

GENERAL PURPOSE STANDING COMMITTEE NO. 1

Wednesday 2 September 2015

Examination of proposed expenditure for the portfolio areas

FINANCE, SERVICES AND PROPERTY

CORRECTED PROOF

The Committee met at 9.00 a.m.

MEMBERS

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

The Hon. G. J. Donnelly
The Hon. S. G. Farlow
The Hon. B. C. Franklin (Deputy Chair)
Dr J. Kaye

The Hon. T. J. Khan
The Hon. P. T. Primrose
Mr D. Shoebridge

PRESENT

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

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: I welcome everyone to this public hearing for the inquiry into budget estimates 2015-16. Before I commence I would like to acknowledge the Gadigal people, who are the traditional custodians of this land. I would also like to pay respects to the elders past and present of the Eora nation and extend that respect to other Aboriginal people who may be present here today. I welcome Minister Perrottet and accompanying officers to this public hearing. Today the Committee will examine the proposed expenditure for the portfolio of Finance, Services and Property.

Today's hearing is open to the public and is being broadcast via the Parliament's website. A transcript of today's hearing will be placed on the Committee's website when it becomes available. In accordance with the 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 present here today 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 their evidence at the hearing; so I urge witnesses to be careful about any comments you may make to the media or to others after you complete your evidence as such comments would not be protected by parliamentary privilege if another person decides to take 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 documentation to hand. In those circumstances, witnesses are advised that they can take a question on notice and provide an answer within 21 days. Any messages from advisers or members' staff seated in the public gallery should be delivered through the Chamber and support staff or the Committee secretariat. Minister, I remind you and the officers accompanying you that you are free to pass notes and refer directly to advisers seated at the table behind you.

A transcript of this proceeding will be available on the website from tomorrow morning. I ask everyone to please turn off their mobile phones for the duration of the hearing. Witnesses from departments, statutory bodies or corporations will be sworn prior to giving evidence this morning. 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.

VIVEK BHATIA, Chief Executive Officer, Insurance and Care NSW, and former Chief Executive Officer, Safety, Return to Work and Support,

JOHN HUBBY, Deputy-Secretary, Corporate Services, Department of Finance, Services and Innovation, and

SAM ROMANIUK, Acting Chief Executive Officer, Government Property NSW, affirmed and examined:

MARTIN HOFFMAN, Secretary, Department of Finance, Services and Innovation, and

GLENN KING, Chief Executive Officer, Service NSW, sworn and examined:

CHAIR: I declare the proposed expenditure for the portfolio of Finance, Services and Property open for examination. 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. GREG DONNELLY: Thank you, Mr Chair, and I welcome Minister Perrottet and his accompanying officers. Minister, does the document from September 2012 entitled "Property Asset Utilisation Taskforce Report" remain the key document used to guide the Government in regards to the sale of assets?

Mr DOMINIC PERROTTET: Yes, it does. That document is still in place in relation to the utilisation of property and investment proceeds.

The Hon. GREG DONNELLY: Has that document been supplemented by any new reports or documents sought by the Government from consultants to update the strategy of the Government?

Mr DOMINIC PERROTTET: No.

The Hon. GREG DONNELLY: Minister, just to clarify, Government Property NSW maintains a register of all the State's property assets? Is that correct?

Mr DOMINIC PERROTTET: I will defer to Mr Romaniuk on this question.

Mr ROMANIUK: Government Property NSW manages the government property register.

Mr DOMINIC PERROTTET: So that is \$60 billion of land and buildings across government, and that sits with Government Property NSW.

The Hon. GREG DONNELLY: So, to put it crudely, there is a list of all the property owned by the government in this State, is that correct?

Mr ROMANIUK: Yes.

Mr DOMINIC PERROTTET: My understanding is that when we came to government there was no list. There was a report that was done, I think, by the Auditor-General where he said the previous Government did not know where all the government property was. I understand that we spent some time working it out.

The Hon. GREG DONNELLY: I have received an answer to the question. With respect to that register, it is for real estate and also real estate that has buildings on it; is that correct?

Mr ROMANIUK: Yes, that is correct.

The Hon. GREG DONNELLY: Does that register apply to entities like State-owned enterprises as well?

Mr ROMANIUK: State-owned enterprises are not obliged to report on their properties on the government property register.

The Hon. GREG DONNELLY: So we have a situation where State-owned enterprises may not be on the register, is that what you are saying?

Mr ROMANIUK: That may be.

The Hon. GREG DONNELLY: Do you know if some are on the register?

Mr ROMANIUK: I could not tell you that.

Mr DOMINIC PERROTTET: We will take that question on notice.

The Hon. GREG DONNELLY: So with some being on the register and some not, how can that be a complete register?

Mr DOMINIC PERROTTET: It is a complete register of government-owned property assets.

The Hon. GREG DONNELLY: But not for State-owned enterprises.

Mr DOMINIC PERROTTET: It is a significant improvement, Mr Donnelly, on what we inherited from the previous Government—

The Hon. GREG DONNELLY: Minister, if I understand your answer correctly, you said that it is a complete list. I am trying to determine if it is a complete list or if in fact it is only a partial list. From what I have been told, if I understand the answers correctly, there could be some State-owned enterprises on the list but there might be others that are not, is that correct?

Mr HOFFMAN: Mr Donnelly, I might be able to assist here. As Mr Romaniuk said, we will take on notice the exact details as to the treatment of State-owned enterprises. Of course, it is important to realise that the governance arrangements for State-owned corporations differ to those of the core government. Hence, why it is important that they are separate.

The Hon. GREG DONNELLY: The Minister has already said that.

Mr ROMANIUK: And hence why it is important that they are separate.

The Hon. GREG DONNELLY: I understand the answer that has been given.

The Hon. TREVOR KHAN: Point of order—

The Hon. GREG DONNELLY: In regard to the sale of property, I imagine a property is removed from that register once a transaction is completed. So over time we have a declining size of the register as the property is sold. Is that correct?

Mr DOMINIC PERROTTET: Unless we are obviously purchasing more property than we are disposing of.

The Hon. GREG DONNELLY: Indeed. That is the net effect. What about leased properties—for example, where a leasing arrangement may have been entered into? Are they removed from the register or do they stay on it?

Mr ROMANIUK: In some cases the registered leases are captured, but I would have to take that on notice.

The Hon. GREG DONNELLY: In some cases?

Mr ROMANIUK: If the leases are registered.

The Hon. GREG DONNELLY: Would there be cases where properties would not be on the register if they were leased?

Mr ROMANIUK: There could be leases that are unregistered.

The Hon. GREG DONNELLY: Could you give me an example of that?

Mr ROMANIUK: I could take that on notice.

The Hon. GREG DONNELLY: Why would some leases be on the register and others not?

The Hon. TREVOR KHAN: Because some leases are not required to be registered on title is the answer.

The Hon. GREG DONNELLY: You are not actually answering the questions. The question was not directed to you. Why would some leases be on the register and others not?

Mr DOMINIC PERROTTET: We will take that question on notice.

The Hon. GREG DONNELLY: Since the establishment of Government Property NSW, how many properties are on the register?

Mr DOMINIC PERROTTET: Is there a list?

Mr ROMANIUK: The total number on the register? There would be thousands.

Mr DOMINIC PERROTTET: There is \$60 billion in property assets across government—

The Hon. GREG DONNELLY: I am asking a specific question. This is budget estimates.

Mr DOMINIC PERROTTET: There are a lot of properties.

The Hon. GREG DONNELLY: The question is how many properties are on the register?

Mr ROMANIUK: In 2012 the Property Asset Utilisation Taskforce [POUT] report stated that there were 270,000 properties.

The Hon. GREG DONNELLY: This is budget estimates for 2015-16. The register has obviously progressively been updated. How many properties are on the register?

Mr ROMANIUK: I would have to take that on notice.

Mr DOMINIC PERROTTET: A significant number. We will take it on notice.

The Hon. GREG DONNELLY: Does anyone at the table have a clue about how many properties are on the register?

The Hon. BEN FRANKLIN: Point of order—

Mr DOMINIC PERROTTET: When we came to government there was no register of properties across the entire government.

The Hon. GREG DONNELLY: It is a very simple question.

Mr DOMINIC PERROTTET: This has been a great—

The Hon. SCOTT FARLOW: And the Minister has said that he will take it on notice. They will provide an answer.

The Hon. GREG DONNELLY: Minister, it is a very simple question.

Mr DOMINIC PERROTTET: —improvement.

The Hon. GREG DONNELLY: It is a very simple question. How many—

The Hon. TREVOR KHAN: Point of order: The Hon. Greg Donnelly is becoming overly excited, so we will accept that, but—

The Hon. GREG DONNELLY: I am not. I am trying to get an answer to a simple question.

The Hon. TREVOR KHAN: I am taking a point of order so the member will be quiet for a second.

The Hon. GREG DONNELLY: No, I will not be.

The Hon. TREVOR KHAN: The witnesses are entitled to give their evidence without being constantly interrupted.

The Hon. GREG DONNELLY: They are not being interrupted.

The Hon. TREVOR KHAN: They should be entitled to do that. The member has been constantly cutting the witnesses off. He should be directed to allow the witnesses to give their answers.

The Hon. PETER PRIMROSE: To the point of order: It is reasonable that the member is frustrated in estimates for 2015-16 when information is being provided that relates to 2012.

The Hon. TREVOR KHAN: Further to the point of order: That is a pathetic debating point. The member should allow the witnesses to answer.

The Hon. GREG DONNELLY: Can we move on?

CHAIR: We will return to the Hon. Greg Donnelly's questions.

Mr DOMINIC PERROTTET: Can I have an opportunity to answer the question?

The Hon. TREVOR KHAN: Yes.

The Hon. GREG DONNELLY: The question has been taken on notice.

Mr DOMINIC PERROTTET: Mr Donnelly, we will take the exact figure on notice.

The Hon. GREG DONNELLY: I want to move on to my next question.

Mr DOMINIC PERROTTET: But I did want to make the point that prior to coming—

The Hon. GREG DONNELLY: Minister, I want to move on to my next question.

CHAIR: The Minister will be allowed to finish his answer.

Mr DOMINIC PERROTTET: Prior to coming to government—

The Hon. GREG DONNELLY: Point of order: The answer has been given. I want to move on to my next question.

The Hon. PETER PRIMROSE: The Minister has said that he is taking the question on notice.

CHAIR: The Minister is still finishing his answer.

