

# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2006–07

Melbourne — 16 June 2006

#### Members

Mr W. R. Baxter

Ms C. M. Campbell

Mr R. W. Clark

Mr B. Forwood

Ms D. L. Green

Mr J. Merlino

Mr G. K. Rich-Phillips

Ms G. D. Romanes

Mr A. Somyurek

Chair: Ms C. M. Campbell

Deputy Chair: Mr B. Forwood

#### Staff

Executive Officer: Ms M. Cornwell

#### Witnesses

Mr J Lenders, Minister for WorkCover and TAC;

Mr A Fronsco, director, financial risk management and policy, Department of Treasury and Finance;

Mr P O'Connor, chief executive officer, Transport Accident Commission; and

Mr G Tweedly, chief executive officer, Victorian WorkCover Authority.

**The CHAIR** — I welcome Mr Andrew Fronsco, director, financial risk management and policy, Department of Treasury and Finance; Mr Paul O'Connor, chief executive officer, Transport Accident Commission; and Mr Greg Tweedly, chief executive officer, Victorian WorkCover Authority. Minister, could you give us a brief presentation on the more complex financial performance information that relates to the 2006–07 budget estimates for the portfolios of WorkCover and the Transport Accident Commission.

**Overheads shown.**

**Mr LENDERS** — Thank you, Chair. You have already introduced the officials who are assisting here today. I am delighted to present on this portfolio which obviously covers the ministerial responsibility for the Victorian WorkCover Authority and the Transport Accident Commission.

The first slide essentially goes to financial performance, and it really is a story of sound financial management for both authorities. We see on the left the WorkCover Authority, and again a number of members around the table will have been to the half-yearly presentations where the chair of the authority makes a presentation with me. You can see there are graphs, and the most significant thing, of course, is that under the Bracks government the authority now separates its activities into performance from insurance operations from both authorities as opposed to the general results. The importance of that is that it obviously strips out of the equation of how equity markets are performing. If we are going to judge these two authorities on how they perform, we need to understand that in some years the authority might be performing extraordinarily well and it is totally outside its control what is happening on Wall Street or the stock exchange or whatever. First and foremost the green bars are the performance from insurance operations.

**Ms ROMANES** — Can you tell us what the acronyms stand for.

**Mr LENDERS** — PFIO is performance from insurance operations. NPAT is the general one, net profit after tax; that obviously states everything, premiums and payouts and obviously the equities. With respect to the actuarial releases, each year the actuary makes an assessment of longevity, the numbers of people in the scheme, treatments and all the rest of it. It is the adjustments that are made. The most classic one is as reports come in on injuries on the roads — the TAC for example — or claims are managed more quickly, those types of issues, the release comes in. In other words we have made a greater provision than we needed to for what we thought would happen over a period of time. The funding ratio in the end is — if we know that for all our clients of the TAC or WorkCover, for example, that we have to make a provision to set aside over time particularly the long-term benefits, that is simply compared to the amount of money we have put aside for it and where we are.

Again, the story out of both authorities is that the performance from insurance operations has been strong. We are seeing actuarial releases over a period of time. I tend to ignore the blue graphs because in the end they are the ones that are outside our control. They are obviously performing incredibly strongly at the moment. That is the way the markets are performing, but I will not focus on those. The ongoing trend is that we have greater assets over liabilities. That is the picture from those graphs.

We will move onto the next graph about competitive premiums and lowering cost to business. If we start with the VWA, what we have seen is that the story over a number of years is that premiums have come down. For the last three years the board has recommended to me, and I have obviously authorised, a premium audit, which is seeing the average premiums come down three years in a row by 10 per cent, and that graph shows that. We have managed to do that through a number of reasons. First and foremost — and again we measure all of these against the performance from insurance operations — there is very sound claim management. Despite the benefits having been improved on a number of occasions, there has been good claims management and fundamentally a reducing number of injuries in workplaces, so we have been able to see premiums come down. And let us not forget the fact that if you have less injuries, you have less calls on WorkCover, and premiums can come down. The whole occupational health and safety regime — the inspectorate, the legislation, the work of WorkSafe — have all brought these down.

What we see then is over a period of time we are now becoming incredibly competitive in premium rates with other states, but it is based on not slashing benefits; it is based on less injuries. The only place that is lower is Queensland, and as some members here will have heard me say before, you would not want to be injured in the state of Queensland. For businesses we are seeing premiums have come down. Over the last three years we have seen average premiums go from 2.22 per cent of payroll down to 1.62 per cent of payroll.

Moving through the slides, we have a benefit package which is listed there. Again what the Bracks government is doing, as we can prudently afford to do, is we are improving benefits for injured workers with a particular focus which we want to direct to return to work and encouraging return to work on a focus.

The next slide goes through workplace safety. The whole series of graphs and statistics reflect what I said before, that with a strong inspectorate, strong laws, changing workplace culture and tripartisan support, we are managing to get these down. We are measuring here client satisfaction in both authorities, whether it be the claims agents, the employers or the clients in the WorkCover Authority, or the staff and the clients in the Transport Accident Commission. We are seeing trends in there where we measure client satisfaction, and they are all heading in absolutely the way we want to go.

