

CORRECTED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into 2002–03 budget estimates

Melbourne – 25 June 2002

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Mr R. Cameron, Minister for Workcover;

Mr J. MacKenzie, Chairman, Transport Accident Commission and Victorian Workcover Authority;

Mr B. Mountford, Chief Executive Officer, Victorian Workcover Authority;

Mr S. Grant, Chief Executive Officer, Transport Accident Commission;

Mr B. Rowse, Deputy Secretary; and

Mr A. Nye, Director, Insurance Policy, Economic and Financial Policy Division, Department of Treasury and Finance.

The CHAIRMAN — Minister, would you care to make a presentation prior to going to questions?

Mr CAMERON — Yes, thank you very much, Mr Chairman. I have with me Mr Bill Mountford, who is the chief executive officer of the Victorian Workcover Authority; Mr Adrian Nye, who is the head of the risk and management area within the Department of Treasury and Finance, whom all of you will already know; Mr Stephen Grant, the chief executive officer of the Transport Accident Commission; and Mr James MacKenzie, who is the chairman of both the Transport Accident Commission and the Victorian Workcover Authority.

I will now go through the overheads, and I believe copies will be made available.

Mr HALLAM — I move that the hearing be adjourned until the copies are available.

The CHAIRMAN — We certainly want copies for each member of the committee.

Mr HALLAM — I have moved that the hearing be adjourned until those copies are available. We went through this last year, and I said I would do it.

The CHAIRMAN — It has been moved and seconded. Is there anything further? The motion is passed. We will take a short break.

Hearing suspended.

The CHAIRMAN — We are ready to resume.

Overheads shown.

Mr CAMERON — The Workcover portfolio has two separate roles: that which relates to the consolidated fund as a budget output, and the larger and more critical parts of the portfolio, which are the Victorian Workcover Authority (VWA) and the Transport Accident Commission (TAC) operations, which have no consolidated fund impact in the normal course of events.

Mr DAVIS — Just on that last point, it is not strictly correct to say that the TAC, for example —

Mr CAMERON — Sorry, in terms of a dividend, yes. I was relating more to the issue of whether it is the payer or the recipient. But I take the point.

Under the heading of budget output is the insurance advice from Mr Nye's area, and you can see on that overhead the reporting that occurs. That also includes quality, timeliness and cost, and you can see those figures on the next overhead.

The portfolio includes the funding of public health and safety for services purchased from the VWA, including occupational health and safety — for example, explosives pick-ups, asbestos surveillance, operation of the major hazard unit, promotion of farm safety and general emergency and dangerous goods responses.

Mr HALLAM — Is that similar to last year?

Mr NYE — Similar in what regard?

Mr HALLAM — In dollar terms. I notice you have a line there that says the total cost of public safety services is \$6.225 million. I presume we are talking about the budget, and that is exactly the same as last year, is it not?

Mr NYE — Yes.

Mr CAMERON — We will address this matter now.

Mr NYE — The \$6.225 million was the estimate, and the \$5 million is an adjusted actual from last year which we have rolled into this year's budget. So this year's budget is in the order of last year's actual. The \$6.225 million in last year's budget was adjusted, and this year the budget reflects that adjustment. It rises and falls according to the revenue take of Workcover out of its licences and fees.

Mr HALLAM — So my question was apposite; is it about the same?

Mr NYE — Yes, it is.

Mr HALLAM — Thank you.

Mr CAMERON — I will turn to the financial position of Workcover operations. Of course, we are coming up to the end of the year so I cannot give you the financial position for this financial year for another couple of months, but I will briefly touch on the business strategy and other issues. I will try to move through this as quickly as I can so we can have as many questions as possible.

The next overhead shows the financial position of Workcover for the last full financial year. The next overhead shows the results of the work we had the actuaries do to restate what the unfunded liabilities in the scheme truly were. You can see the GST had an impact. They are matters that we went over last year.

The average premium rate will remain the same for 2002–03; 2.2 per cent of Victorian payroll is what will be collected. In the calculation of the 2002–03 premiums, the average premium rate will remain the same, as I said. Small business premiums will be based on the premium rate of this current financial year. The premiums of larger employers — over \$1 million — will move based predominantly on their own claims experience or the claims experience within their sector. There will be a stabilisation of industry rates, and the deeming rate will be the same as it was last year — that is, 10 per cent — when an employer fails to provide an estimated remuneration. If you do not tell Workcover what your remuneration is, it will assume you had a 10 per cent increase and you will receive a bill to that effect until such time as you notify Workcover to tell it that you had only a 5 per cent increase, for example, and then it will be sorted out.