Mr DOMINIC PERROTTET: Yes, I am still finishing my answer. Whilst I am taking the exact number on notice, we have said that there is more than \$60 billion of property assets across government and in terms of the register I am advised that previously there was no register. The current Government has done great work in producing a register so that we actually have a record of the properties.

The Hon. GREG DONNELLY: Since the establishment of Government Property NSW do we have the value of properties sold—hopefully you have the numbers somewhere there—for the 2012-13, 2013-14 and 2014-15 financial years?

Mr DOMINIC PERROTTET: I can say that Government Property NSW divested 86 properties. In the three years prior to the PAUT implementation, the Government Property NSW divested only \$41 million of properties on average per year. Since April 2013 the Government Property NSW has divested close to \$1 billion of surplus assets, averaging \$300 million per year.

The Hon. GREG DONNELLY: Can I ask you to take on notice my specific questions for those financial years?

Mr DOMINIC PERROTTET: No, we have got the specifics. I will pass to Mr Hoffman.

Mr HOFFMAN: In 2012-13, \$559 million; 2013-14, \$63 million; and 2014-15, \$286 million. I will confirm that last number on notice because it is very close to the end of the financial year and when transactions actually closed might matter. But it is in that order of \$286 million-plus.

The Hon. GREG DONNELLY: I fully appreciate that. Thank you. You can take that part on notice. Is a target figure being looked at in terms of these transactions for the current financial year?

Mr DOMINIC PERROTTET: The estimated pipeline of assets to be divested by Government Property NSW or other agencies for 2015-16 is \$865 million, 2016-17 is \$652 million, and 2017-18 is \$426 million.

The Hon. GREG DONNELLY: Let us say that figure X represents the funds generated from the sale transaction. In budget estimates last year you said "funds that are generated from the sale of government assets are redirected back to the agency." Can you explain step by step how that money is transferred back to the agencies? In other words, Government Property NSW is overseeing the transaction, the transaction is completed, and the direct debit takes place and/or the cheque arrives in the mail. Who do you pass the direct debit and/or the cheque to?

Mr DOMINIC PERROTTET: I will defer to the Secretary in terms of the operational side, but I will say this to provide some guidance to you. Government Property NSW sale proceeds going forward—so outside the agency, and I will defer to the Secretary on the agency and potentially to Mr Romaniuk—are recycled into infrastructure projects via the Restart NSW Fund, unless they are otherwise allocated by the ERC [expenditure review committee] to specific capital projects. The proceeds from other agency assets I will defer to either the Secretary or to Mr Romaniuk.

The Hon. GREG DONNELLY: Minister, would you be able to provide a breakdown in dollar figures of what you have just described on notice? In other words, how much has been sent across—if I can use that phrase—to Restart NSW?

Mr DOMINIC PERROTTET: Yes.

The Hon. GREG DONNELLY: I presume the other part, which we are about to hear about, is the other amounts going off to the agencies?

Mr DOMINIC PERROTTET: I will take that on notice. You want that breakdown over what period of time?

The Hon. GREG DONNELLY: Since the establishment of Government Property NSW.

Mr HOFFMAN: Typically the funds received from the assets of other agencies would return to the Consolidated Fund. They may be the subject of a particular ERC decision that will see them effectively retained by the agency and recycled into capital projects delivered by and for that particular agency. We also have to distinguish between the actual management of cash versus the accounting treatment of those funds. Treasury manages a cash management approach to ensure that the State's cash assets are best optimised and held, interest is earned, et cetera. That is slightly different to where the accounting treatments of the funds might end up.

The Hon. GREG DONNELLY: That is fine. Thank you.

Mr DOMINIC PERROTTET: Just following up on your previous question. I have confirmed that there are 277,400 properties on the register.

The Hon. GREG DONNELLY: Thank you very much, Minister. I am grateful for that specific answer.

Mr DOMINIC PERROTTET: We have listed every one for you. What a great effort. We found 277,000 properties.

The Hon. GREG DONNELLY: I was holding my breath for that answer. I am grateful for it. Have any of the buildings that have been sold since the establishment of Government Property NSW been leased back to the Government?

Mr DOMINIC PERROTTET: There are a number.

The Hon. GREG DONNELLY: Could that list be provided to the Committee on notice?

Mr DOMINIC PERROTTET: Yes.

The Hon. GREG DONNELLY: Are there common contract or lease-back arrangements for those buildings or does it vary from property to property?

Mr DOMINIC PERROTTET: I would expect that to vary from property to property.

The Hon. GREG DONNELLY: For example, has the Ausgrid building in George Street been leased back?

Mr DOMINIC PERROTTET: Most likely. I can confirm that, but I assume that it has been.

The Hon. GREG DONNELLY: Take it on notice. Has the Hunter Water building on Wharf Road in Newcastle been leased back? Do you need to take that on notice?

Mr DOMINIC PERROTTET: I will take it on notice. There is a lot of property. We do not know them all.

The Hon. GREG DONNELLY: I do appreciate that we are talking about a number of properties, but this is important. Under the current framework, can any State-owned buildings in New South Wales be sold by individual agencies?

Mr DOMINIC PERROTTET: Would you clarify the question?

The Hon. GREG DONNELLY: In other words, can an agency sell a piece of property or are all property sales channelled through Government Property NSW?

Mr DOMINIC PERROTTET: They can.

Mr ROMANIUK: Yes.

Mr HOFFMAN: The basic arrangement is that generic property assets such as office buildings and commercial warehouses are vested and held by Government Property NSW. Specialised assets that are unique or integral to the service delivery function of the agency remain with the agency—

The Hon. GREG DONNELLY: Sorry to cut you off, but that seems to contradict the answer that was given at the start of my questioning about properties in New South Wales.

Mr HOFFMAN: With respect, I do not believe it does. I was pointing out that there is the register, which we attempt to make as complete as possible. I was referring to the vesting of ownership and the sales rights, which might be a different arrangement, depending on the asset.

The Hon. GREG DONNELLY: If we are looking to establish whether a property owned by the State has been sold in the past 12 months, we can come to you and obtain a figure for the number of properties sold. But there could be other properties that have been sold that are not part of that figure. Is that correct?

Mr HOFFMAN: There could be, yes.

The Hon. GREG DONNELLY: How would one establish where the other properties are that may have been sold by agencies? How does one find that out?

Mr HOFFMAN: You could go directly to each agency, through the relevant estimates hearing. As Government Property NSW expands its advisory function to other agencies, it will have information on such transactions even though it has not conducted them.

The Hon. GREG DONNELLY: What is the number of properties?

Mr DOMINIC PERROTTET: It is 277,400.

The Hon. GREG DONNELLY: Based on the answers I have been given, I understand that that is not a complete list of government properties in this State. It is the ones that are on the register. Is that what you are saying?

Mr DOMINIC PERROTTET: The list includes not only properties that are owned by Government Property NSW but properties owned by other agencies.

Dr JOHN KAYE: Including schools and hospitals?

Mr DOMINIC PERROTTET: Yes.

Mr HOFFMAN: Mr Donnelly, I was making a distinction between types of properties on the register. We are attempting to make it a complete list that includes assets that in some cases are owned and controlled by Government Property NSW and other cases remain owned and controlled by the relevant service delivery agency.

The Hon. GREG DONNELLY: Thank you.

Dr JOHN KAYE: Minister, when a decision is made to sell a property and a cost-benefit analysis is conducted—as a minimum, I hope—what discount rate is used?

Mr DOMINIC PERROTTET: That is an operational matter.

Mr ROMANIUK: We take the advice of Treasury. It typically uses the rate of 9.5 per cent.

Dr JOHN KAYE: Have you looked at buildings that you have sold and leased back to work out whether it has been of financial benefit to sell the building?

Mr ROMANIUK: I am sure that has been done.

Mr DOMINIC PERROTTET: I will ask the Secretary to comment on the benefits of sale and lease-back.

Mr HOFFMAN: It is important to realise that, prior to the implementation of the Property Asset Utilisation Taskforce [PAUT] principles, very little property was sold. The Minister made that point earlier. It has only been in the past couple of years that recycling of the balance sheet has been undertaken. There is a limited amount of data to look back at. The point of the sale and lease-back is to free up the capital base for investment in infrastructure that only the Government can provide, such as major transport and other social infrastructure. The returns to that are wider economy-based returns than just the lease payment calculations. It is a complex exercise.

Dr JOHN KAYE: That is not what I was asking. Mr Hoffman, you have taken a whole-of-government value. I am asking specifically about financial transaction, not economic transaction. Are you looking back to

determine the financial benefits of the individual transactions? I am not asking about the value of capital to the whole of government.

Mr HOFFMAN: We can take that on notice.

Dr JOHN KAYE: I appreciate that. Minister, I turn to the changes to NSW Public Works that you announced in June 2015. You said that "anything which can be done in the private sector" would be done in the private sector. Will you tell the Committee which services you have in mind and which services have already been transferred to the private sector?

Mr DOMINIC PERROTTET: None have been transferred so far. Public Works has been around since 1831. At the time that Public Works came into being, the world was a different place. It is the Government's view that it needs to provide value for taxpayers. Where works need to be done, particularly in metropolitan areas, where there is a contestable private market, the Government will transition to being a smart buyer or take more of a commissioning role and exit services. As I said in my press release, that provides strong contestability across the State.

Dr JOHN KAYE: Mr Hoffman, in answer to your last question, you used the expression PAUT, which stands for Property Asset Utilisation—

Mr HOFFMAN: Property Asset Utilisation Taskforce. I will avoid acronyms.

Dr JOHN KAYE: You can use it now. We need to spell out acronyms when we first use them.

The Hon. TREVOR KHAN: Avoid them. I did not know what it stood for.

Dr JOHN KAYE: I return to my line of questioning. Minister, you made that announcement in June 2015. It is now September. Would you tell the Committee what you have done to actualise that statement?

Mr DOMINIC PERROTTET: That is an operational matter, so I will pass to the Secretary. There are a number of business units within Public Works, as you would be aware. We have made a decision to explore options in relation to each of the individual business units. There are obviously certain businesses which we would not seek to exit—potentially, you would say, in rural and regional areas where a contestable market may not exist—and the Government is working through each of those matters.

Dr JOHN KAYE: Is the CSG—this is the good CSG, not the bad CSG—the Construction Services Group on your list? They are the group that do the physical work.

Mr DOMINIC PERROTTET: Yes, it is.

Dr JOHN KAYE: It is on your list and it is being targeted?

Mr DOMINIC PERROTTET: Yes.

