad based industry advisory task force, including key industry organisations and the Small Business Commissioner. The reforms undertaken by the Government strike a balance between better protections for subcontractors and minimising regulatory costs. Are you happy with that answer?

**The Hon. ADAM SEARLE:** No, not at all. Minister, one of the amendments passed by the Parliament was proposed by me, which gave you the tools to create these construction trusts.

**Mr DOMINIC PERROTTET:** Yes.

**The Hon. ADAM SEARLE:** You have not made the regulation. It is nine months since that legislation was passed. It is 16 months since Mr Pearce promised, presumably with Cabinet authorisation, that your Government would do this.

**Mr DAVID SHOEBRIDGE:** Never presume.

**The Hon. ADAM SEARLE:** The truth is that you are backing away from construction trusts, are you not?

**Mr DOMINIC PERROTTET:** Not at all, no.

**The Hon. ADAM SEARLE:** You have just abandoned that policy.

**Mr DOMINIC PERROTTET:** Not at all.

**The Hon. ADAM SEARLE:** Can you give us a date when it will be implemented?

**Mr DOMINIC PERROTTET:** The Minister for Fair Trading is currently in consultation with a range of stakeholders in relation to that matter and it is my view and my understanding that a policy decision will be coming forward shortly in relation to it.

**The Hon. ADAM SEARLE:** The Collins inquiry was established in the wake of a series of high profile insolvencies in the industry?

**Mr DOMINIC PERROTTET:** Yes.

**The Hon. ADAM SEARLE:** Since this legislation went through Parliament in November Steve Nolan Constructions has gone into administration owing up to \$30 million to its subcontractors, C & C Building Contractors has gone into administration on the Blacktown hospital site owing superannuation, wages and other conditions to its subcontractors and workers, and the Raymond Terrace GP clinic that I mentioned earlier has been another casualty for National Buildplan. The landscape is littered with these corporate bodies yet your Government has not acted in the 16 months since former Minister Pearce committed to this course of action. When will you implement it?

**Mr DOMINIC PERROTTET:** As I have said, we have taken action in relation to the Collins report. I have stepped you through the changes that we have made—whether it is the prompt payment provisions in ensuring that subcontractors are paid within 30 days. As to your question relating to a retention trust scheme, I have said that consultation is currently being undertaken on that issue. That is being coordinated by the Minister for Fair Trading and I am confident that a decision will be made shortly. In the 16 years that you were in government there was no movement made on this front at all. In the short time—

**The Hon. ADAM SEARLE:** Other than the Security of Payments Act itself.

**Mr DOMINIC PERROTTET:** —that we have been in government we have made a number of changes in response to that inquiry, and we will continue to consult with stakeholders in relation to retention trusts.

**The Hon. ADAM SEARLE:** Will you commit to having a retention trust scheme in place by the end of this year?

**Mr DOMINIC PERROTTET:** Currently consultation is occurring with key stakeholders in relation to that issue and I am confident that the consultation phase will deliver a strong outcome.

**The Hon. ADAM SEARLE:** What impact on the New South Wales workers compensation scheme will be occasioned by announced changes to the Comcare scheme that is currently being considered by the Federal Parliament?

**Mr DOMINIC PERROTTET:** Ms Donnelly will answer that question.

**The Hon. ADAM SEARLE:** And what contingencies plans are you making?

**Ms DONNELLY:** Our initial indications are that the Federal Government's proposed changes to self-insurance licence arrangements under the Comcare scheme will have, first, minimal impact on the nominal insurer scheme. We are obviously continuing to monitor that and we are obtaining actuarial advice, but that is the initial independent actuarial advice. We have identified some self-insurer entities who may be interested in moving to that scheme. It is not necessarily clear that for every business that is necessarily an attractive option even though they may be entitled. One of the things we are considering is if some of the businesses do move to the Comcare scheme we would need to have in place a way of ensuring that they still contribute appropriately to the cost of work, health and safety regulation, for instance. That is one of the matters that we have but we believe that can be solved.

One of the other considerations is obviously whether or not those companies then contribute effectively to the Dust Diseases Board levy because we have a unique scheme in New South Wales that looks after people who often after 20, 30 or 40 years, a latency period, are suffering from an asbestos-related disease. We want to make sure that they are appropriately looked after. The third issue I raise is that in our regulatory role in work, health and safety we already have relationships at cross-border situations and with other businesses working in a situation where there are a number of regulators that may be relevant to a particular site, but we would be working very hard with other regulators around the country as we do to make sure that on the ground that work is seamless.

**(Short adjournment)**

**CHAIR:** We will recommence proceedings with questions from Mr David Shoebridge.

**Mr DAVID SHOEBRIDGE:** Minister, congratulations on your appointment.

**Mr DOMINIC PERROTTET:** Thank you.

**Mr DAVID SHOEBRIDGE:** Minister, in 2012 your Government made it unlawful for injured workers to pay for legal advice to assist them with challenging work capacity decisions. Minister, do you know that?