Mr HALLAM — Was that not earlier set at 20 per cent?

Mr CAMERON — Not last year, but the year before it was 20 per cent, and that was reduced to 10 per cent last year. There is a premium review under way.

Turning to the interstate comparison of premium rates, you can see from that overhead what Victorian employers pay compared to employers in other states. It says at the bottom of that table, if you cannot read it, that ‘Tasmania’s average premium rates are calculated by the scheme actuary at the end of each financial year’. Treasury and Finance advises me that it cannot give a figure around that. I am not quite sure how that works.

Mr HALLAM — I think I know why.

Mr CAMERON — As we briefly touched on last year, in 2000 a strategy was developed over the course of the year for the three forward financial years. There were three main themes: there was to be an increased emphasis on prevention; a more effective claims management model in relation to legal claims, injury management and better claims management by agents; and a revitalising of the Workcover organisation.

There have been increased strategic activities through a number of programs on the prevention side. In relation to claims management, a new agent panel has been established and there have been changes; that new panel is effective for the coming financial year. Return-to-work guidelines have been issued to every workplace. That has also been done through a CD-ROM with George Negus speaking, so it is a lot easier to come to terms with, particularly for small business. One of the challenges with small businesses is that they are doing many things, so we tried to present it in a straightforward way and work around injury management. In relation to revitalisation, in November of last year some benchmarking was done in relation to satisfaction. There has been a 9 per cent increase in satisfaction on both sides of the fence — on the employee side and the employer side.

We will look briefly at the financial position of the TAC for the last financial year, the business plan focus, the toll, and TAC accident prevention initiatives. That is the financial position — a \$941 million surplus as at the end of June 2001. The TAC business plan reflects the TAC’s commitment to scheme viability and accident prevention, service delivery and operational efficiency. The TAC has, very successfully over all of its years, worked on these things to make changes and to improve the way things occur, and that is continuing under the management leadership of Stephen Grant. The major new direction is the next generation of accident prevention initiatives, a new focus on lifetime support for clients living with disabilities and achieving improvements in service delivery.

To briefly touch on the current road toll, as at 23 June it was six higher than the equivalent period last year. Despite the increased road toll, police-reported serious injuries and hospitalised claims have decreased. If you have a look at the hospitalised claims — the number of people who are in hospital for more than one day — you will see they have decreased by 3 per cent compared to the same time last year. That might reflect that while injuries are occurring some of them are not as severe but there are some that are more severe. If we look at the figures against

the 2001 benchmark, we see that if there were to be a 20 per cent reduction in death and road trauma that would amount to a \$100 million reduction in TAC claims, and clearly a lot of people would not be injured.

One of the issues that came out of the report of the Auditor-General was the comments made by the Auditor-General about increasing the transparency around the accounts. I will come to that shortly. The government is committed to providing that greater transparency in the financial reporting of statutory compensation schemes. For example, you have the market-to-market requirements, which are a snapshot on one day as part of the Australian accounting standards for investment holdings. That results in significant volatility in the financial results given the enormous size of the investment portfolios for both Workcover and the TAC. Of course, these are long-tail insurers. That is the nature of the business being underwritten. They are enormous investments, but there is increased volatility. As the years go on, particularly with the TAC scheme, there will be more and more volatility because the fund will become larger and larger. Small movements in the market will bring about great change, and you cannot necessarily tell from the financial statements how the organisation is performing. I will come to that briefly in reference to some comments from the Auditor-General and what we are going to do to try to work through that.

The accounting standards do not allow for the impact of external factors. I will come to that briefly. We want to bring about that greater transparency.

Just to have a look at what the Auditor-General said, when he wrote to me he said:

... audit is of the view that the financial statements, as a stand-alone document, did not adequately explain the reasons for the significant turnaround in the commission's reported financial results.

While present disclosures in the TAC's financial statements are adequate, audit considers that some users of the TAC's financial statements may appreciate additional information as to the assumptions used to determine the balance sheet valuation.

In relation to the Victorian Workcover Authority, the Auditor-General said:

Audit recommends that trend information on investment returns and claims incurred ... should have more prominence within the VWA annual report. Relevant comment about the influence of external factors and key assumptions underpinning performance in these areas should also be disclosed.

Mr CLARK — Will you be able to give the committee full copies of those two management audit letters in due course?

Mr CAMERON — Yes, that will be fine. We will come back to this and I will explain it.