Dr JOHN KAYE: Could I also ask about the Mobile Utility Maintenance Services, known affectionately in public schools as MUMS? It is the group that does minor maintenance in public schools. Is MUMS on your list to be looked at?

Mr DOMINIC PERROTTET: Any group within Public Works we are working through and looking at, whether or not a private market may exist, where there is value for taxpayers. The Government would not under any circumstances exit a business that would not provide value for the taxpayer or compromise the service that is currently being provided by Government.

Dr JOHN KAYE: Let us go to the famous sandstone unit and its unique stock of yellow block. I think it has about 40 or 50 skilled sandstone craftsmen, and we have all seen them working on various buildings around Sydney—remarkable characters that they are. There are 25 apprentices in their Aboriginal intake program. Is that protected from your process or is that part of your process?

Mr DOMINIC PERROTTET: I said from the outset that we are working through each of these units. What I can say in relation to the yellow block is that no decision has been made in relation to the Heritage

Services. Where there is not a mature contestable market for certain heritage services, for heritage services, the New South Wales Government will not seek to exit that market. In relation to the yellow block sandstone stockpile, there are no plans at all to sell the stockpile of yellow block sandstone. In relation to the Minister's Stonework Program, the program of conservation planning which occurs with the heritage buildings that you refer to—and obviously there are many others—that will continue under the Public Works transformation process.

Dr JOHN KAYE: Sorry, that will?

Mr DOMINIC PERROTTET: That will continue after the transformation process.

Dr JOHN KAYE: I am just not sure what those four words mean.

Mr DOMINIC PERROTTET: When we are maintaining heritage buildings there is a distinction between who carries out the work and the focus on actually maintaining the buildings. In terms of whether or not there is a contestable market, there are a number of sandstone buildings in metropolitan Sydney where the heritage work and maintenance have not occurred by the government—for example, the Queen Victoria building, Central train station, St Mary's Cathedral. They are all looking pretty good at the moment, to me.

Mr HOFFMAN: Just to be clear, Dr Kaye, the Minister's Sandstone Program creates the funding and the demands for heritage work to preserve the buildings. We are currently testing the nature of the market for the supply of services to do that. The Minister gave some examples of current and recent significant heritage work done in Sydney without the involvement of Public Works. So we are still seeking to confirm the nature, the size and depth of the contestable market.

Dr JOHN KAYE: Can you tell us how you are doing that?

The Hon. BEN FRANKLIN: Point of order: The member's time for questions has expired. He will have two more goes at this.

The Hon. GREG DONNELLY: To the point of order: He was halfway through the question.

The Hon. BEN FRANKLIN: He was not; he started asking the question after the buzzer had gone off.

Dr JOHN KAYE: I know that I am asking good questions when this happens. Maybe it is a compliment.

The Hon. PETER PRIMROSE: It is an endorsement.

Dr JOHN KAYE: Yes, it is an endorsement.

CHAIR: We will now move on to my own questions as a crossbench member. Minister, I note in regard to WorkCover a budget increase of 25.5 per cent for the WorkCover Authority and a 7 per cent increase in funding for the Dust Diseases Board. How does the coverage for workplace injury now in New South Wales compare with the other States?

Mr DOMINIC PERROTTET: I will pass to the CEO of WorkCover to comment on that.

Mr BHATIA: In terms of the actual benchmarks in other States, I can come back to you with specifics. However, I can say that in terms of our work health and safety inspectorate, at 315 that is the maximum number of permanent positions when you compare it to other States. Their role is very heavily focused to ensure that they go out and make inspections to prevent harm and offer advice on how to have better health and safety practices at work. So what I would say is that the movement that we have in terms of budgets from last year to this year is predominantly on a full establishment basis.

But the estimates that were put forward this year are more likely to be compared to the budgets for last year as opposed to the actuals for last year. The reason for the discrepancy is predominantly based on the fact that as we were building the right-of-trading model for work health and safety, we were also ensuring that we understand the different skills—that we can understand what the different skill sets are that we need to now look at in the changing landscape of workplaces.

CHAIR: How do the actual payments that injured workers will receive in New South Wales compare with the other States?

Mr BHATIA: In terms of the benefits that workers compensation delivers to injured workers, it is comparable if not better than most States in terms of the people who have the highest needs for support after a workplace accident.

Mr DOMINIC PERROTTET: If you look at the recent amendments we brought through, we now have the highest death benefit compared to each of the States for those who die in a workplace accident. If you look at some of those other benefits which we brought back—there is a range of them as part of the recent amendments to the Workers Compensation Scheme—they are the most generous entitlements in the country.

CHAIR: I know that you are going through various stages in improving the situation. Will injured workers continue receiving weekly benefit payments while this process of review is underway?

Mr DOMINIC PERROTTET: That is right.

Mr BHATIA: Yes.

Mr DOMINIC PERROTTET: My understanding was that that was always happening in practice; it was simply just not enshrined in law and it is part of the recent changes that we made. We ensured that there was a provision in the legislation, for the avoidance of any doubt, that those weekly payments would still be made whilst those decisions were on foot.

CHAIR: As part of these improvements, can you forecast any further legislation in this area, in WorkCover benefits and so on, or is it stabilised now for the next year or two years?

Mr DOMINIC PERROTTET: That is a good question. We spent a considerable time over the last 12 months working on putting these amendments together. We believe that the Workers Compensation Scheme and the entitlements that we have put forth assist injured workers return to work and for those who are unable to return to work that they receive the support and care that they need. We responded to a range of the recommendations that were made both from the statutory review by the Centre of International Economics and by the Standing Committee on Law and Justice, which made a number of recommendations on the basis of what entitlements it was thought should be provided to injured workers to assist them return to work.

We considered those recommendations. The package that we put forward I believe addresses the majority of those concerns that were raised and we brought on the structural separation that was also a recommendation from those reports. And, as part of an amendment that you moved in the upper House, there will be a committee that I guess will convene at some stage and review the outcome of the amendments that we have made to the Workers Compensation Scheme, and I think you can be assured that we would consider those recommendations. The track record that we have on not just considering those recommendations but acting on them I think can be seen through the amendments that we brought through to the Workers Compensation Scheme just a few weeks ago.

CHAIR: I am pleased that you accepted my amendments to include the police, paramedics and firefighters in the legislation. Is there any simple explanation as to why they were overlooked in the legislation? I know it was not a deliberate policy but is there any explanation?

Mr DOMINIC PERROTTET: Well, they were very good amendments, Reverend, and that is why we accepted them. I would refute the premise of "overlooked" because we made a commitment, in the election campaign, to amend the Workers Compensation Scheme to return funds to both injured workers and businesses at a ratio of 2:1 but above what is required to keep the scheme in surplus, which we take as a solvency ratio of 110 per cent. As you will be aware, police and volunteers and a certain other class of worker which is not part of the Workers Compensation Scheme, they fall outside the Workers Compensation Scheme. So that is why they were not included in it. As you would be aware, they were excluded from the 2012 reforms, based on amendments that you made. That was the reason why police and emergency services were not included in the original legislation that was brought to the Parliament. Having said that, we are always open to amendments that will assist injured workers. You moved those amendments and we supported them.

CHAIR: Under Finance, I note that there is a budgeted 10.4 per cent increase in government services expenses. What is covered in this budget line item?

Mr DOMINIC PERROTTET: Government services expenses I will pass to Mr Hubby.

Mr HUBBY: There was an increase in the Government Services Division in the Department of Finance, Services and Innovation relating to the ServiceFirst Outsourcing program. There is a one-off cost relating to implementation and transition and that is the primary driver of the increase.

CHAIR: There also seems to be something a bit unusual in the budget papers. In the line item Personnel Services there is a dramatic increase to \$704.1 million. What was this increase?

Mr DOMINIC PERROTTET: There has been an increase in employee-related expenses of \$26.4 million due to the transfer of the Sydney Harbour Foreshore Authority staff to the new Department of Finance, Services and Innovation. You may be aware that the Sydney Harbour Foreshore Authority previously fell within the Planning portfolio. Further, there has been an increase in grants and subsidies by \$408.4 million, due to the passing through of grants paid to entities, including Service NSW, of \$359 million. Service NSW previously was an executive agency within Treasury. So that is now formed in Government Property NSW, \$26 million; Sydney Harbour Foreshore Authority, \$14 million; and Teacher Housing Authority, \$6 million. In 2014-15 these payments were made by Treasury directly to those business units. That explains the difference.

CHAIR: The large amounts.

Mr DOMINIC PERROTTET: Yes.

CHAIR: Thank you. Mr Primrose.

The Hon. PETER PRIMROSE: If I can go back to Estimates last year when we were talking about procurement for transport. If I can quote you then, you said, "My understanding is that would be a matter for Transport. In relation to the specific one you are referring to of transport, I would say that is a matter for the Minister for Transport. This has been confirmed to me." Do you recall that?

Mr DOMINIC PERROTTET: If that is what I said, that is what I said.

The Hon. PETER PRIMROSE: That is what *Hansard* says.

Mr DOMINIC PERROTTET: Well, if that is what *Hansard* said, I am sure they got it right.

The Hon. PETER PRIMROSE: Yesterday, in budget estimates, however, the transport Minister told that estimates committee that procurement, including transport procurement, was a matter for the Minister for Finance and Services. So who, in fact, in your Government is responsible for procurement and, in particular, transport procurement? Were you right last year or was the Minister for Transport right yesterday?

Mr DOMINIC PERROTTET: Thank you for the question, Mr Primrose, it is good to be back here with you again this year. You have a good memory. In relation to procurement, in respect of particular infrastructure projects where procurement is relevant, the relevant Minister for that infrastructure project is the relevant Minister. But in relation to where the Department of Finance, Services and Innovation plays a role is that we are responsible for the NSW Procurement Board, which has an overarching procurement policy perspective across government. So if you are looking at procurement policy across government, which sets parameters in terms of how procurement should occur, that would fall within the Department of Finance, Services and Innovation. The NSW Procurement Board has, I think, nine members on it and is made up of each of the secretaries from the departments across the government.

The Hon. PETER PRIMROSE: And your department head. I am familiar with the structure; I am just trying to get an idea.

Mr DOMINIC PERROTTET: I understand your point.

The Hon. PETER PRIMROSE: Who is responsible for procurement?

Mr DOMINIC PERROTTET: From an overarching policy perspective, when you are looking at what type of consideration should be made across government for procurement, then the Department of Finance, Services and Innovation has an overarching role to play. But if you are going to ask a specific question on a specific project, then that question is probably more relevantly directed to the responsible Minister. For example, if you are talking about roads, you might direct that question to the Minister for Roads.