**Mr DOMINIC PERROTTET:** I do.

**Mr DAVID SHOEBRIDGE:** It is a complex area to deal with as an injured worker. Minister, could you tell the Committee your understanding of the steps that an injured worker can go through under your statutory scheme to challenge an adverse work capacity decision?

**Mr DOMINIC PERROTTET:** Yes, in relation to the current system in place an injured worker can make an application to the insurance company. If the injured worker disputes that decision, he or she can appeal that decision. That decision can then be appealed and be considered on a merit-based level at WorkCover. From there if the decision is still disputed then an appeal can be made to the WorkCover Independent Review Office [WIRO] in relation to that matter.

**Mr DAVID SHOEBRIDGE:** At each point there are forms to fill in and a level of legal complexity and factual complexity at each of those points, is there not?

**Mr DOMINIC PERROTTET:** That is the process. I am happy to answer a question in relation to a specific policy issue, Mr Shoebridge.

**Mr DAVID SHOEBRIDGE:** Minister, do you seriously believe that that complicated three-tier appeal process can be meaningfully engaged with by an injured worker, say, who has English as a second language and whose only career might have been as a formworker or in other manual work where they never filled in forms or dealt with those kinds of matters? Minister, do you seriously believe your scheme is accessible for those workers?

**Mr DOMINIC PERROTTET:** Mr Shoebridge, what I can say in relation to that question is that this is the approach that is in place at the moment. There is the ability to have a merits review from WorkCover and then there is a procedural review which can occur through the WIRO. I understand that there were submissions made to the upper House inquiry in relation to the specific issue of legal representation. I have already looked at ways in which the scheme can be enhanced. I will continue to look at those ways—and if there is evidence that that is an approach that should be taken. I understand that it was a key issue that was raised in the upper House inquiry. Upon receipt of a report, which I believe will be sometime this year, I will consider its findings.

**Mr DAVID SHOEBRIDGE:** So, Minister, I understand that you are open to reviewing that aspect of the scheme in light of the fact that there has been an array of concerns raised about it? I am not trying to trap you, Minister; I am just trying to have a discussion with you about it.

**Mr DOMINIC PERROTTET:** I am open to looking at any way in which I can enhance the scheme for both injured workers and businesses. Now that the scheme is on a sustainable footing I will continue to look at ways to enhance it. In the first few months of my appointment I have met with a range of stakeholders from all sides of the issue in relation to WorkCover and workers compensation. As part of the reforms there was the ability for the upper House to report every two years, from what I understand, in relation to the scheme. It would be remiss of me as the relevant Minister to not look at ways in which we can enhance the scheme based on information that comes forward and based on submissions. So the answer to your question is that I am open to looking at ways in which we can enhance the scheme. In relation to the specific issue you asked about, yes, my mind is open in relation to it.

**Mr DAVID SHOEBRIDGE:** Minister, on 26 June you made an announcement about five areas that you were seeking to reform by regulation. Those areas related to a limited set of claims where workers had put claims in before 1 October 2012. Is that right?

**Mr DOMINIC PERROTTET:** Correct.

**Mr DAVID SHOEBRIDGE:** One of the areas you have said that you will move, although we have not yet seen the regulations in relation to those workers, was extending medical benefits for workers with whole person impairment assessed between 21 and 30 per cent to retirement age. Is that correct?

**Mr DOMINIC PERROTTET:** Correct.

**Mr DAVID SHOEBRIDGE:** In doing that I think you recognise that if a worker has had an injury as severe as one that is assessed between 21 and 30 per cent then they ought prima facie to be protected at least until retirement age for their benefits. Is that right?

**Mr DOMINIC PERROTTET:** My answer to your question, Mr Shoebridge, is that if we have a scheme that is on a sustainable footing then we can look at ways in which we can enhance the scheme. I have an open mind, as I have indicated to you, on looking at ways to meet the philosophy behind the scheme—that being to assist injured workers to return to work. If there are ways in which we can assist them to do that then we should certainly look at them. I believe that the decision I made in the announcement in June assists injured workers in returning to work, because it provides them with medical support which I believe assists them in their work capacity.



**Mr DAVID SHOEBRIDGE:** That aspect was motivated by a sense of fairness for that class of workers, as I understand it.

**Mr DOMINIC PERROTTET:** My view is that you want to have a sense of fairness for all injured workers, Mr Shoebridge. Obviously there is not a bottomless pit or a magic bucket full of money. Certainly I want to look at ways in which I can preside over a scheme which is fair for workers, and the way I can do that is by having a scheme that is sustainable. I believe the enhancements I announced earlier this year assist those workers to return to work.

**Mr DAVID SHOEBRIDGE:** But there is nothing fair in a scheme that defines an injury as severe as having your entire foot amputated as not serious, is there? That is a deeply unfair scheme.

**Mr DOMINIC PERROTTET:** I am not going to get into a debate around the definition of terminology.

**Mr DAVID SHOEBRIDGE:** This is not a question of terminology. It is a pretty simple thing.

**Mr DOMINIC PERROTTET:** The word "serious" was in there.

**Mr DAVID SHOEBRIDGE:** "Serious" is a statutory term in your scheme, and "serious" is not met under the scheme unless the whole person impairment is greater than 30 per cent. Having your foot amputated does not qualify you for a whole person impairment of greater than 30 per cent. This is not a semantic discussion; this is a very real discussion.