If you look at the financial statements as a stand-alone document you cannot tell how the scheme itself is performing, positively or negatively, vis-a-vis investment — whether they are going very well or poorly. There are also other external factors in relation to change in the discount rate and change in the long-term bond rate which will greatly affect the size of the liability. What we want to try to do is isolate what is the profit from the insurance operations compared to the external factors. The bottom line will still be the same. Discussions have occurred with the Auditor-General. It is being negotiated that an appropriate way will be for the accounts to remain as they are, but there will be additional information in the annual report which will provide information on those external-type movements.

We have done this for the trading result for the VWA, and we will finalise a similar thing for the TAC to put in the annual report. Take the VWA, every year at the start of the year you say what would occur if there was no change in the discount rate and the VWA got its expected return. Each year it expects to receive a return of average weekly earnings (AWE) plus 4 per cent. The TAC uses a different basis, it uses 5 per cent real. That is what they expect to do, but of course investments being investments, they go up and over a period of time hopefully they arrive at that. How can you tell how you are going in a particular year? You deduct that external movement one way or the other and you report that appropriately in the annual report. If you have a look at the VWA, you can see there what the trading result would have been if there had been no change in the discount rate and AWE plus 4 per cent return against what the actual result is — that is, where those external matters are impacted.

The TAC has used a similar notion internally — as I suspect many of you will be aware — for a number of years in relation to profits from insurance operations. However, when it uses it, it does not use it to the same extent it would be used here. It uses it as a management tool to see how the scheme is going in relation to that financial year, so if there was deterioration in the scheme a couple of years earlier, the actuaries take a while to pick that up, as you are aware. The actuaries would then pick it up and there might be some negative impact. The TAC would not count

that for its own purposes; it only relates to the present year. If we are going to do this it has to be consistent over a period of years, and for the purposes of accountability all those matters have to be taken into account.

Also, the only matters that are taken into account are matters external to government. So, for example, if you have a look at 1992–93, you will see there was a massive profit. Mr Hallam will recall he introduced substantial changes to the Workcover system. The premium for that year — Mr Hallam will correct me — was originally set on the basis of the former scheme. Substantial change brought about that result, and the premium was dropped in the subsequent year.

Mr HALLAM — Minister, you are not suggesting this is some sort of new management direction, though?

Mr CAMERON — No.

Mr HALLAM — You have talked about this in the past. You had no trouble differentiating between investment yield and underlying profit in the past.

Mr CAMERON — No.

Mr HALLAM — Certainly you did not have a problem from the opposition. Last year I notice your annual report talked about a notional profit of \$317 million for the year, so this is hardly a new breakthrough that you have discovered, that the bottom line is affected by investment yield.

Mr CAMERON — No, not at all. In relation to the Auditor-General's comments we wanted to bring that greater transparency. The accounts at the back will still be the same, but there will be more work at the front to explain it for users of the document. You understand that.

Mr HALLAM — I do, I just wondered where you were taking us.

Mr CAMERON — Mr Clark understands that; we all understand it. Others may understand it, but we want to make sure the users of the document understand it, which is the point the Auditor-General was trying to make.

The CHAIRMAN — I wish to take you to an issue we discussed at some length last year — management practices in the Victorian Workcover Authority and what they are achieving for the financial position of the authority. Can you outline for the committee whether there have been continuing changes in claims management practices and, if so, are you in a position to detail for the committee what impact that is having on the system and how they are being proceeded with?

Mr CAMERON — In relation to claims management — or very broadly — you would be aware that when we came to government I started work immediately around the legal management, which was very well implemented by the management team and the board at the VWA, but the board and the management also identified that they wanted to bring about greater and improved claims management because it was their belief that there was more of a regime of claims processing than of claims management.

To that end, greater requirements were to be had of agents. There was a value-for-money tender as to who the agents would be from the next financial year onwards. Part of that was how they were going to manage their claims. There would also be greater expertise and feedback with the authority. In doing that, each claims officer could only have a maximum of 80 files, where at the moment it is a higher number. If you have that additional attention to the files it means you can get the benefit to the injured worker, you can get the injury management regime in place quicker, and if you can do those things you will get someone back to work quicker.

The authority believes bringing about quicker return to work will bring about improvements in the scheme. Clearly it will bring about an improvement in the life of the injured worker because being back at work is more preferable to not being at work. All of that is unfolding, and we will see that fully implemented in the coming period.

Mr THEOPHANOUS — Minister, to follow that up, I think what you are saying is that the improved claims management system will have some net benefits, including a reduction in unfunded liabilities over time as a result of actuarial assessment of the new system.