The Hon. TREVOR KHAN: And he would give you a good answer.

The Hon. PETER PRIMROSE: Yes, he would say: "Take it up with the Minister for Finance Services and Property".

Mr DOMINIC PERROTTET: If your question is related to overarching government procurement policy and what matters should be considered, then that would fall within the Department of Finance, Services and Innovation. Is that as clear as mud?

The Hon. PETER PRIMROSE: So everyone has a go, okay.

Mr DOMINIC PERROTTET: It gives you more opportunities to ask more Ministers questions.

The Hon. PETER PRIMROSE: For instance, one of the things I did, as you would be aware, is to go through budget estimates in *Hansard*. I will read you another quote from last year from you.

Mr DOMINIC PERROTTET: Someone has done his homework.

The Hon. PETER PRIMROSE: I always take Ministers at their word. You said:

If I were involved in any ... 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.

That is in *Hansard*. Do you recall that statement?

Mr DOMINIC PERROTTET: Can you read that again, so that I can confirm what I said?

The Hon. PETER PRIMROSE: You said:

If I were involved in any ... 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.

Mr DOMINIC PERROTTET: What a great comment.

The Hon. PETER PRIMROSE: It is yours.

Mr DOMINIC PERROTTET: It is mine.

The Hon. PETER PRIMROSE: Do you accept that?

Mr DOMINIC PERROTTET: I accept that.

The Hon. PETER PRIMROSE: Thank you. How many jobs providing IT structure and support to government services and agencies are being provided from interstate or offshore?

Mr DOMINIC PERROTTET: I will say that over the past three years the New South Wales Government has paid approximately \$26 billion to 97,000 suppliers for goods and services in the construction—

The Hon. PETER PRIMROSE: Over what period?

Mr DOMINIC PERROTTET: Over the past three years the New South Wales Government has paid approximately \$26 billion to 97,000 suppliers for goods and services in the construction and facilities maintenance industry. These range from the very large infrastructure projects to the small maintenance and cleaning jobs. The department is about to publish the names of 4,200 major construction firms supplying to the

New South Wales Government, the amounts paid and the categories of expenditure. All of those major suppliers were paid more than \$150,000 over the past three years.

Directly related to your question, businesses based in New South Wales were paid \$17.2 billion, which equates to 68 per cent of those payments. In other words, as I said last year—which is obviously backed up by our record—businesses in New South Wales are already delivering more than two-thirds of the value of goods and services in the Government's construction and facilities maintenance programs, which includes infrastructure work. Virtually all the remainder is paid to Australian businesses based in the other States and Territories. Only \$61 million cannot be ascribed to an Australian-based business. For your information, that equates to just 0.2 of 1 per cent of the total expenditure on construction and foreseen maintenance. That is a great record in relation to supporting New South Wales businesses.

The Hon. TREVOR KHAN: It is; you deserve a pat on the back.

Mr DOMINIC PERROTTET: Thank you. So backing up from last year, it shows that we are on the job.

The Hon. PETER PRIMROSE: How many IT jobs providing services are located interstate or overseas?

Mr DOMINIC PERROTTET: IT specifically? Are you referring to ServiceFirst or are you saying across government?

The Hon. PETER PRIMROSE: Just across government. Will you take that on notice?

Mr DOMINIC PERROTTET: I will take that on notice.

The Hon. PETER PRIMROSE: How many full-time equivalent staff were employed by ServiceFirst New South Wales in July 2014?

Mr HUBBY: I will take the specific number on notice but there are approximately 300 staff, 70 of which were contractors and roughly 220 employees.

The Hon. PETER PRIMROSE: Is that as at July 2014?

Mr HUBBY: I will take on notice the exact number.

Mr DOMINIC PERROTTET: I have 300—228 permanent and 72 contractors.

The Hon. PETER PRIMROSE: How many now?

Mr HUBBY: That number has been gradually declining since we entered into contracts with Unisys and Infasys because we are planning for the transition of outsourcing of those functions. We have been working with staff to locate other jobs within government and as a result the number of permanent staff have been gradually reducing and we have been backfilling with contractors.

The Hon. PETER PRIMROSE: Will you take on notice how many as at today and how many in six months hence is your projection.

Mr HUBBY: We will take that on notice.

The Hon. PETER PRIMROSE: You also advised budget estimates on 22 August last year: "In relation to offshoring there is nothing that has come before me on that so far." Is that right?

Mr DOMINIC PERROTTET: That is what I said.

The Hon. PETER PRIMROSE: On what date did you become aware that the negotiations to outsource the work of ServiceFirst New South Wales included the possibility of work being sent offshore?

Mr DOMINIC PERROTTET: I will take that on notice.

The Hon. PETER PRIMROSE: Are you aware of a scoping study of September 2013 to this effect that was undertaken by former Minister Constance?

Mr DOMINIC PERROTTET: I will take that on notice. You are asking me about what I was aware of at a time 12 months ago. I will have to take on notice when I was actually made aware of various things.

The Hon. PETER PRIMROSE: Would you also take on notice the following: Did final bids from shortlisted vendors begin in July 2014? How is it possible that on 22 August 2014 you were not aware as Minister that some of these shortlisted bids included offshoring of jobs?

Mr DOMINIC PERROTTET: I will take them on notice.

The Hon. PETER PRIMROSE: Is it the case that some of the personal and private information of the people of New South Wales, such as their payroll details, financial accounts and recruitment information collected by government agencies will be sent offshore?

Mr HUBBY: The records and data that are currently held by ServiceFirst—and ServiceFirst does hold payroll information for Government employees—will be held onshore. That information will be accessible by offshore staff but it will be held onshore.

Mr DOMINIC PERROTTET: It will be stored in New South Wales.

The Hon. PETER PRIMROSE: What other information that is currently held by ServiceFirst may be stored offshore?

Mr HUBBY: No data will be held and stored offshore. It will be accessible for processing purposes and to complete transactions. It will be available to our contracted partners offshore but not stored offshore.

The Hon. PETER PRIMROSE: What were the costs last year of developing the new software that has been used by Service NSW?

Mr KING: We use a range of software and a range of particular suppliers. I will have to take it on notice in terms of 2013-14. But in 2014-15 Service NSW is projected to spend approximately \$47 million on other operating expenses, excluding employee expenditure. The vast majority of this expenditure is for expenses such as contractors, property leases, telephone and also IT.

The Hon. PETER PRIMROSE: New software?

Mr KING: Yes, in terms of software. About \$6.3 million for software licences because we licence our software and also maintenance agreements and they relate to things such as Salesforce and Microsoft, but also in addition to that some of the existing technology such as drives and GLS—which is the Government Licensing Systems, which is an internal system.

The Hon. PETER PRIMROSE: That is for 2014-15. Will you provide a projection for the development of new software for this financial year?

Mr KING: For 2015-16, I will take that on notice.

Mr DOMINIC PERROTTET: I will pass to the secretary to provide further information.

Mr HOFFMAN: Service NSW is a very important part of the Government's program and there is considerable investment to continue the development of it. In 2015-16 there will be: \$4.7 million on the easy to do business program to improve the productivity of small business by reducing the amount of government interaction that is required to start businesses; \$18.4 million for the customer services system integration to deliver a new generation platform to migrate the Road and Maritime Services transactions from the old RMS system to Service NSW, contact details, check demerit points, identity management, address validation, renewal of registrations, renewal of licences, transfers of registrations, notices of disposal, vehicle history checks, issue of replacement licences, et cetera; \$10.2 million for the digital channel enhancements to deliver the front end user experience for these transactions, and investment in Newcastle for the contact centre software to expand

seating from 220 to 300 seats in the Newcastle contact centre, and upgrade technology to support additional services and transactions being delivered to Service NSW; \$10.6 million invested to build the payments gateway to process all customer payments across government services, specify build and integrate; \$2.1 million in the service centres and technology-related assets; and \$42.5 million for the consolidation of service centres to provide physically accessible sites for clients who prefer not to use online or phone channels. These are the one-stop shops for multiple government agencies and services.

Mr DOMINIC PERROTTET: As you can see, Service NSW is going to be the best service delivery model not only in the country but also around the world. From a digital perspective, we are bringing it into the twenty-first century.

The Hon. PETER PRIMROSE: I look forward to quoting that again at some point in the future.

Mr DOMINIC PERROTTET: Have you had a chance to visit a Service NSW centre?

The Hon. GREG DONNELLY: You do not get to ask the questions.

The Hon. PETER PRIMROSE: The 2013-14 annual review of the Office of Finance Services noted:

People who apply for compensation are now advised of medical authority decisions within 24 hours and of awards of compensation within 48 hours.

Minister, will you guarantee at least the same speed for notifications under the new arrangements?

Mr DOMINIC PERROTTET: Can I take that on notice? I am not exactly across what specific issue that falls under. I will check and give you a response.

The Hon. PETER PRIMROSE: Do you expect the Dust Diseases Authority to continue to monitor the respiratory health of more than 4,800 workers every year?

Mr DOMINIC PERROTTET: The Dust Diseases Authority, yes.

The Hon. PETER PRIMROSE: Last year in budget estimates you committed to meet with the board of the Workers Compensation Dust Diseases Board. Did you ever meet with them?

Mr DOMINIC PERROTTET: No. I think what we discussed last year, and obviously I have not reviewed the transcript as you have, but the line of questions—

The Hon. TREVOR KHAN: He has got other things to do.

Mr DOMINIC PERROTTET: You have done your research. Correct me if I am wrong, the line of questioning was about concerns over the experience that was currently on the Dust Diseases Board. There were concerns that the Government had a policy for boards when certain members had served there for a significant period of time and you wanted to retain the expertise that was currently serving on that board.

The Hon. PETER PRIMROSE: That is correct.

Mr DOMINIC PERROTTET: I think I responded along the lines that I believe it is important that we retain expertise in those positions but at the same time it is important that governments refresh boards. If you have the same people serving on boards for a significant period and then they all of a sudden resign there is no mentoring of the new talent.

The Hon. PETER PRIMROSE: Did you ever meet with the board?

Mr DOMINIC PERROTTET: I said to you I have not met with the board. I have met with a range of stakeholders but I did not meet with the previous board of the Dust Diseases Board.

The Hon. PETER PRIMROSE: In the recent changes to workers compensation why were mineworkers excluded?

Mr DOMINIC PERROTTET: Once again—

The Hon. PETER PRIMROSE: I understand; I just wanted to clarify.