**Mr DOMINIC PERROTTET:** It is a real discussion and the amendments and enhancements that I made for injured workers with a whole person impairment of between 21 per cent and 30 per cent lift the medical cap to ensure that they have access to prosthetics up to retirement age. I think that is—

**Mr DAVID SHOEBRIDGE:** But only if—and this is the very substantial difficulty—they put a claim in before 1 October 2012. If this afternoon some poor unfortunate worker on a building site has their foot amputated due to a work accident they will not get the benefit of that protection and their injury will not be deemed as serious. That is not fair on any view of it, is it?

**Mr DOMINIC PERROTTET:** Obviously it would be my intention to cover the field in that space. But in order to cover the example that you just raised I would need to do that by way of legislation. It is my intention, as I have indicated to you from the start, that I will always look at ways in which we can enhance the scheme. It is my intention and I am currently reviewing the statutory review. When the upper House inquiry produces their report I will consider that and then I would leave open the opportunity to introduce legislation that would cover the exact example that you just raised.

**Mr DAVID SHOEBRIDGE:** I can guarantee you now that you will have the support of the five Greens members in the Legislative Council to pass that legislation to expand the class of benefits next week. There is no parliamentary impediment to returning these benefits.

**Mr DOMINIC PERROTTET:** In relation to this matter I refer back to the fact that I see it as my role in this portfolio to ensure that we have a fair scheme and sustainable scheme. I will always look at ways in which we can improve it. The example that you have raised is certainly one which I will be looking at.

**CHAIR:** My question is regarding WorkCover so the Minister or Mr Jeffery may answer it. Can you describe the steps WorkCover is taking to contract an independent specialist to work with and to establish the scope of properties affected by loose-fill asbestos in New South Wales?

**Mr DOMINIC PERROTTET:** I am happy to take that question. There have been media reports since this issue has been raised. I will defer to Ms Donnelly in a moment. I have had a number of representations from John Barilaro, the member for Monaro, in relation to this issue. There is concern around the safety of the loose-fill asbestos that was used to insulate homes predominantly in the Australian Capital Territory [ACT] in the 1960s and 1970s. That is a health concern that we as a Government take seriously. Since it has been raised I have instructed the Heads of Asbestos Coordination Authorities [HACA] to conduct an investigation into homes which may have been insulated with loose-fill asbestos across New South Wales.

Fourteen homes, I recall, have been identified to date in a number of council areas. We are offering testing for people who live in those council areas to determine whether or not they have loose-fill asbestos in their homes. I have also asked the Chief Health Officer, Dr Kerry Chant, to review the advice that the Government has received in relation to the safety of loose-fill asbestos in homes. We are acting on advice from a report, which is previous advice that the Government has received in relation to that. If out of that investigation further homes are identified in different council areas we will extend the testing of homes to those council areas as well.

**Ms DONNELLY:** The Committee might be interested to know that the Heads of Asbestos Coordination Authorities are working at the moment to bring on board the independent specialist to work on the investigation. WorkCover is already taking calls from people who are concerned and is registering those. The Heads of Asbestos Coordination Authorities is monitoring very closely where those queries and concerns come from. The number of affected councils has been increased this week from 14 to 16. As the Minister has indicated, if we detect that there are other areas where there is some work to be done in the safe management of asbestos and reducing the exposure to respirable fibres of asbestos that can be expanded as well. We are monitoring that quite closely. We have been obtaining regular—pretty well daily—reports and watching very closely.

**CHAIR:** Could you advise us of the areas where you have identified this as a problem? If you do not have it to hand you can take it on notice.

**Ms DONNELLY:** I do have it to hand. I am happy to either give it to you now or provide it on notice.

**CHAIR:** Does that include Queanbeyan, which was mentioned because of its proximity to the ACT?

**Ms DONNELLY:** It certainly includes Queanbeyan. It includes two local government areas in Sydney, which are North Sydney and Ku-ring-gai. There are three areas in the south-west Riverina part of the State, which are Greater Hume, Boorowa and Berrigan. The remaining local government areas are more around the south-east, including Bega, Cooma-Monaro, Eurobodalla, Goulburn and those sorts of areas.

**CHAIR:** Are there any plans to advertise this problem to householders who may be unaware of it or who may have purchased a house in which the original owner had it installed and they have no idea that it is in their ceiling?

**Ms DONNELLY:** Yes, most certainly. The Heads of Asbestos Coordination Authorities [HACA], as you may be aware, obviously includes Local Government NSW, local government representation as well as NSW Health and the Environment Protection Authority [EPA]. All of those agencies obviously are actively working. HACA has had some success with, and will continue, asbestos awareness, particularly working through those local government areas to publicise.