Mr HALLAM — I do not think that is what the minister said at all.

Mr CAMERON — It will certainly improve the financial performance.

Mr THEOPHANOUS — I am asking whether that has been identified, because it was identified to the committee on a previous occasion, and I wonder whether that aspect, that payback, has been further identified by the actuaries or by the VWA and whether you are able to report on it.

Mr CAMERON — In relation to the legal management practices, we saw an actuarial release of — that was essentially the cause of it — \$130 million in June 2001. There was an additional actuarial release in December 2001. There was a sizeable legal actuarial release that was offset by some deterioration in weekly payments that had been occurring in relation to duration, mainly. So bringing about greater emphasis with claims management and reducing the duration in getting people back to work will bring about improvements overall and will bring about, we hope, lower costs for the scheme ultimately, so that ends up being a win-win situation.

Mr THEOPHANOUS — And that has been recognised by the actuaries?

Mr CAMERON — That has not been recognised by the actuaries yet. They have recognised that in relation to some legal work, but over time we believe the actuaries will recognise that. Actuaries are very conservative by their nature and they want to see things well bedded in before they will make a move, which is fair enough.

Mr HALLAM — Minister, why have you come to the committee this year with nothing more current than results for 30 June last year?

Mr CAMERON — They are the results for the last financial year. I have told you that at the half year, for example, with the VWA there was an actuarial release of \$28 million.

Mr HALLAM — This time last year you had no trouble providing the committee with six-monthly reports. We had comparisons for the end of December on a whole range of issues: common-law management, total net assets, outstanding claims liabilities, reported unfunded liabilities. Why haven't we got that this year? What has changed?

Mr CAMERON — That information has been publicly released, but what I have put in is the last full year. Last year that was important in relation to a turn in the scheme. This year we have seen a continuation of the work that was previously undertaken.

Mr HALLAM — It was relevant last year because of the direction in which it was going but not relevant this year. Is that what you are telling the committee?

Mr CAMERON — No, it was relevant last year because that was a turning point in the scheme.

Mr HALLAM — You get a quarterly report on all those issues?

Mr CAMERON — Yes.

Mr HALLAM — Then I am bemused that you have not come with at least the situation in unfunded liabilities, weekly benefit liabilities and investment income for the six months. Comparative figures were available to us last year.

Mr CAMERON — That is information that is publicly available, Mr Hallam. It has been released in the half-yearly report.

Mr HALLAM — Let's take part of it in isolation. Can you explain why the investment income is so dramatically reduced in the six months to the end of December last year, and can you give us a projection as to what it is likely to be for the six months we are about to finish?

Mr CAMERON — I think from the half-year report, which was publicly released, there was a profit of \$149 million. Essentially that was on the back of the performance in the scheme rather than investments. In fact investments for the half year, you will see from the annual report, were very poor. I think they were about \$12 million compared to \$250 million.

Mr HALLAM — That is right — \$12 million compared to \$250 million. That is why I am interested, and why I am bemused that you have not come with any advice in respect of that.

Mr CAMERON — The information is available, and you are asking me about it now. It was \$12 million compared to \$250 million; it was a very poor investment for the six months.

Mr HALLAM — So what investment revenue do you expect for the six months we are about to complete?

Mr CAMERON — I cannot tell you that until the end of the financial year, but it has been a very poor investment climate post-September 11.

Mr HALLAM — So what about the return on investment to the three months ended 31 March this year? Doesn't that give us some idea of the general trend in investment yield?

Mr CAMERON — I do not think so because of the volatility in the markets. We have markets which jump around significantly, and you would be well aware from your time that markets move around substantially.

Mr HALLAM — And you were very quick to actually differentiate the investment yield compared to the internal bottom line. All I am simply asking — —

Mr CAMERON — As we always have, because our emphasis is on the performance of a scheme.

Mr HALLAM — The difference is, Minister, that you have not come with any data.

Mr CAMERON — The data has been out there publicly, the half-year report.

Mr HALLAM — No it is not.

Mr CAMERON — It is on the Web.

Mr HALLAM — Okay. You get a quarterly report and you had a quarterly report to the end of March. That must surely give you some idea of where your investment yield is going for the six months.

Mr CAMERON — It does not give you any idea because of the volatility of the market. If you have a look at what it was at 1 July 2001 compared to 30 September compared to 30 December — —

Mr HALLAM — So what are your latest projections for the year on your investment yield?

Mr CAMERON — There is volatility in the market.

Mr HALLAM — We are all well aware of that, Minister. I am asking what do you think the yield will be.