In road safety we are seeing the trends in the road toll and the hospitalisation claims all heading in the right direction. There has been a very important public debate on some of these areas. We all recall those *Herald Sun* campaigns in the early 70s about trying to deal with issues which the state has embraced in the last 30 or more years. We have seen the road toll come down again and again and again. Despite there being almost twice as many vehicles on the roads as there were at that time, we are seeing fatalities down by about three-quarters. The other measure that is of critical importance is serious injuries, and they are coming down. We have made the tough decisions, whether it be on seatbelts, whether it be on helmets, whether it be on drink-driving, whether it be on drugs, speed, all those areas. There has been a lot of controversy, but the outcome is less people injured, and that is a good outcome for the state.

**The CHAIR** — Thank you, Minister. I would like to take you to the WorkCover figures, which I find particularly impressive, where you really are working hard to have a reduction in workplace fatalities as well as reduction in injury claims. I have hurried you through these slides, so could you take us slowly through the improvements seen in workplace safety over the last year or so and the financial benefits. I know they cannot be quantified against the obvious human benefits, but the financial benefits are of great interest to PAEC.

**Mr LENDERS** — You say you cannot equate the two, but they are in a sense a measure by the fact that the claims on the scheme are coming down despite the scheme being more generous and the fact that there is a lot less human misery than there was before because we have safer workplaces. The two, the economic and social, run absolutely side by side in WorkCover. I guess what we are seeing, though, is fundamentally — leaving aside where we restored common law and now some of the benefit packages for injured workers — even things like the death issue, and we focus on that, most of our focus is on serious injuries where the payments now in the new legislation are more generous. Issues like counselling and other things are being provided as a matter of course with a greater generosity than was there before, and the VWA's support of some of the client groups, the families of the injured and the like, that area is happening.

On the premium side and the benefits — for example, in 2003–04 we had over 32 000 injury claims, but in the last financial year we have seen that drop by 2000. You may say that 32 000 to 30 000, that is a drop, but we have seen the work force grow in that period of time. The critical thing is that trend is continuing, and each of those 2000 statistics is a human being. The cost to the society, to the health-care system, to WorkCover paying benefits, to WorkCover dealing with the medical costs of people, to the premium that the employers pay, all of those are coming together in an outcome. I hope, Chair, that answers the question.

**The CHAIR** — Have you got a figure on that, though?

**Mr LENDERS** — A figure on — certainly we can measure — —

**The CHAIR** — Like the 2000 less injuries, what does that equate to? You hurried through the overheads and I want you to put it on the record.

**Mr LENDERS** — I will pass to Greg Tweedly, the CEO, to answer that question, Chair.

**Mr TWEEDLY** — The way in which we measure our success is the actuarial release, which was mentioned in the graph, and that is the culmination of the number of people that are injured and the cost of providing services to those that need our support. During last financial year we had an actual release of \$439 million, which is the sum of the savings brought about by fewer people being injured and people needing to be on benefits for a shorter length of time and the cost of providing service also going down. So \$439 million is the improvement which occurred during the course of the last financial year.

**Mr FORWOOD** — Just a couple of factual questions to start off with. I wonder, Minister, if you could advise the committee, firstly in relation to the VWA, what premium revenue you expect for the year 2006 and premium revenue you have budgeted for the year 2007, and in relation to the TAC the same question, except also I would like to know why does the TAC call it net premium revenue? What are you netting it off against?

**Mr LENDERS** — Firstly, I guess, Mr Forwood — in a sense, in your hands Chair — can we take those figures on notice and give them to you because we have only got 45 minutes and we can find an answer. We will take those on notice.

**The CHAIR** — Right; the answer is being provided.

**Mr SOMYUREK** — Minister, if I can just take you to page 39 of budget paper 3 under the heading 'Road safety': I notice there that over the last five years 372 Victorians lost their lives and 6500 Victorians have been seriously injured on our roads. Also on that page the budget paper is outlining the various measures to promote road safety. Can you please expand on those programs?

**Mr LENDERS** — We are delighted to, and they are quite controversial, some of them in the sense that we have mass media campaigns addressed at speeding. With some of those the nature of the campaign's attack sometimes shocks people, but obviously the proof is in the pudding: we are seeing it coming down. We also see, whether it be through drink-driving or fatigue, the likelihood of being badly hurt. Where the difficult dilemma for us as policymakers comes in, is that no-one likes to get a speeding fine; no-one likes to be told they are travelling too fast. It gets to be a very ugly public debate when you start having arguments over these issues, and I would certainly counsel anybody who pushes for greater tolerance on speed to actually spend some time in one of the rehabilitation centres or down at one of the trauma units at a hospital before they talk too much about tolerance on speed.