**CHAIR:** Just a related matter affecting WorkCover: As you know, I conducted an inquiry into bullying in WorkCover.

**Mr DAVID SHOEBRIDGE:** Very well.

**CHAIR:** Are you aware of any progress with the recommendations, or do you want to leave that for another time?

**Mr DOMINIC PERROTTET:** I have reviewed the report in relation to the allegations of bullying at WorkCover. I have got until sometime in December this year to respond to that report, which I will be doing. I do not believe that bullying is acceptable in any workplace, and obviously WorkCover is no exception to that—particularly in the line of work that WorkCover is involved in. Having said that, since the report was made public I have already gone up and visited the WorkCover offices on the Central Coast. I am very confident by the quality of work that employees at WorkCover are currently involved in. I am confident at the moment certainly in the provisions that are in place there in terms of improving the culture. I certainly got a strong sense of commitment and goodwill when I visited WorkCover shortly after that report was publicised by the committee who worked on it and put that report together.

The report includes a number of recommendations, as you would be aware. I will obviously be responding to each of those recommendations this year. I might pass over to Mr Hubby. In the meantime, we

have also put together a committee, which is looking into some of the issues that arose out of that report. We have put that committee, which is being led by the Office of Finance and Services, to look at some of those issues whilst we prepare a detailed response to the report. Mr Hubby will make a few extra comments in relation to the committee.

**Mr HUBBY:** Yes, sure. I am chairing the steering committee that is put together to really assist and make recommendations to the Government in the development of the response to the recommendations. The steering committee has representation from the Safety, Return to Work and Support Board, the chief executive of Safety, Return to Work and Support and other representatives from the Office of Finance and Services. We are doing it at the Office of Finance and Services level, even though Safety, Return to Work and Support is part of the Office of Finance and Services. We wanted to retain some level of independence from WorkCover so that we could have an objective and independent view on those recommendations. That work is underway.

Meanwhile, we have taken some preliminary action. We have created a central point within the Office of Finance and Services, separate from WorkCover, for people to refer their concerns about bullying or if they believe they have a specific allegation they want investigated. There is a central and, we believe, independent point, separate from WorkCover, for people to refer those claims.

**CHAIR:** Good. I know you have that legal right to reply in December, but obviously you are seeking to initiate improvements now.

**Mr DOMINIC PERROTTET:** Work is underway.

**CHAIR:** That is important.

**Mr DOMINIC PERROTTET:** We are already acting on it. Can I say, though, from the discussions that I had with the staff in WorkCover at Gosford I am confident that we will improve any issues and rectify any issues of substantive bullying that may be at WorkCover. I am very confident in the team and staff up there and the work they are doing to assist injured workers across New South Wales.

**CHAIR:** Good. It is very important, when they are implementing those policies for the whole area of industry, to set the example for companies and departments.

**Mr DOMINIC PERROTTET:** Absolutely.

**The PETER PRIMROSE:** The NSW Business Chamber estimated that the total cost of all local, State and Federal red tape for New South Wales businesses was around \$4.8 billion annually. Was this not the amount your Government claimed would be saved annually by your one-stop shops?

**Mr DOMINIC PERROTTET:** We are back to the one-stop shops. This Government is very committed to reducing red tape. In relation to the work that we are doing in Service NSW, I am at a loss as to why you tactically think it is a good idea to continue to raise what is one of the best advertisements for this Government across New South Wales. Everywhere I go I receive such positive feedback about what we are doing in Service NSW and providing services to people across this State. Obviously, it is a sore point for you.

**The Hon. PETER PRIMROSE:** Obviously, if people are believing you are saving \$4.8 billion annually, of course they would be happy.

**Mr DOMINIC PERROTTET:** Obviously it is a sore point because we have revolutionised the way that people interact and transact with government here in New South Wales. The fact that people can now walk into a one-stop shop, have all their services dealt with in a way that is efficient and smooth and where they are directed to obtaining their services online—

**The Hon. PETER PRIMROSE:** I understand that, Minister.

**Mr DOMINIC PERROTTET:** —and where they are dealt with and where they are met by a concierge, it is obviously an issue for you.

**The Hon. PETER PRIMROSE:** But, Minister, you do not know how much. You will not admit you do not know.

**Mr DOMINIC PERROTTET:** The amount that you—

**The Hon. PETER PRIMROSE:** It is an issue for me because you do not know how much you have saved.

**Mr DOMINIC PERROTTET:** The amount that you referred to—

**The Hon. PETER PRIMROSE:** Can I move on then in relation to—

**CHAIR:** Order! Allow the Minister to finish that sentence.

**Mr DOMINIC PERROTTET:** I am answering your question. The amount that you referred to is a projection.

**The Hon. PETER PRIMROSE:** A projection?

**Mr DOMINIC PERROTTET:** Obviously it was a figure that you have drawn from 2012 in a press release, as you said.

**The Hon. PETER PRIMROSE:** Yes.

**Mr DOMINIC PERROTTET:** I have said to you that I will be taking that on notice.

**The Hon. PETER PRIMROSE:** Okay.

**Mr DOMINIC PERROTTET:** I look forward to providing that figure to you.

**The Hon. PETER PRIMROSE:** Thank you.

**Mr DOMINIC PERROTTET:** Just as I look forward to continuing to tell you the good news story of Service NSW.

**The Hon. PETER PRIMROSE:** Will workers with industrial deafness be eligible under your new regulation for repairs, batteries and rehabilitation at the pre-2012 settings?