Mr CAMERON — I do not know. It depends what happens in the next few days.

Mr HALLAM — What about all the six months that have expired?

Mr CAMERON — If you have a look the markets there have been significant ups and downs this year. There have been falls in America in the last couple of weeks on the back of what projected earnings might be and also in relation to fears around terrorism.

Mr HALLAM — I am concerned, Minister, that you have not provided that data simply because it is embarrassing to you, and I think that is very bad.

Mr CAMERON — Why is it embarrassing?

Mr HALLAM — I don't know. Why haven't we got the data? Why haven't we got projections for the rest of the 12 months?

Mr CAMERON — It is not embarrassing at all; everybody is in the same boat. We don't know what that will be for the next few weeks. Every large long-tail insurer, every superannuation fund, every large investment fund is in the position where the markets will do what they will do, and there is enormous volatility. You have seen the Dow jump around hundreds of points in a week.

Mrs MADDIGAN — As you know, there has been a lot of public discussion recently about the insurance industry and the effect it is having on various people, so how have TAC and VWA been travelling in relation to that?

Mr CAMERON — The whole insurance debate has been caught up with HIH and the problems of reinsurance post-September 11, but fortunately the TAC and the VWA, being statutory monopolies owned by the state of Victoria, are not involved in that whole insurance issue, so the effect of that is very positive. Of course, as with other insurers, there is volatility in the market one way or the other, and we will see how that pans out. As we look at insurance issues around Australia where insurers and the public recognise that there needs to be more work done by insurers around their claims management increasingly we are seeing Workcover and the TAC being singled out as the organisations that are leaders in the nation. Mr Nye heads up a heads of Treasury group around the nation which Senator Coonan put in place, and certainly the feedback from Mr Nye is that the claims management regime and practices that are in place and that are being put in place by the TAC and by the VWA are regarded as nation best, which I think is very positive for us.

Mr CLARK — I would like to ask a question about the VWA's relationship with the Shannon's Way organisation, which as you know is currently on a monthly \$50 000 retainer from the VWA. You would also know that prior to being appointed as the VWA's advertising agency Shannon's Way was engaged to do a branding project for the VWA. I want to ask you in respect of that project which led to the Shannon's Way current appointment in one way or another, who was on the interview panel for that initial contract tendering? Who made the final decision — was it made by the board? Was there a probity auditor? In relation to that branding project Shannon's Way did a range of market research. Was that market research made available to all tenderers for the subsequent tender for the advertising contract for the VWA?

Mr CAMERON — The CEO is not sure. We will have to let you know on the matter. I will go back to the basis of the question in relation to the selection of Shannon's Way for the larger contract. You will know that that was done on the basis of who was the best, and Shannon's Way and George Patterson Bates got that contract; they were the best that was selected. The probity auditors in that case were Paxton Partners.

Mr CLARK — And you will supply us an answer on that?

Mr CAMERON — The CEO will let you know what was the arrangement with the earlier tender.

Mr MOUNTFORD — I can assure you that in that branding exercise there was a tender, and I think four or five different organisations tendered for that work. There was an independent evaluation. I was not on the evaluation panel for that so I cannot recall exactly what the answer to that is.

In terms of the link between that work and the major contract, because I was involved in those discussions I can assure you that for each and every one of the people who tendered I said, 'This is a stand-alone piece. It will have nothing to do with the tender for the larger contract'. The reason for that was because I did not at that time have a head of marketing, so I made the point that whoever came in as the head of marketing would need to have the say over the larger contract; and they had to understand that whoever got the branding work, it would not be in any way related to what happened in the other work. I can assure you that that was made clear to all of them and that that was adhered to, because the panel for the selection of the major contract was entirely different — at that stage Anne Randall was on deck as the head of marketing, and she was not there at the time.

Mr CLARK — I suppose the point I am making is that because Shannon's Way did a lot of the market research for the branding contracts, if that information was not made available to the other tenderers for the advertising agency contract, Shannon's Way could have been seen to have got an unfair advantage in tendering for that second contract.

Mr MOUNTFORD — I am not sure of the specifics, but I would say that the answer to that question, from my recollection, would be no, because the guts of the tender for the major contract was pitched around the sprains and strains campaign. As I understand it, and again I am not an advertising expert — I was not on that panel — it was really targeted to testing their creative capability on a specific project. So first of all I do not know whether that market research would have been made available; and secondly, I certainly do not think it would have been relevant in terms of the position of the outcome, but I can certainly find that out for you.