Mr DOMINIC PERROTTET: This refers back to the similar point that Reverend the Hon. Fred Nile raised. That was whether the changes that we are making were specifically in relation to the workers compensation scheme. You would be aware, I would presume, that miners are a class of worker that falls outside the workers compensation scheme that we amended. Reverend Nile moved an amendment in relation to police and emergency services, which the Government accepted. Coalminers specifically, as you would be aware, have their own separate scheme that differs fundamentally from the workers compensation scheme. Coalminers have generally been excluded from workers compensation reforms for many years, since 2001, and Coal Services operates as their specialised insurer. Our benefit reforms were intended to deliver benefits as a result of the surplus in the workers compensation scheme to meet our election commitment, which I referred to earlier, to workers in New South Wales.

When we considered the increase in benefits for workers compensation we looked at the design of the scheme as a whole, including factors such as financial sustainability and the interaction with other entitlements. To increase benefits in the other schemes such as the ones you are referring to we would need to consult and consider the schemes holistically, including all the benefit entitlements they currently have such as unlimited medicals, weeklies until retirement age, access to common law damages and so on. Coal Services may also be able to extend benefits to coalminers through industrial relations instruments. But, of course, we can look into this issue in future and are open to speaking with Coal Services about it. I think you would see from the Government's response to the recommendations in a number of the Upper House reports that we are always open at looking at ways in which we can improve the scheme.

Dr JOHN KAYE: We are back to the issue of testing the market for services provided by Public Works. When you are testing the market how do you assess the security that is obtained by maintaining a particular expertise within the public sector?

Mr HOFFMAN: Since the announcement the Minister made in June we have set up a task force involving current senior management in the Public Works division, additional staffing from across government and a number of advisers from a legal firm, probity, accounting and financing as well as market transaction experts. The testing is done in two parts. The first is an analysis of the business unit within Public Works itself, looking at its size and shape, its contract book, the spread of contracts that it has with different government agencies and how concentrated that is, what are their terms and durations. Then on the other side we examine the market for similar services. That involves doing a scan of what other firms are out there in the private sector providing similar services, many of whom are already providing services to government agencies in competition with Public Works right now and have been doing so for a number of years.

Dr JOHN KAYE: If I may direct you to the specific question I asked about the security that is obtained by maintaining services within the public sector. That is to say, you might buy a service from the private sector but there is no guarantee that the service will be available in two or three years. Companies come and go, they change emphasis and they change business models. How do you assess that in this process?

Mr HOFFMAN: By looking at the depth of the contestable market in the private sector: How many firms are there, what size are they, and what are their balance sheets like in terms of their stability and longevity? They are the issues.

Dr JOHN KAYE: Minister, can I put a slightly philosophical question to you. In your mind is there a point at which certain functions are of such a specific nature that they have to be within the public sector or do you think everything can eventually be transferred to the private sector?

Mr DOMINIC PERROTTET: You are asking my personal philosophical view?

Dr JOHN KAYE: I think so, inasmuch as it informs what you do as a Minister.

Mr DOMINIC PERROTTET: As I have said in the release, I have a strong view that if there is a contestable market and the private sector can carry out works in a more efficient way and provide better value for the taxpayers of New South Wales then we should explore that.

Dr JOHN KAYE: There are no limits to that process?

Mr DOMINIC PERROTTET: The limit is—

Dr JOHN KAYE: The limit is only imposed by the market. There are no endogenous limits, is what I am asking.

Mr DOMINIC PERROTTET: We look at everything on a case-by-case basis, as we should, but from a fundamental policy perspective I would say that the Government has an obligation to its citizens to provide the best services at the best price and provide the best value for taxpayers in New South Wales. That is the role of government. That is the philosophical perspective I take.

Dr JOHN KAYE: Can you give us a breakdown of the job classifications of the people whose jobs are being reviewed through this process?

Mr DOMINIC PERROTTET: I could provide you on notice with a list of each of the business units within Public Works and provide you with a list of those which we are not examining if that would assist.

Dr JOHN KAYE: That would be great. Thank you.

Mr HOFFMAN: Just to confirm, by job classifications do you mean the sort of work they do or their public service grading?

Dr JOHN KAYE: No, the sort of work they do. I would like to know how many plumbers, how many electricians, for example.

Mr DOMINIC PERROTTET: How many employees and then listed by the types of works?

Dr JOHN KAYE: The occupations.

Mr DOMINIC PERROTTET: That is fine.

Dr JOHN KAYE: The Hon. Peter Primrose asked you earlier about the provision of jobs locally and he reiterated a quote of yours from last year, which I think was very instructive.

The Hon. PETER PRIMROSE: It was a good quote.

Dr JOHN KAYE: It was a good quote and it was good that Mr Primrose found it because it motivates my next question. Let us go to the issue of the steel industry and in particular the No. 5 blast furnace—the last remaining blast furnace in Port Kembla. Do you have a handle on how much raw equivalent steel is purchased through government contracts each year? I am asking for the number of millions of tonnes.

Mr DOMINIC PERROTTET: I can take the exact figure on notice but in relation to—

Dr JOHN KAYE: Do you understand the question I am asking, Minister? And you must understand why I am asking it.

Mr DOMINIC PERROTTET: Yes, I understand the question. We do not have the figure but we can get you that on notice.

Mr HOFFMAN: My understanding is that it is approximately 2.6 million tonnes of raw steel equivalent per annum. Very little of that is exported. I do not have—

Dr JOHN KAYE: That is the amount that is manufactured.

Mr HOFFMAN: I do not have the split in my head between State government contracting purchases versus private sector.

Dr JOHN KAYE: Just to be clear, the 2.6 million tonnes is the amount that comes out of the Port Kembla blast furnace each year.

Mr DOMINIC PERROTTET: Correct.

Dr JOHN KAYE: My question relates specifically to the issue of how much of that, along with imported steel, ends up in government paid-for infrastructure and other projects.

Mr DOMINIC PERROTTET: We will take that question on notice.

Dr JOHN KAYE: Minister, I again ask a slightly philosophical question. How do you respond to the proposal coming out of the unions in the Illawarra, and backed by a number of other organisations, my own included, that there should be a procurement policy that says that 50 per cent of the steel used in all government infrastructure projects should be from Australian blast furnaces?

Mr DOMINIC PERROTTET: In relation to BlueScope, I can say that the Government is impressed with what they are doing to keep their operations going in Port Kembla. We are currently engaged with them in their review of operations at Port Kembla and we are committed to working constructively with them to keep jobs in the Illawarra. Through our record infrastructure investment, we are creating opportunities for manufacturers like BlueScope to provide high-quality materials to build the roads and railways which we are delivering across New South Wales. I commend the work that organisation is doing to ensure its long-term viability. We are committed to continuing to work constructively with them on that task.

My department has been in discussions with them around the issue of self-insurance costs. WorkCover is currently reviewing its self-insurer framework and policy. I understand that PricewaterhouseCoopers has been engaged to manage the review and consultation process. The self-insurer review is examining the potential for regulatory reform, which will obviously assist. I understand that the new State Insurance Regulatory Authority [SIRA] will continue this review when it assumes WorkCover's regulatory functions. SIRA will be inviting self-insurer input towards this important reform of self-insurer licence requirements in the coming weeks. Obviously we want to work with them to assist.

Dr JOHN KAYE: Thank you, Minister, that is interesting; but my question really was about procurement policy and goes to your leadership role in procurement. The State of New South Wales is spending \$80 billion over the forward estimates: \$60 billion plus the \$20 billion from Rebuilding NSW—

Mr DOMINIC PERROTTET: It is going to be great for businesses.

Dr JOHN KAYE: The question I want to put to you is: How great will that be for the steel business in Australia given that most other steelmaking jurisdictions are now dumping their steel internationally? Most of them are dumping it from behind either a tariff barrier or a government procurement policy of domestic support, or in the case of the United States and Canada both, and we are not. Where do you think that leaves our steel industry?

Mr DOMINIC PERROTTET: In a practical sense, in response to your question, suppliers should be free to choose where they source their product from so long as it meets the Australian standards we have in place. Firstly, I think it would be a ridiculous impost on our suppliers in the construction and maintenance areas if they were required to have two sets of supply chains depending on whether they were doing work for the New South Wales Government or doing work for other clients. Secondly, Australia belongs to the World Trade Organisation. We have signed agreements to eliminate tariffs—

Dr JOHN KAYE: So do all the other nations that are protecting and procuring their own steel.

Mr DOMINIC PERROTTET: We have signed agreements to eliminate tariffs and other restrictions on trade between countries. This includes several commitments which apply to State government procurement activities. Australia's free trade obligations mean any proposal to mandate the use of Australian-made steel could only have limited application to large-scale infrastructure projects. A law requiring the use of Australian-made steel on all New South Wales government infrastructure projects would breach the terms of those free trade agreements and would allow other countries to place tariffs on Australian exports. In many cases the markets our exporters gain access to through free trade agreements are much larger than what is available in Australia. For example, and you mentioned earlier the United States, the Australia-United States Free Trade Agreement gives Australian exporters the opportunity to supply to the US Federal Government, which spends at least \$US535 billion annually.

Dr JOHN KAYE: Minister, they have procurement protections in place.

Mr DOMINIC PERROTTET: The export opportunity is approximately 50 times the size of the New South Wales government expenditure, in terms of the size of the markets. So the proposal to mandate the use of Australian-made steel in infrastructure projects may actually end up hurting a lot more New South Wales businesses and New South Wales jobs than it would actually protect.

CHAIR: Thank you, we will now move on to my questions. Minister, I note that the Small Business Employment Incentive Grant has been available since 1 July 2015. What response are you getting to that grant? How many positions have been created? I realise that it has only been running for the past two months. What is your estimate for 2015?

Mr DOMINIC PERROTTET: Mr Chair, as you know, the Government is committed to supporting small businesses and alleviating the burden on them. As you would be aware, we committed to cutting taxes on small businesses, some \$7,500, before the last election. In relation to that program, it is one program of many that we have put together. As you quite rightly said in your question, the program has only been running for two months now. So I do not have any specific figures in front of me but I am happy to take that question on notice and come back to the Committee with those details.

CHAIR: Could you also provide an estimate as to what the response could be over the 12 months.

Mr DOMINIC PERROTTET: I will pass that question over to Mr Hoffman.

Mr HOFFMAN: As at 31 August some 115 businesses have registered for the Small Business Grants and Jobs Action Plan rebate, with 147 new positions at that stage. We would expect that to ramp up as greater awareness and familiarity with the program comes. As the Minister has said, we can take it on notice to get a full-year estimate for you.