**Mr JEFFERY:** The regulation will cover, obviously, those with industrial deafness prior to 1 October 2012 who lodged a claim. Their batteries and hearing aids will be replaced until retirement age.

**The Hon. PETER PRIMROSE:** But at the pre-2012 rates?

**Mr JEFFERY:** I am sorry?

**The Hon. PETER PRIMROSE:** With the same eligibility that they had pre-2012?

**Mr JEFFERY:** There is a schedule of fees for industrial deafness.

**The Hon. PETER PRIMROSE:** Yes, but is it the same as it was in 2012?

**Mr JEFFERY:** Up to retirement age, yes. The allowance for batteries and hearing aids may have gone up, or potentially down, but I would say up since then.

**The Hon. PETER PRIMROSE:** Okay.

**Mr DOMINIC PERROTTET:** Mr Primrose, can I clarify as well in relation to that that the transitional regulation is due to be made on 1 September.

**The Hon. PETER PRIMROSE:** Okay. Thank you, Minister.

**The Hon. ADAM SEARLE:** Minister, will you consult about the terms of the regulation before it is promulgated?

**Mr DOMINIC PERROTTET:** There has already been a period of consultation that has occurred to date. Obviously, there has been a period of time since the announcement that I made on 1 September and stakeholders have been consulted across the process. Obviously, on 1 September that regulation will come into effect.

**The Hon. ADAM SEARLE:** Can you inform the Committee as to which stakeholders you consulted with about the terms of the regulation?

**Mr DOMINIC PERROTTET:** I will pass that question to Ms Donnelly.

**Ms DONNELLY:** I can certainly say that I have provided a draft to the WorkCover Independent Review Officer and the Workers Compensation Commission for input. I am also aware that Mr Jeffery has been liaising around some of the peak bodies around health providers in order to make sure that the drafting is correct on the second surgery provision.

**Mr JEFFERY:** There are certainly some discussions we have had, in particular with medical providers, on the secondary surgery provisions to ensure that we allow an adequate period of time for that process to take place so we did not get into the situation of cutting someone short again where they would be required to go back—for instance, as I said before, to have pins removed as a result of fracture surgery.

**The Hon. ADAM SEARLE:** Okay, but did you consult with the Bar Association, the Law Society or injured workers groups—people who actually provide information to injured workers about what their rights might be?

**Mr DOMINIC PERROTTET:** I am confident with the consultation phase. So, at the end of the day, I have made the announcement in relation to these enhancements. I believe that they are important enhancements to the scheme, enhancements that can be made now that the scheme is back on a sustainable footing. I am very confident that the regulation will ensure that the announcement in the enhancements that I made will be right and correct.

**The Hon. ADAM SEARLE:** I am happy to hear that you are extremely self-confident, Minister. But I ask this question: In the wake of those 2012 reforms, I and other members of Parliament received representations from people who had not only lodged claims before 1 October but, in fact, had had claims finally determined as far back as 2000. They had settled cases with their employer or their insurer for their lifetime or for the rest of their working life for, for example, replacement of prostheses, including hearing aids. These were settlements made in deeds of settlement and lodged in courts.

But after the passage of the 2012 legislation these people had been informed, by either their employers or their insurers, that they were no longer required to honour those commitments because the Government's legislation had retrospectively cancelled those arrangements. The workers did not have access any longer to legal representation, because your scheme took that away from them, so they were not able to test that in court. Those rights to prostheses and hearing aids have been cancelled. Will the rights of that cohort of claimants be revived by your organisation or is this just a small detail you have not checked?

**Mr DOMINIC PERROTTET:** No, it is the intention that there is a retrospective nature to it. I think Mr Primrose put a question on notice in the upper House in relation to this matter—regarding the retrospective nature of the changes.

**Mr JEFFERY:** There are probably two things that you are referring to here. One is entitlements ongoing for amputees and so forth, with prosthetics or home and vehicle modifications and so on. So those entitlements will be reinstated under the regulation for injured workers prior to 1 October 2012 until retirement age, unless they are classified as serious, in which case they would have it for life. There is also the issue of the court awards on deeds of settlement that were agreed to. I would prefer to take that on notice to be able to address that question appropriately because there are probably a few scenarios that need to be looked at.

**Mr DOMINIC PERROTTET:** We will take that on notice but, by way of clarification, outside of those court—

**The Hon. PETER PRIMROSE:** It is the need for consultation.

**Mr DOMINIC PERROTTET:** Well, by way of clarification, pre-2012 any claims made, for example, if there had been a medical expense incurred in relation to a prosthetic or the like, then this change will ensure that those costs will be covered.

**The Hon. PETER PRIMROSE:** Can I ask: Mr X is a case that I raised. Mr X is a real case of a bus driver who slipped and was injured. There was a settlement, many years ago, that for the rest of his life he would be entitled to an annual X-ray. He is now retired. He has been informed this year that that is no longer going to happen, as a consequence. He is no longer entitled to have that annual X-ray. Can you tell me, will he now be able to receive that annual X-ray?