Mr CAMERON — We will provide that to the committee.

Mr THEOPHANOUS — Return to work is one of the key priorities of the authority and obviously the more people who are able to get back to work the better in terms of both the financials of the authority and the self-esteem of the individuals and other factors. Can you outline what the authority is doing to improve the return-to-work outcomes for injured workers and how that is going?

Mr CAMERON — Yes. As you identify, Mr Theophanous, return to work is very important in the scheme. It is important in relation to the financial health of the scheme and in relation to the injured worker. The act enables Workcover to issue guidelines to employers on the preparation and revision of return-to-work plans and to specify additional matters that employers must provide for in occupational rehabilitation programs.

What we saw late last year was a revision of the return-to-work guidelines. They are being provided to all workplaces; as I mentioned earlier, they are provided on CD-ROM, on which George Negus takes people through it. One of the issues with smaller businesses was trying to wade through a large document, so it was designed to bring it down to hit the nail on the head.

If we are able to bring about any better return-to-work rates that is positive. We want to see that occurring through the new claims management regime, where claims are managed rather than processed — that is, where an officer cannot have more than 80 files, whereas that figure has been much higher in the past. Also, the issue of injury management is very important, so we want to see early identification of the problem and dealing with the problem — that is what we want to see from the agent — and the injury management. I might just get Mr Mountford to take you through the key aspects of the injury management regime.

Mr MOUNTFORD — Basically we are currently piloting a program to improve our management of soft-tissue injuries, which constitute about 60 per cent of the injuries in the claims. This is based on a program from Alberta, Canada, that has been developed by the Millard Centre there. Essentially it is about using evidence-based medicine to say that during the course of an injury certain sorts of treatments are appropriate at certain times. For example, acute physiotherapy is something that is really helpful for the treatment of an injury in the first six to eight weeks but there is no evidence of it having a benefit beyond that, and you need to move on to a different sort of assessment.

The key part of that is actually to have a multidisciplinary assessment of the person so that you are not simply getting one point of view from one type of treating practitioner. We have been piloting this program and seeking to identify people with soft-tissue injuries, particularly back injuries, and get them at an early stage — we are getting them at roughly about the 14-week mark — to ask them to participate in this study. We are looking to do these multidisciplinary assessments, which bring in the treating practitioner, the other occupational practitioners and physiotherapists so that we get a holistic view of where that person is and what treatment they require.

That pilot is still proceeding. We hope that by the end of the year we will have had enough cases through that program to compare its outcomes to the outcomes of the existing processes. It is early days, but I think the data that is coming out suggests that this is actually working, that we are getting better return-to-work outcomes because we are getting appropriate assessment and treatment earlier on in the course of the injury. That is obviously a big part of improving the return-to-work outcomes.

I think we still have a long way to go. Our new claims management model is the underpinning that will ensure we get better return-to-work outcomes, but we have a lot of work to do to ensure we get the provider support in place. The other element we are looking at is really the capability and support in the workplace — that we actually get an injection of more capability and focus on return to work in workplaces through the return-to-work coordinators who are there.

One of the pleasing things is that the return-to-work guidelines, which as the minister said basically have been put out to all the employers, have been really well received. We have had a very high awareness rate of the guidelines. Our surveys also suggest a high adoption rate — of people actually looking at the guidelines and seeing them as being useful. Unfortunately in many cases people believe that they have new obligations, whereas in fact they are existing obligations but they are only now being made aware of them. It is important to get a holistic approach, which has the claims management system in place, the right injury management in place, and the right support and capability in the workplace to get return to work improving. We have not seen the impact of all that together, but we certainly are hopeful that that will have a significant impact on the return-to-work rates in the scheme.

Mr THEOPHANOUS — This obviously involves the unions and employers working together, as well as the authority itself. Are employers living up to their legal obligations to offer appropriate employment for injured workers in a kind of return-to-worker strategy; are you finding a high level of compliance to that legal obligation? That is one part of the question. The other is: is the role of the unions also taken into account by the authority; are they included in this process?

Mr MOUNTFORD — On compliance, I think the honest answer is we do not actually know. There has been some pressure on compliance around saying that we should be enforcing compliance with return-to-work

obligations, and we are certainly looking at that. As I said, we want to take a holistic approach, so a whole approach to return to work, and say, 'How do we get the best outcomes? What part does compliance play; what part do the unions play in terms of supporting return to work; what part do the media and messaging play in terms of return to work; and what part do incentives play?' There are a whole range of issues we are looking at, and I think we need to take a holistic view on the basis of the return-to-work guidelines.