CHAIR: In regard to the amount of money that comes in from fines in New South Wales, I note that New South Wales motorists were fined almost \$180 million last year, which is equal to 1.3 million individual tickets—or a fine every 25 seconds. What concerns me is that out of the 133,218 people who appealed their fines 44,955 were successful in having the fine repealed. What is the Government's response to this situation where solicitors are getting their clients off their fines?

Mr DOMINIC PERROTTET: There are some good lawyers out there, obviously.

Mr DAVID SHOEBRIDGE: Or maybe the fine should not have been issued in the first place.

CHAIR: The argument often is that the equipment is faulty or has not been registered or checked.

Mr DOMINIC PERROTTET: We have a legal system, Mr Chair. If a fine has been issued incorrectly then people have the right to challenge those fines. Good luck to them. I would like to challenge fines myself but I would not want to put myself in that position.

The Hon. TREVOR KHAN: Do not make any unnecessary admissions. Stay clear of that.

The Hon. GREG DONNELLY: Can you elucidate on that answer?

The Hon. BEN FRANKLIN: Minister, you are speaking hypothetically, I am sure.

Mr DOMINIC PERROTTET: From a finance perspective, we do not set the policies in relation to that. We are just involved there from more of an Office of State Revenue [OSR] perspective as a collection agency. We take a collections role. As the Secretary of the department has just pointed out, there are also hardship provisions. So obviously, being a compassionate government that is concerned for the vulnerable, in a number of circumstances based on hardship those fines would be overturned.

CHAIR: I note that the Government has changed the registration policy—there are no longer any registration labels—and there also seems to have been an increase in the number of unregistered vehicles.

Mr DOMINIC PERROTTET: Yes.

CHAIR: Some drivers, for a variety of reasons, do not know or have forgotten that their registration has expired.

Mr DOMINIC PERROTTET: Once again, I would say that changes to registration would be a policy issue for the roads Minister but it might be informative if I pass to the chief executive officer of Services NSW to provide some additional information.

Mr KING: From my understanding, reminders are also sent out. A number of communications are sent out to the various citizens. A number of aspects are put in place but we can follow that up with the roads authority.

CHAIR: One of the problems with a letter being sent is perhaps the person has moved and his or her mail has not been forwarded.

Mr KING: My understanding is that we get notified of changes of address. However, there will always be circumstances where we are not notified, things will go to the wrong address and there is return of mail. My understanding is that the best intent is always to proactively contact people and keep those details up to date. My other aspect of understanding is that data management and ensuring data accuracy is one of the ongoing challenges not only within the public sector but also in the private sector. That is something that we are working to address within Service NSW. I am happy to take your question on notice.

Mr DOMINIC PERROTTET: We will have to speak to the roads authority.

CHAIR: Are there any plans to streamline the requirements for registering a vehicle in New South Wales?

Mr DOMINIC PERROTTET: That is a good question.

Mr KING: Thank you for the question. Service NSW is always looking at how it can streamline and improve processes not only for citizens but also for small businesses. We work very closely with different agencies across New South Wales, whether it is Roads or other organisations such as Fair Trading or the small business office. In terms of the particular question asked, we would work very closely with Roads and Maritime Services to see what streamlining is possible, and also how it would work not only from a citizen's perspective but also from a legislative perspective. If there are plans I will certainly take that on notice and come back to the Committee.

CHAIR: The cluster you are involved with provides revenue administration services. Does the Government have any plans to increase those charges?

Mr DOMINIC PERROTTET: Charges for?

CHAIR: Revenue administration services.

Mr DOMINIC PERROTTET: I will take the question on notice. But from my understanding there are no plans to do that. I will pass to the secretary.

Mr HOFFMAN: Mr Chair, can I clarify if you are referring to the Office of State Revenue and the charges they may levy?

CHAIR: Yes.

Mr HOFFMAN: As the Minister said, we will take the question on notice.

CHAIR: A large amount of money is outstanding in unpaid fines.

Mr DOMINIC PERROTTET: We are improving though.

CHAIR: What is the Government's plan to collect those debts on behalf of the Crown?

Mr DOMINIC PERROTTET: The amount of overdue fines as at 30 June 2015 was \$778 million. The Government has plans to increase fine collection. In the 2014-15 budget we allocated \$50.6 million over four years to June 2018 to further increase the collection of overdue fines owed to the Crown by \$227.4 million. The Office of State Revenue has exceeded the 2014-15 target to increase fine debt collection. The funding was provided to extend the existing fines debt partnership program by two years. To expand the fines contact centre operations to sustainably increase fine debt collection, \$10.7 million was allocated to the debt partnerships program. That program collected \$34.4 million and OSR's collection centre increased fines collection by \$29 million. In relation to debt that is written off, in the last financial year \$37 million was written off. Now that might sound like a high figure but it was down from \$293 million in 2011-12—that is a substantial improvement under this Government's watch.

Overdue debts are written off in accordance with approved write-off guidelines, which require OSR to consider a number of criteria. The criteria include: the debtor cannot be located; the debtor does not have the capacity to pay due to financial, medical or domestic circumstances; further recovery action is considered uneconomical—that is, the costs of recovery action exceed the potential return due to the low value of the debt/ Following the appointment of the official receiver, trustee in bankruptcy or liquidator, fines may also be written off for an offence that occurred more than five years ago and the integrity of the data surrounding the fine does not justify any further enforcement or makes satisfaction of the outstanding amount unlikely. I pass now to the secretary.

Mr HOFFMAN: I have one point. The Chair talked about the approaches the Government is taking to collect. One of the big emphases has been the introduction of more payment plans: An arrangement is made with the person who owes the debt to pay, as they can, over time. We have seen a 10 per cent increase in the volume of debt that is subject to a payment plan. This is a very good way of balancing both collecting the debt and making sure that the person has the capability to pay the debt over time. The use of payment arrangements will continue to be an important part of OSR's strategy in this area.

The Hon. PETER PRIMROSE: Last Thursday the New South Wales Court of Appeal handed down its decision in *Cram Fluid Power v Green*. Are you familiar with that decision?

Mr DOMINIC PERROTTET: I am.

The Hon. PETER PRIMROSE: Inter alia my understanding is that decision confirmed that injured workers will not be entitled to make a further lump sum claim if their condition worsens. Was that interpretation by the court an intended or an unintended consequence of your Government's workers compensation legislation?

Mr DOMINIC PERROTTET: You are obviously referring to the 2012 legislation?

The Hon. PETER PRIMROSE: Yes.

Mr DOMINIC PERROTTET: The advice I have is that the Court of Appeal's decision was in line with what the Government's position was in 2012.

Mr DAVID SHOEBRIDGE: It was the Government's submission to the court that was adopted.

Mr DOMINIC PERROTTET: So the outcome in that matter was in line with the Government's policy position in 2012.

The Hon. PETER PRIMROSE: The interpretation of the court was the intended consequence of the Government's legislation?

Mr DOMINIC PERROTTET: Yes.

The Hon. PETER PRIMROSE: Does the Government have any plans to introduce any legislation that would ensure an injured worker whose condition deteriorates over time will be entitled to seek additional compensation to address the deterioration of their condition?

Mr DOMINIC PERROTTET: The Government does not have any plans at this time to do that but, having said that, you would be aware that we have recently brought changes through the upper House. If you look at those changes we made, a lot of them were based on significant consultation, recommendations made by

the Standing Committee on Law and Justice and the Centre for International Economics [CIE]. I note that the issue you are referring to, which was subject to that Court of Appeal decision, was not one of the recommendations raised in either the Standing Committee on Law and Justice or the CIE statutory review. Having said that, as I said earlier, I believe we can always look at ways in which we can improve the scheme. Importantly though, as I have always said, you need to have the scheme on a sustainable footing and the scheme is now on a sustainable footing. We have just moved some amendments in relation to the workers compensation scheme. If the upper House inquiry wants to do some work in relation to that matter and make recommendations to the Government then I am always happy to consider it.

The Hon. PETER PRIMROSE: Will you give a reference then to the Standing Committee on Law and Justice to examine this specific issue?

Mr DOMINIC PERROTTET: I do not need to give a reference to the Law and Justice committee to examine this.

Mr DAVID SHOEBRIDGE: It has a standing reference.

Mr DOMINIC PERROTTET: A standing reference?

Mr DAVID SHOEBRIDGE: It has a standing reference to look at the compensation scheme. You would be happy for it to look at this because of that?

Mr DOMINIC PERROTTET: I would be happy for that committee to look at it. The upper House committee plays an important role in advising and making recommendations to Government on how it can improve the Workers Compensation Scheme and other areas. Some of the recommendations that the committee made previously were adopted by the Government because they were good recommendations and improved the scheme.

The Hon. PETER PRIMROSE: Is it your hope that the Standing Committee on Law and Justice will proceed with that quickly?

Mr DOMINIC PERROTTET: The Standing Committee on Law and Justice could look at that and a range of matters. It has in the past, and I expect that it will continue to look at ways to improve the Workers Compensation Scheme. I would also expect the committee to look at the effect of the amendments that have just passed through Parliament. It would take time to consider those effects.

The Hon. PETER PRIMROSE: Thank you.

The Hon. GREG DONNELLY: I would like to go back to property matters. I will make a statement on property sales and ask that you confirm that I have understood the answers given earlier this morning. Government Property NSW is involved in transactions of the sale of properties. There could also be State-owned entities selling property?

Mr DOMINIC PERROTTET: We are checking that.

The Hon. GREG DONNELLY: That is right. That question was taken on notice. Can agencies and government departments transact the sale of properties?

Mr DOMINIC PERROTTET: They can.

The Hon. GREG DONNELLY: Is the totality of those three the universe—if I may describe it as that—of property that exists in the State? Property is under the management of the department, State-owned corporations and department agencies. Does that cover the field?

Mr DOMINIC PERROTTET: What is your next question? What is coming up?

The Hon. GREG DONNELLY: I am trying to understand whether that includes all the organisations that can transact the sale of property.

Mr DOMINIC PERROTTET: I think so, but I will take it on notice.

The Hon. GREG DONNELLY: Please do.

Mr DOMINIC PERROTTET: Mr Primrose will be back here next year, so I want to make sure that I give the correct answer.

The Hon. GREG DONNELLY: I hope to be joining the Hon. Peter Primrose next year, so I will be reading *Hansard* closely as well.

The Hon. TREVOR KHAN: He will not quote the caveat to you.

The Hon. PETER PRIMROSE: I will not make the same request back.