**Mr JEFFERY:** It is very difficult to discuss an individual claim scenario without actually looking at it.

**The Hon. PETER PRIMROSE:** He has always been entitled. It was a previous, longstanding entitlement for 15 years.

**Mr DOMINIC PERROTTET:** I know, but hold on for a second. The enhancements to the scheme that were made—as set out earlier this year—were that you had to have a whole person impairment of between 21 per cent and 30 per cent. So, as Mr Jeffery has correctly pointed out, I do not think it will be helpful to get into a case-by-case basis here.

**The Hon. PETER PRIMROSE:** So he is going to miss out again?

**Mr JEFFERY:** It depends on the claims and particulars. We are happy to discuss, with all claimants, their needs and requirements and to review whether they are entitled or not.

**The Hon. ADAM SEARLE:** Minister, without wishing to be combative about it, this might be a reason why perhaps you should consult with the Bar Association, the Law Society and injured workers' groups before you make the regulation—just to make sure that it does all the things you hope it does, to make sure that there are not some things that, with the best will in the world, you and your officials might have overlooked.

**Mr DOMINIC PERROTTET:** I am happy to speak to them and the reality is that on most fronts and when it comes to WorkCover and workers compensation, we have been consulting. Since I was appointed as Minister I have met with a range of stakeholders, including the Law Society, including the Bar Association, including Unions NSW, as well as a range of stakeholders, in relation to views about and ways that the scheme could potentially be improved. It does not mean I necessarily agree with them, but I am certainly open to consulting with a range of stakeholders to ensure that we have the best system we can possibly have to assist injured workers and, at the same time, assist businesses across New South Wales.

**CHAIR:** Is that regulation finalised or is it still open to—

**Mr DOMINIC PERROTTET:** It is due to be made on 1 September.

**The Hon. ADAM SEARLE:** Minister, to be clear: Are you refusing to consult with the Bar Association, the Law Society and Unions NSW about the terms of this regulation that you will make on or about 1 September?

**Mr DOMINIC PERROTTET:** No, I am not. I did not say that. No, I am not.

**The Hon. ADAM SEARLE:** Will you consult with them before you make the regulation?

**The Hon. GREG PEARCE:** They have been consulted.

**The Hon. CATHERINE CUSACK:** How long do you want to delay it for?

**Mr DAVID SHOEBRIDGE:** Point of order: Government members are interjecting without cause.

**Mr DOMINIC PERROTTET:** What I am saying is that I will ensure that the effect of the announcement that I made in June this year will come into effect.

**The Hon. ADAM SEARLE:** But you will not consult with parties that might actually have knowledge about the particular details before you make it?

**Mr DOMINIC PERROTTET:** You are saying that; I am not saying that.

**The Hon. ADAM SEARLE:** I will give you every opportunity: Will you and your officials consult with those bodies I have named before you promulgate the regulation on 1 September?

**Mr DOMINIC PERROTTET:** Happy to discuss it with them.

**The Hon. ADAM SEARLE:** About the terms of the regulation?

**Mr DOMINIC PERROTTET:** Happy to do that.

**The Hon. ADAM SEARLE:** Thank you. In your press release of 26 June you announced that your reforms have seen New South Wales go to the equal highest return-to-work rate in the country. I am looking particularly at the PricewaterhouseCoopers report of 20 March 2014, which also has some return-to-work rate statistics. But the statistics seem to be based on the notion that it is to be assumed that a worker has returned to work if they have not had contact with the Workers Compensation Scheme for a month or more. How can you be sure that this cohort of workers has actually gone back into paid employment?

**Mr JEFFERY:** They are different measures, so the results that were in the press release were a survey done by Safe Work Australia.

**The Hon. ADAM SEARLE:** Not by your agency?

**Mr JEFFERY:** Yes. The PwC results are based on payments and duration of contact with the insurer.

**The Hon. ADAM SEARLE:** How can you be sure people have gone back into paid work?

**Mr JEFFERY:** Safe Work Australia is a survey where they actually contact.

**Mr DAVID SHOEBRIDGE:** A sample?

**Mr JEFFERY:** Yes.

**Mr DAVID SHOEBRIDGE:** Minister, both in your media release in June and in repeated statements you have given to this Committee, you effectively make the case that the benefit cuts and the reforms of 2012 have been what have driven the scheme back into surplus. That is the case you are making, is it not?

**Mr DOMINIC PERROTTET:** I think, Mr Shoebridge, what I am saying is that when we inherited a scheme that was over \$4 billion in deficit businesses were facing a premium increase of up to 28 per cent. The analysis that I have seen—on the back of obviously significantly high investment returns—has put the scheme back into surplus at a much greater rate than was projected. However, even then but for the reforms in 2012 the scheme, as projected in that PwC advice from my understanding, would be still between \$2 billion and \$2.5 billion in deficit today.

**Mr DAVID SHOEBRIDGE:** But on track—without the reforms, without any of the cuts to benefits and the personal stress and trauma that that has cost thousands of injured workers. Without those reforms, the best actuarial advice the Government has is that this scheme was on track to return to surplus by 2021—and, in fact, was in a significantly improving financial situation without the requirement of the reforms, was it not?