One of the issues that has emerged as we have done more work and understand the scheme better, for example, in this soft-tissue injury management pilot, is that a surprisingly high proportion of workers are detached from their workplaces relatively early. So even at the 14-week mark, when they are picking them up, we are finding a surprisingly high proportion of workers who are no longer attached to their workplaces. It could be because they have been terminated, because the employer no longer exists, or a variety of reasons, but it is a surprisingly high number. Clearly when people are detached from a particular workplace it makes return to work much more difficult because you are effectively in a rehabilitation process then of finding a new employer for them. So there a lot of challenges.

Mr THEOPHANOUS — Are you doing some research to identify those?

Mr MOUNTFORD — Yes. It is one of the major issues we are looking at over the course of the next year: what we can do to ensure there is better compliance with return-to-work obligations, both from the point of view of having the capability in place and also in terms of ensuring that obligations are being met by all parties.

Mr DAVIS — Minister, I want to follow up some questions surrounding the marketing contract for the Victorian Workcover Authority that Shannon's Way succeeded in obtaining. I refer to its submission of 23 February 2001, in which you are listed as a client.

Mr CAMERON — No, we are not.

Mr DAVIS — According to this list you are. It is a list that says 'Clients', and it has — —

Mr CAMERON — In the tender document, do you say?

Mr DAVIS — The submission, the correspondence — —

Mr CAMERON — Are you talking about some background document that was sent out earlier?

Mr DAVIS — I am talking about a list here that I have, and it has you listed as a client 'The office of the Minister for Local Government and Workcover', and also 'The Australian Labor Party Victoria, Mr David Feeney, state secretary and campaign director'. At the bottom of this list it says 'Please feel free to contact any of these people for a first-hand opinion of our work'.

Mr CAMERON — I think that was a brochure-type thing put out.

Mr DAVIS — You are listed on that document and the VWA is invited to contact you for a first-hand opinion of its work. Did you consent to them citing you as a referee in this way? Did they contact you in any way to express an opinion?

Mr CAMERON — No, and nobody ever contacted me about it. I was not aware — I was not a referee. My office had been a client in the past, which as a matter of fact is correct, but I was not a referee and never have been a referee and certainly would not be a referee for anyone who would tender for anything within the VWA or the TAC.

Mr DAVIS — I note that the contract itself, when signed, refuses to allow Shannon's Way, without express permission, to quote the VWA as a client in the future. Was that change in response to this occurrence?

Mr CAMERON — No.

The CHAIRMAN — What was the date of the document?

Mr DAVIS — It is 23 February 2001.

Mr CAMERON — That is a standard VWA requirement, as I understand it.

Mr DAVIS — That has always been the case?

Mr MacKENZIE — Certainly it was the practice at the TAC when I was there as well.

Mr CAMERON — It has been the practice of the TAC for quite a number of years and of the VWA for some time.

Mr DAVIS — Do you support this use of a client list that quotes you on that client list when tendering to an authority for which you have responsibility?

Mr CAMERON — No, it was not part of the tender document, it was a background document sent out.

Mr DAVIS — It was part of the process.

Mr CAMERON — No, it was not. It was a background document sent out to anybody near and far. As a matter of fact, my office had been a client of them some time earlier.

The CHAIRMAN — As I said to Mr Theophanous, I am having a little difficulty in following the estimates aspect of this questioning.

Mr DAVIS — It involves the expenditure of public money.

The CHAIRMAN — I don't think you have mentioned expenditure in that line of questioning.

Mr DAVIS — I am talking about the process that has gone on here.

The CHAIRMAN — You said it was from February last year, which I would have assumed should have come up in last year's estimates.

Mr DAVIS — I did not have this document at that point, but it includes expenditure into this financial year.

Mr CAMERON — It is not part of the tender process. The tender process was done by a panel that unanimously agreed about Shannon's Way, overseen by Paxton Partners, the probity around the process of which the Leader of the Opposition has accepted.

Mr RICH-PHILLIPS — I also ask you about the Shannon's Way advertising contract.

Mr CAMERON — They have been doing a fantastic job. The response to the campaign has been very good. The panel and Paxton Partners have been greatly vindicated.

Mr RICH-PHILLIPS — I ask you about the budget associated with that contract. The tender that was submitted by Shannon's Way had a budget that listed a number of items and costs: media, \$803 000; production, \$247 000; project management, \$150 000; and there are two other items — focus research, which was not included, and public relations, which was also listed as not included. Can you tell the committee how much has been spent on public relations in association with this contract and what firms had that public relations work?