The Hon. GREG DONNELLY: Thank you for taking that on notice. Does Government Property NSW publish a regular schedule of properties sold, by either calendar or financial year? If it does, would you indicate exactly where it is published, either electronically or in hard copy.

Mr DOMINIC PERROTTET: Are you referring to the individual properties that are sold and the amounts that are realised from those sales?

The Hon. GREG DONNELLY: Yes. Is information published in the public domain about properties that are sold?

Mr DOMINIC PERROTTET: I will defer to Mr Romaniuk.

Mr ROMANIUK: In aggregate, the properties that are sold by Government Property NSW are reported in the annual report.

The Hon. GREG DONNELLY: What about the breakdown? If someone wanted to see what was sold over a 12-month period, whether by calendar or financial year, is that published?

Mr ROMANIUK: My understanding is that it is not published.

The Hon. TREVOR KHAN: You could do a land title search. It might be expensive.

The Hon. GREG DONNELLY: It was not meant to be a trick question. There appear to be schedules published somewhere—it is unclear where—that contain information about specific property transactions. I have a copy here.

Mr DOMINIC PERROTTET: Do you have the Ausgrid building or the Parramatta Justice Precinct?

The Hon. GREG DONNELLY: I apologise that I have only one copy. I am trying to understand whether the information is formally published. The schedule is titled "Properties sold by GPNSW" for the calendar year 2014. There is a list. I also have the 2013 schedule.

The Hon. BEN FRANKLIN: Point of order: It would assist the Minister if the Hon. Greg Donnelly would table the document and he could see the figures.

The Hon. GREG DONNELLY: No, I am asking questions. I do not need your help. There is another schedule for 2105, with the letterhead of "Government Property NSW".

Mr DOMINIC PERROTTET: I expect that those are properties that were vested in Government Property NSW and have been sold. That would not include properties sold by other agencies.

The Hon. GREG DONNELLY: No. For transparency, would you be prepared to publish on the website of Government Property NSW, on a regular basis, by either financial or calendar year, the properties that have been sold by that body?

Mr DOMINIC PERROTTET: You would like us to look at whether we could publish the details of individual properties that are sold and the amounts that are realised from those sales?

The Hon. GREG DONNELLY: Yes.

Mr DOMINIC PERROTTET: Do you mean properties sold only by Government Property NSW or those sold across government agencies?

The Hon. GREG DONNELLY: I mean specifically the ones sold by Government Property NSW that are in your bailiwick.

Mr DOMINIC PERROTTET: I will take that on notice. I am very open to the suggestion, but I need to seek advice to confirm the ability to do that. For the purposes of open and transparent government, I cannot see why we would not do that.

The Hon. GREG DONNELLY: Would you confirm that if the information were placed on the website it would be left on the website; it would not be taken off?

Mr DOMINIC PERROTTET: Servers go down occasionally.

The Hon. SCOTT FARLOW: Are you suggesting that they might put it up for five seconds then take it down?

Mr DAVID SHOEBRIDGE: You are giving them ideas. That is the problem.

The Hon. GREG DONNELLY: I am promoting transparency. I will provide the Minister with the schedules for reference.

Mr DOMINIC PERROTTET: I will look at it and provide an answer on notice.

The Hon. GREG DONNELLY: That is fine. Thank you.

CHAIR: Would you like to table the schedules?

The Hon. GREG DONNELLY: No. I am providing them to the Minister so that he can see what I have been referring to.

Mr DOMINIC PERROTTET: Where are the schedules from?

The Hon. GREG DONNELLY: It is not clear.

Mr DOMINIC PERROTTET: Did you make up that document?

The Hon. GREG DONNELLY: No. It is on Government Property NSW letterhead. I ask that you take my question on notice and come back with an answer, including on the issue of keeping the information on the website so that it does not disappear mysteriously overnight.

Mr DOMINIC PERROTTET: I understand. I will come back to you with an answer.

The Hon. GREG DONNELLY: I turn to the Office of State Revenue. Minister, how many full-time equivalent staff were there at each of the three Office of State Revenue sites in July 2015, that is, Parramatta, Wollongong and Newcastle? Do you or the officers have that number here?

Mr HUBBY: We will have to take that on notice. We do not have the number broken down by location.

Mr DOMINIC PERROTTET: We do not have it broken down by location. We will take it on notice.

The Hon. GREG DONNELLY: Thank you. There has been discussion about the Office of State Revenue establishing an office in Gosford.

Mr DOMINIC PERROTTET: There was an election commitment to relocate public sector jobs. My understanding was that the Government did not say which part of the Department of Finance, Services and Innovation would move. The Office of State Revenue would be a possibility.

The Hon. GREG DONNELLY: I am inviting you to update the Committee on that matter.

Mr DOMINIC PERROTTET: The election commitment was to relocate a number of public servants from within the Department of Finance, Services and Innovation to the Central Coast over the next four years. We are working on that.

Mr HUBBY: We have been looking at every business unit across the organisation to determine which ones it would be most appropriate and effective to move to Gosford. We have not yet concluded which business units would move. The planning is continuing.

The Hon. GREG DONNELLY: Thank you. My next questions may be taken on notice. They are specific and relate to the same matter. How many full-time equivalent positions do you hope to place in Gosford? Has an office space been secured?

Mr DOMINIC PERROTTET: In relation to that, we committed to relocating 300 full-time equivalent positions.

The Hon. GREG DONNELLY: And that continues to be the case?

Mr HUBBY: We are viewing that as a Government policy.

Mr DOMINIC PERROTTET: That was an election commitment and we always deliver on our election commitments.

Mr HUBBY: And we are planning accordingly.

The Hon. GREG DONNELLY: Is there funding in the capital budget of the Office of State Revenue [OSR] for an office set-up and fit-out of this office? Have you got to that stage yet?

Mr DOMINIC PERROTTET: Within OSR or within the Department of Finance—because we have not confirmed whether or not those public servants will form part of OSR?

Mr HUBBY: The approach to that project is that we will first identify which business units would move and then identify the specific costs associated with moving those and the accommodation requirements and then assess whether those costs can be met within our existing resources and come back to Government and have that conversation.

Mr DOMINIC PERROTTET: But you meant within the Department of Finance?

The Hon. GREG DONNELLY: Yes.

Mr DOMINIC PERROTTET: Yes.

The Hon. GREG DONNELLY: I will move to the issue of NSW Public Works. Minister, with respect to the announcement that was made in June and the briefing that was provided to the employees in June—it is called the transformation program document—was this all underpinned by a piece of research or a piece of work that had been done by a consultant to lay out how this could be achieved, or was this done internally?

Mr DOMINIC PERROTTET: I believe so.

Mr HOFFMAN: We often use advice externally to assist in government decision-making.

The Hon. GREG DONNELLY: Were they in this case as well? You can take it on notice.

Mr HOFFMAN: I will take it on notice.

Mr DOMINIC PERROTTET: I am pretty sure there was.

The Hon. GREG DONNELLY: If you could provide details of what the value of the contract was for the piece of advice with respect to the provision of the proposal and, of course, the consultants who did that. I note in the document on page 9 it says—I am sorry, you may not have it but I will quote from it. It says in the second dot point:

NSW Public Works has consistently delivered a surplus and provides significant unpaid services for governments.

If you complete the transformation described—and I think a two-year period has been set aside for that—who is going to do these unpaid services, or will these services not be provided any longer?

Mr DOMINIC PERROTTET: As I have said from the outset, we will not be exiting any businesses or government operations where those services are not provided or cannot continue to be provided by the private sector. All the considerations are made based on whether there is a contestable private market for those services and we consider value for money for our taxpayer dollars. The issue with the current Public Works business model is that what we are trying to do here is reposition it and strengthen it going forward because it is revenue which is forecast to decrease by approximately 40 per cent and would cause—

The Hon. GREG DONNELLY: Just to interrupt you there. That was announced in your press release at the time in June. Where did those numbers come from—the numbers in your press release about the downturn in revenue and related matters? The exact quote is:

... the already declining revenue of Public Works is forecast to fall by up to 40%, causing—

Mr DOMINIC PERROTTET: —"a \$300 million budget hole over the next 10 years". Is that the one you have?

The Hon. GREG DONNELLY: Yes. Where did that come from?

Mr DOMINIC PERROTTET: That would have come from the work that was done previously. We have taken it on notice in relation to the study that you were referring to. I will check it.

Mr HOFFMAN: The budget forecast, the revenue that we are talking about for Public Works, comes from contracts from other agencies. If those other agencies are choosing not to renew or to take contracts directly with the private sector then you will see declining revenue, and that is what is being referred to there. Can I also come back to your original question about those services that are continuing and where they will come from?

Mr DOMINIC PERROTTET: It is important, given the line of questioning and the focus that you and Mr Primrose have had, to quote: "The repositioned NSW Public Works provides vital specialist support for councils and government agencies going forward with a focus on expert commissioning advice to agencies utilising a strong, informed buyer capability, strategic public architecture and design advice on the built environment, architectural services and heritage assets through the Government Architects Office"—

The Hon. GREG DONNELLY: That is your press release.

Mr DOMINIC PERROTTET: You have got that?

The Hon. GREG DONNELLY: Absolutely, and I have read it very carefully.

Mr DAVID SHOEBRIDGE: Minister, what is the current surplus for the WorkCover scheme?

Mr DOMINIC PERROTTET: The current surplus as at 31 March, which was updated from the December 2014 valuation, is \$2.433 billion, which is a funding ratio of 117 per cent.

Mr DAVID SHOEBRIDGE: That does not take into account the most recent raft of benefits.

Mr DOMINIC PERROTTET: No, it would not.

Mr DAVID SHOEBRIDGE: What is the expected surplus with that raft of benefits put in place?

Mr DOMINIC PERROTTET: That is a good question. The expected surplus would be \$1.469 billion, which would equate to an approximate funding ratio of 110 per cent. Obviously, your question is going to go to what benefits we thought were affordable. It is the advice that I received from the department that in order to keep the scheme sustainable we need to focus on having a funding ratio of about 110 per cent.

Mr DAVID SHOEBRIDGE: Your actuaries have said 110 per cent is a comfortable buffer. Is that basically it?

Mr BHATIA: Yes.

Mr DAVID SHOEBRIDGE: What are the projected surpluses going forward then? You must have a projected surplus for 2016 and 2017, Mr Bhatia?

Mr BHATIA: When we did the 31 March valuation it was an extension of what had transpired between 31 December and 31 March, which were the changing bond rates and interest rates in the market, which were quite dramatic. The projections in December are not valid in June simply because the investment markets have completely changed tone. We are awaiting at the moment the 30 June projected surpluses.