**Mr DOMINIC PERROTTET:** There are two answers or points to make to that. I do not see having a scheme that is \$2 billion to \$2.5 billion in deficit as a good thing. I think it is a good thing hoping to have a scheme that is in surplus. The projection—

**Mr DAVID SHOEBRIDGE:** I think the actuary said \$2 billion from June 2014, half a billion between June 2014 and June 2018, and full funding by 2021.

**Mr DOMINIC PERROTTET:** Okay. So it is still \$2 billion in deficit but for the reforms that were made. Also, the effect of the high investment returns certainly has had a significant impact—

**Mr DAVID SHOEBRIDGE:** They are not high. They are just coming back to an historical norm.

**Mr DOMINIC PERROTTET:** No, not at all.

**Mr DAVID SHOEBRIDGE:** They were at a dramatically low point when the scaremongering by your Government was raised about the temporary \$4 billion actuarial deficit in 2012. They were at an historically low point and had been at an historically low level since the global financial crisis [GFC]. It was scaremongering at that time, was it not Minister?

**Mr DOMINIC PERROTTET:** Not at all. There are facts that you cannot argue with and they are that the scheme was over \$4 billion in deficit. Businesses were facing premium rises of up to 28 per cent and 21,000 jobs were at risk across the State—

**Mr DAVID SHOEBRIDGE:** Any rational view of the scheme at the time in light of the GFC and in light of the financial problems—

**CHAIR:** Order! Let the Minister finish his sentence.

**Mr DAVID SHOEBRIDGE:** —would have made that utterly untrue. There never was a realistic requirement to increase premiums by 28 per cent.

**CHAIR:** Order! Let the Minister finish his sentence.

**The Hon. GREG PEARCE:** Yes there was; absolutely.

**Mr DOMINIC PERROTTET:** But the analysis—

**The Hon. CATHERINE CUSACK:** That is just quintessential.

**The Hon. GREG PEARCE:** The premiums were going to go up.

**Mr DAVID SHOEBRIDGE:** Says the wrecker.

**The Hon. CATHERINE CUSACK:** That is quintessentially The Greens' position.

**Mr DAVID SHOEBRIDGE:** Says the wrecker.

**The Hon. CATHERINE CUSACK:** That is so quintessential, David.

**The Hon. GREG PEARCE:** The premiums are a very important part.

**Mr DAVID SHOEBRIDGE:** Greg is the wrecker.

**The Hon. ADAM SEARLE:** Point of order—

**CHAIR:** Order! Let the Minister finish his sentence.

**The Hon. CATHERINE CUSACK:** It is almost beautiful to hear you say that.

**CHAIR:** Members will desist and let the Minister finish the sentence.

**Mr DOMINIC PERROTTET:** The reality is that the scheme was in significant deficit. The scheme is now in surplus on the back of the changes made back in 2012. As a result of the scheme now having returned to surplus we are able to look at ways to enhance the scheme in a way that can put downward pressure on



premiums but at the same time assist injured workers in their return to work. That was the point of the enhancements that I announced earlier this year. As I said to you and to this Committee earlier today, I will continue to look at ways in which we can provide improvements to ensure that injured workers are encouraged to return to work. In relation to Mr Searle's earlier comment, or that of Mr Primrose, about the fact that we now have the highest return-to-work rates in the country, I think that is a positive thing. And I think it is a positive thing that as part of the reforms as well we saw some of the most seriously injured workers receive extra—up to 70 per cent extra—in their weekly benefits as a result of the reforms brought in by the former Minister for Finance and Services.

**Mr DAVID SHOEBRIDGE:** Your own actuarial advice is that there are 10,000 claims a quarter for medical benefits that are being denied as a result of the medical caps applied in the June 2012 reforms. That is 40,000 medical claims a year being denied as a result of these changes. Do you think that is fair?

**Mr DOMINIC PERROTTET:** What I think is fair is that we have a scheme that assists injured workers return to work—

**Mr DAVID SHOEBRIDGE:** This is 40,000 workers a year who are not being assisted.

**Mr DOMINIC PERROTTET:**—and as a result of the enhancements in the announcement I made we will ensure that for those injured workers of a whole person impairment of between 21 per cent and 30 per cent the medical cap of 12 months is lifted to the period up to retirement age. I have also indicated to you that it is my intention to continue to monitor and review the upper House inquiry when that report is tabled and look at ways in which I can provide more enhancements and, as I raised with you earlier, cover the fill, which would include a number of the injured workers you just referred to.

**Mr DAVID SHOEBRIDGE:** I want to be clear: There is goodwill from my party to work with the Government to return any benefits through statutory reforms. I acknowledge and appreciate the statements you make about there being scope to return benefits, given the scheme's financial performance. Will you make a commitment that the bulk of the financial surplus will be returned by way of benefits to these injured workers rather than premium cuts, given how many workers have lost their benefits?

**Mr DOMINIC PERROTTET:** What I can say is that from the announcement I made in relation to the enhancements and reinstatement of benefits I will look at ways in which those who had not made a claim pre-2012 can be covered. Obviously, as I raised with you, that will be via legislation.