Mr CAMERON — I cannot tell you — that is an operational matter that I leave entirely to the authority.

Mr RICH-PHILLIPS — Can the authority tell us?

Mr MOUNTFORD — I could not tell you off the top of my head exactly what public relations activities relate specifically to the campaigns as opposed to ongoing public relations activities. I do not have that number.

Mr RICH-PHILLIPS — Do you know who has been involved in the calculations?

Mr MOUNTFORD — A variety of people have been doing the public relations. We have our own internal public relations team, who do a lot of it. We outsource some of that and Haystac have provided some of those services.

Mr RICH-PHILLIPS — Can you provide the committee, on notice, with the amount spent on public relations associated with this contract and whom it was spent with?

Mr CAMERON — I am surprised you should ask that question, because the Deputy Leader of the Opposition was invited by the chairman to come and have a look about the whole matter and ask any questions. She took up the invitation and then later turned it down, which comes as quite a surprise to us.

Mr RICH-PHILLIPS — Are you prepared, on notice, to supply the amount spent on public relations with this contract and on whom it was spent?

Mr CAMERON — I am not precisely sure, but come over to the authority and they will brief you about the matter.

Mr RICH-PHILLIPS — I am hoping to get the information for the committee. Can you provide documents, on notice, that will give us that information?

Mr CAMERON — If you could highlight precisely what you want, we can provide it.

Mr MOUNTFORD — There are some practical difficulties. For example, we had a launch of our latest campaign and also the launch of Worksafe week. How do you disaggregate them? There are some practical difficulties like that. I do not know at that level of detail what is the disaggregation of the data, but there is nothing to hide.

Mr CAMERON — If you can be more precise, we can provide it, but sometimes these things happen at the same time, concurrently, and they are done that way so one feeds off the other, which you would understand from a marketing point of view.

Mr RICH-PHILLIPS — I am looking specifically for the tender document submitted to the authority by Shannon's Way, referred to as public relations in association with that advertising contract. It is the public relations expenditure to which that tender document referred that I would like to get details of.

Mr MOUNTFORD — The guts of that response, it seems to me, was to say what was and was not covered by the contract. My sense of that was what Shannon's Way was saying, and I was not part of that process, but it seems to make perfectly good sense that they are saying, 'As part of this contract we are not going to provide public relations'.

Mr MacKENZIE — That is the specific purpose for that clause being in the contract, because they wanted to make it clear what they were not going to provide.

Mr CLARK — It would be easier if you provided the committee with a general breakdown of the public relations spending by the VWA over the last 12 months or so, and indicated who had been the recipients.

Mr CAMERON — Mr Clark's solution is the sensible way to go. It is not a matter of aggregating.

The CHAIRMAN — If we can agree, that would be helpful.

Mr CAMERON — Yes.

Mr DAVIS — It may be helpful if you were able to tag some of those specifically to this contract.

The CHAIRMAN — We have come to a solution, Mr Davis.

Mr HALLAM — I refer you to the Victorian Workcover Authority's decision to abort the private investigators performance program. What financial penalty was incurred as a direct result of that decision?

Mr CAMERON — I will have to ask the authority to provide some information around that, but as you are aware, some private investigators did not like the tender. We had a couple of people look over it to make sure the process was correct, and while it was, the authority identified that some of the investigators had misunderstood the requirements. So as a matter of fairness the authority decided to abort the process. I will have that information provided to the committee

Mr HALLAM — You would not be surprised that I am interested in the circumstances, but I am more interested in the actual costs incurred as a direct result.

Mr CAMERON — I will have that information supplied to the committee. Can I clarify the information that the committee wants — —

Mr MOUNTFORD — Reflecting on a question from Mr Clark about the selection panel for the Shannon's Way contract on the issue of the branding, I think there were three on that. I was on that panel; it was me, Con Vidinopoulos and another officer who is no longer with us, who was from the marketing area. The three of us were involved in that tender.

Mr CAMERON — We will double-check and forward that information. What else was there?

The CHAIRMAN — The matter of the public relations spend.

Mr CAMERON — Yes, for the year; and did you want Workcover half-yearly figures?

Mr HALLAM — And quarterly, and projections for the end of the year.

Mr CAMERON — I will give you what has occurred. They will be the sixth and the ninth, although the ninth does not have the actuarials against it.

The CHAIRMAN — That completes the time allocated for this hearing. Thank you, Minister, and your departmental officers for your attendance. We will follow up certain matters with you.

Witnesses withdrew.