Mr DAVID SHOEBRIDGE: With those caveats, what were the projections in December?

Mr BHATIA: The projections were that if the benefit reforms were not made then we would get to 120 per cent. At that point in time the key decision was to ensure that we can understand how much of that will be devoted to meet the election promise and 117 per cent minus 110 per cent was about \$1.008 billion, which was put aside.

Mr DAVID SHOEBRIDGE: Perhaps you could take it on notice then—the best advice you can give about the projected surpluses in 2016 and 2017.

Mr BHATIA: Absolutely, and we will make sure that that is part and parcel of the disclosure after the 30 June valuations are complete.

Mr DAVID SHOEBRIDGE: Of the \$1 billion that was part of your most recent commitment, what proportion of that went to benefits and what proportion of that went to premium reductions?

Mr DOMINIC PERROTTET: That is a good question. I will pass to Mr Bhatia, but the commitment the Government made, as you are aware, was two-thirds, one-third and we ensured, to the best that we could—obviously it is hard to get—

Mr DAVID SHOEBRIDGE: I am not going to chase you down to the last dollar.

Mr DOMINIC PERROTTET: That was the principle we took. But I will pass to Mr Bhatia.

Mr DAVID SHOEBRIDGE: I am asking how that applied in practice.

Mr BHATIA: In total, the benefits that were passed on to injured workers were around the \$850 million mark, and that included the extension of the 2014 regulations that were made in June last year. So there was an extension of that which included—

Mr DAVID SHOEBRIDGE: So the \$850 million includes what had already been done?

Mr BHATIA: No. It includes the extension of that.

Mr DAVID SHOEBRIDGE: A continuation of it?

Mr DOMINIC PERROTTET: We also extended it—

Mr BHATIA: We extended it to life.

Mr DOMINIC PERROTTET: The amendment to the regulation we made last year for a number of things, including medicals, was up to retirement age. We extended that, by way of legislation, for life.

Mr BHATIA: There was some cost of the extension and then there were the new reforms that were put forward—that was about \$850 million. The premium benefits are obviously subject to performance discounts, but the actuaries have taken that as a range of \$170 million to \$200 million.

Mr DOMINIC PERROTTET: Those premium reductions, as you are aware, will not go to all businesses, they will simply go to businesses that have an above average performance.

Mr DAVID SHOEBRIDGE: It is targeted on performance. The purpose of the most recent round of amendments was that if you have more than 20 per cent whole person impairment then you have medical benefits for life and income protection to retirement age.

Mr DOMINIC PERROTTET: Yes.

Mr DAVID SHOEBRIDGE: The effect of Cram Fluid decision though—I will give you a scenario: a worker has a nasty fall at work with very severe knee injuries. He struggles on for five years and in the course of that perhaps gets a whole person impairment assessment of 15 per cent. Then, after five years, he has a knee joint replacement—very painful, debilitating surgery which would, on any view of it, push their whole person impairment up to the mid-twenties. On your package of reforms, they should have medical benefits for life and income replacement up until age of retirement. Is that right, Minister?

Mr DOMINIC PERROTTET: Yes, if they were deemed to have a whole person impairment of 25 per cent, then they would get medical benefits for life.

Mr DAVID SHOEBRIDGE: But you see, the problem with Cram Fluid is, if they had had a whole person impairment assessment earlier, which put them at 15 per cent before the surgery, they are stuck on that for life and they cannot challenge it. Do you accept how unfair that is, Minister?

Mr DOMINIC PERROTTET: Mr Shoebridge, as I raised last year, we want to have a fair scheme and we want to ensure that we have a scheme that supports the most seriously injured workers and assists injured workers to return to work. I am always open to looking at ways in which we can improve the scheme in doing that. I am not going to get into a debate about what is fair and what is not fair—

The Hon. PETER PRIMROSE: But you said this was your intention.

Mr DOMINIC PERROTTET: No, what I am saying is that what is important is that we have a sustainable scheme so that we can help support those injured workers. And if you look at the recommendations of the report, the discussions that you had last year here in relation to some of the issues, from industrial deafness to obtaining legal costs for—

Mr DAVID SHOEBRIDGE: Minister, I am not going deny there has not been an improvement and I think people accept that there has been an improvement. Hearing aids in particular—I got a letter only the other day from the peak body saying they were very glad about the changes. But there are people in the scheme now who, because of these arbitrary cut-offs of the whole person impairment assessments and because of the effect of section 66 (1A) cannot get their second assessment. That surely seems to be a low-hanging fruit for fairness, Minister, to allow someone to get a second whole person impairment assessment so that they can cross your new thresholds.

Mr DOMINIC PERROTTET: I can advise the Committee that the assessment of whole person impairment for an injured worker is intended to occur once the worker's condition has stabilised. So whilst I accept what you are saying in terms of this was under the old system and under the current system, based on following up from the reforms that we moved in 2012, it is the view that you would get a whole person impairment assessment once your condition had stabilised. In the circumstance that you are referring to, you would have that whole person impairment assessment which would occur at the second stage, where they would be, let us say, having a 25 per cent whole person impairment.

Mr DAVID SHOEBRIDGE: But there is a great problem with that, Minister. Let us assume that there is a contest about whether or not the worker is over the 10 per cent threshold in order to get the five years of medical benefits.

Mr DOMINIC PERROTTET: Yes.

Mr DAVID SHOEBRIDGE: They are required, there and then, to address that to get a whole person impairment assessment. If that then crystallises their whole person impairment assessment, they are stuck with it forever. Do you see, the problem is that section 66 (1A) does not allow for those obvious changes in circumstances and does not fit well with your new thresholds.

Mr DOMINIC PERROTTET: I take the question. I will pass to the CEO to respond.

Mr BHATIA: I will take the question on notice and come back to you with a written explanation. But, in short, what I can say is that the intention is that if an approved medical specialist verifies that the person has not reached maximum impairment or that the injury has not stabilised, the need for assessment at that two- or five-year period can be pending. If there is a dispute at that point in time on the opinion of the approved medical specialist and the insurer, the injured worker can obviously access the dispute resolution through the Workers Compensation Commission.

Mr DAVID SHOEBRIDGE: Then they are stuck with it though, Mr Bhatia. They are stuck with it, even if they have a very serious deterioration down the track.

Mr BHATIA: I think what we are saying is that at that point in time the approved medical specialist can say that the injured worker is not ready at the moment to have a permanent assessment done.

Mr DOMINIC PERROTTET: So it would not be done while they are pending the condition to stabilise.

Mr BHATIA: And so on a pending basis they continue on their medical benefits.

Mr DOMINIC PERROTTET: And the final determination of whole person impairment, whilst that is pending, is not finally determined until such time as the circumstance that you pointed out, when they would be over 25 per cent.

CHAIR: We will move on to a couple of final questions from me.

Mr DOMINIC PERROTTET: I am sorry, just one second—

Mr DAVID SHOEBRIDGE: No I will put some more questions on notice about it, to clarify the issue.

CHAIR: What incentives have you introduced for employers to ensure they have a safe workplace to reduce fatalities and injuries?

Mr DOMINIC PERROTTET: I will ask Mr Bhatia to respond.

Mr BHATIA: There is a wide-ranging incentive arrangement on the work health and safety side and on the workers compensation side to ensure that safety for workers, both from a physical and a mental perspective, is at the heart of employers in New South Wales. As the WorkSafe regulator, there is a rebate program and there is also a Focus on Industry program that ensures that each industry which we classify as high-risk, based on their record and the claims that come through that, is given a specific focus on how to improve their safety standards.

We also have a strong relationship with the Australian Paralympic Committee which sends paralympians to work places and has town hall sessions with them, which have been extremely well accepted at the workplaces because they can relate to what has happened at work for these individuals. From a non-financial perspective, those elements are really important, and they promote what we should promote as a safety regulator, which is harm prevention.

When it comes to their safety record with claims, I can say that the core important elements that we have introduced are the small-to-medium premium reforms and then the medium-to-large premium reforms. They are being complemented by the current performance discounts that focus on a couple of elements: one, their track records on safety and claims coming out of injuries. The second is their ability to sustainably return these workers to the workplace. And I think both those are very important. We have to ensure that, as far as possible, there is harm prevention that is promoted and it is almost embedded into the DNA of an organisation.

CHAIR: What are the rebates you mention to premiums? How much is the rebate?

Mr BHATIA: The rebate could be up to 30 per cent. We believe that there are about 70 per cent of the employers at this point in time that are better than scheme average.

Mr DOMINIC PERROTTET: That is a determinant for obtaining a discount the following year, if they are above the scheme average.

Mr BHATIA: But there are 30 per cent of employers, unfortunately, who actually have a worse than scheme average track record. What we have said to them, as part of the performance discount program, is that their premiums do not go up straight away to the full effect. There is a 30 per cent year-on-year cap on which the premiums go up but they have up to three years to tidy themselves and to make sure that safety comes back into their DNA. Should they do that, then they will not see the unprecedented rise that they would.

CHAIR: Has this workplace safety program actually had a measurable effect? In other words, can we compare fatalities in 2013-14 and major injuries—loss of limbs, arms, legs? Has there been a reduction? Could you take that on notice?

Mr BHATIA: I will take that on notice in terms of statistics. However, I can say that 2013-14 was a year where the number of fatalities was down quite measurably from the previous years. Having said that, my recollection was about 67 were work fatalities—and that is 67 too many. Our focus is to make sure that fatalities or serious injuries, or for that matter even smaller injuries, should be eliminated in total where possible. Our work is of a continuous nature, as you would very much appreciate. The focus for us is to make sure that our benchmarks are not only at the national level but also at the international level in relation to the mix of workplaces and also the workforce that attends those.

The Hon. GREG DONNELLY: With your indulgence, Mr Chair, I will inform the Minister the source of those three pages?

CHAIR: Yes.

Mr DOMINIC PERROTTET: Yes.

The Hon. GREG DONNELLY: The mystery three pages that appear and then seem to disappear are from the Government Property NSW website, but they do seem to come on and come off.

Mr DOMINIC PERROTTET: I will take it on notice. I am very happy from a principle perspective. Transparency is very important and if we decided to put it up we will do our best to make sure that it remains.

CHAIR: Minister, do you want to add anything to clarify any of your answers?

Mr DOMINIC PERROTTET: No, it is a pleasure to be here this morning.

CHAIR: Minister, you have 21 days to respond to questions taken on notice.

(The witnesses withdrew)

The Committee proceeded to deliberate.