**Mr DAVID SHOEBRIDGE:** A very limited class of workers, given 40,000 a year are losing medical benefits; nothing like the number.

**Mr DOMINIC PERROTTET:** I think with any decision I make in relation to bringing in enhancements of the scheme for injured workers I will also look at ways in which I can bring downward pressure on premiums. At the end of the day, businesses are the ones that fund the scheme and, where possible—and if we are in a position where we are encouraging safer workplaces and practices across the State—we should also be providing benefits to businesses in the way of lower premiums. I think I have already demonstrated to you that I will take both into account. We announced a 5 per cent premium reduction prior to the budget this year or as part of the budget this year. In addition, I announced enhancements for injured workers. I think it is a combination of both and I will continue to look at ways in which we can have a scheme that benefits both injured workers and businesses across the State.

**CHAIR:** Having regard to your position and portfolio and that of the Treasurer, are you able to answer questions about the GST?

**Mr DOMINIC PERROTTET:** The GST is an issue for the Treasurer, but what is it?

**CHAIR:** General questions. Are you involved in any discussions with the Commonwealth to try to have a fairer allocation of the GST nearer to the per capita size of the New South Wales population? I understand from the budget papers that the current allocation will cost New South Wales \$17.8 billion that it should have received.

**Mr DOMINIC PERROTTET:** In answer to the question, obviously we will be having a discussion around tax with the Commonwealth. The Premier has indicated already being part of it. It is my view that one of

the biggest challenges our State governments across this country face going forward is, I guess, around the funding arrangements for States and having ownership of policy. For example, we as a Government supported the Gonski package but, in my view, the State should have autonomy around its policy decisions. We should not be tied to the Federal Government in relation to obtaining funds from it. We should be able to set the policy direction we would like to take.

State funding arrangements with the Commonwealth should be amended to ensure that States have the ability to fund their policy objectives. I guess the outcomes of the discussion that will occur between the Premier and the Prime Minister and other State Premiers will be around this exact point. In terms of having a functioning Federation, we need to improve competition between the States. I really look forward to the outcomes of that discussion. Obviously, the GST funding arrangements certainly will be part of that.

**CHAIR:** I notice on page 7-10 of the budget papers you mention Gonski, which is education.

**Mr DOMINIC PERROTTET:** Yes.

**CHAIR:** The other one is the national disability agreement. New South Wales will be expected to contribute \$3.1 billion in 2018. Where will those funds come from? Will you transfer them from the hospital budget or somewhere else?

**Mr HUBBY:** That really is a matter for the Treasurer and the Minister for Family and Community Services regarding disability services.

**CHAIR:** Do you see that as putting some pressure on the State budget?

**Mr DOMINIC PERROTTET:** Obviously. But, having said that, as indicated, there is going to be a discussion between the State Government and the Federal Government in relation to tax. Based on the Federal Government's decisions in the recent budget, it has really brought it to a head. It is an important decision for each of the States to ensure that we have the funds available to fund key service areas that the States are involved in, whether it is education or health, and any other infrastructure programs that the States run. I have always been of the strong view that the States should have autonomy when it comes to setting policy direction. Unfortunately, recently the Federal Government tied funding to their policy agenda. I think it should change and hopefully it will come up for discussion between the Premiers and the Prime Minister later this year.

**The Hon. ADAM SEARLE:** Do not hold your breath.

**CHAIR:** I note the budget papers on page 7-6 state, "The Commonwealth Government plans to release the White Paper on the Reform of the Federation by the end of 2015", and also tax reform. Do you have any expectation of what that could mean for New South Wales and its budget?

**Mr DOMINIC PERROTTET:** As I said, I think this is an important discussion that will occur between the Premiers and the Prime Minister. That is more appropriately a question for the Premier. As I have indicated to you, I have strong views around the ways in which policy settings should occur and how the Federation should operate. I guess whilst I was disappointed with the Federal budget in terms of its impact on New South Wales, the positive that can be taken out of it is that it has brought matters to a head and now we can have a sensible discussion around how funding arrangements should occur and the policies that arise from those taxation arrangements.

**CHAIR:** You are hoping or anticipating there will be greater flexibility for the States—

**Mr DOMINIC PERROTTET:** I would like to think so.

**CHAIR:** —with less control by the Commonwealth, which happened under the Labor governments?

**Mr DOMINIC PERROTTET:** That is exactly right. Regardless of what people's views are on Gonski or other matters, at the end of the day the best way for a functioning Federation is for the States to be in competition with each other so they can learn from each other's experience, and that it helps with innovation. I would like to see that return. That is a matter for the Premiers and the Prime Minister down the track in relation to this taxation paper.

**CHAIR:** That brings us to the conclusion of this hearing, which we planned to conclude at 4.00 p.m. Thank you, Minister, and your staff for your attendance and for the information you have provided. I remind you that questions on notice need to be returned within 21 days. There may be some additional questions from the members of the Committee forwarded to you.

**(The witnesses withdrew)**

**The Committee proceeded to deliberate.**

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