Certainly, we unashamedly take speed head on. TAC, along with its partners VicRoads and Victoria Police, has been advocating for a period of time for reductions in speed limits in a lot of these areas on road safety which some people say is an infringement of their civil liberties, but there obviously has to be that balance every time with the civil liberty of someone who is in the trauma unit. We have supported police enforcement efforts, booze buses, speed-related operations, and those booze buses now have drug testing on them. We have a number of partnerships with sporting clubs, festivals, the like, whether it be for the Wangaratta jazz festival which is obviously a nice one, to a lot of other festivals where we do the partnerships.

Again, it is dealing with the key issues. so whether it be the trauma initiative where we are putting more money into the medical research that assists there, whether it be vehicle safety — but overwhelmingly it is driver behaviour that is the key issue. All those things that I announced in my opening, going back to the 1970s — they all relate to driver behaviour and what tools the state and society have in changing that driver behaviour. Five years ago I had two speeding offences within about two weeks and it did more to my behaviour than anything else; they were 65 or 66 or so in a 60 kph zone, Mr Forwood — it was a long time ago. But the fines that anybody has, and we have all, I am sure, had them from time to time, do more to affect your behaviour than any amount of rhetoric or anything else. We have got to keep on that path and that is where we are going.

**Mr FORWOOD** — You might want to take this on notice as well. I would be interested to know the total amount of payments by each organisation to governments in the 2006 year and the budgeted amounts for 2007. In other words, I presume the TAC will be paying some tax equivalent payments and some dividends. I am sure that VWA is so successful it will be paying some money in tax equivalent payments so I would be interested in receiving these figures.

**Mr LENDERS** — I will take on notice the exact figures, but certainly let us not obfuscate, though, that the reason the VWA pays income tax equivalents is because we are required under the national competition policy to do so, and I guess no prudent, financially responsible government would be reducing premiums on the basis of gang busters in the stock market. If we were to do that, even when the premium changes were decided by the VWA board recommended from then to now we have seen a deterioration in the stock market, so I hope, Mr Forwood, you are not suggesting we should do — —

**Mr FORWOOD** — No, I just want to know what the figures are.

**Mr LENDERS** — We should not act as the previous Liberal government did in irrationally cutting premiums.

**The CHAIR** — He was not suggesting that..

**Mr MERLINO** — Minister, it has been one year since the passage of the OHS act; can you inform the committee how the reforms have progressed and particularly if you think there is a connection between a reduction in claims, whether there is any direct connection between the reduction in claims to those reforms and the changes in the OHS act?

**Mr LENDERS** — The act passed the Parliament in late 2004 and has been phased in, the various phases, when it came in on 1 January 2006 — a range of them. I think it is an extremely strong correlation, what we have seen. The ARREOs, the authorised representatives of registered employee organisations, have been out there in a safety sense. Certainly there have been the deputy health and safety reps in workplaces, so the whole culture in a workplace and workplaces is empowered, and also there is the requirement under the act to consult. It is one of those amazing things. When that came in out of the Maxwell review and then it got introduced in legislation, it was probably more belittled by uninformed people in the community than almost any other process that was in there — the requirement to consult. People laughed at it, saying, ‘What?’ without acknowledging that the requirement to consult means that at every workplace there are people out there, and whether they are next to a machine or next to some sort of other thing, they live and work with it and the fact that there is a change of practice, consulting with the workplace actually strengthens it; it is not some bureaucratic, crazy procedure. It was a great challenge for the VWA in communicating that out there because the stereotype was that it was a bad thing, but I have no doubt about it. When we had the Legislative Council sitting in Colac, I had the privilege of going to the local Bonlac factory and sitting down with a consultation at that particular workplace. Again, it just reinforced to me the importance of the benefits of consultation, whether they be toolbox meetings or whether they be more formal ones.

So in answer to your question: has it made a difference? We are seeing, that alone was not the sole focus — there has been a whole transformation of the Victorian WorkCover Authority — but things in the act, like that an inspector can actually offer advice, and that is an obligation to offer advice, rather than previously, if you were to ask a VWA inspector — and Greg can correct me on this — advice, the inspector would have to go through a subterfuge. They were not there to offer advice, ‘Well, if I was in your business this is what I would do’. We have moved from that to a far more proactive situation where the authority is expected to offer advice, there is meant to be consultation in the workplaces, and unequivocally from my perspective, these things are all driving down the injuries.

Again, going back to my earliest statement on consulting, you heard anecdotal tales all the time of a factory where people would be on the floor seeing the hazards of machines and all the rest of it and what would happen, there would be a management change, done with good intention and all the rest of it, but unless you actually engaged with the person on the shop floor, you would miss a perspective. So, yes, I think there is a direct change and the act, despite the doomsayers who said that the sky would fall down on 1 July last year when the act came in, when the ARREOs were in place, if anything, we have seen, from the VWA’s point of view, far less than we would have anticipated would be the transition complications in the community.

**Mr FORWOOD** — I want to turn to the issue of the capital return from the TAC. What was the total equity in the TAC at the time the decision was made to take the \$600 million out, so I can do the sum once I know that, and what is the process by which the \$600 million is to be returned to the government? Are they liquidating the share portfolio, who is doing it, have you got the money yet, when do you anticipate getting it, have you sold it while the downturn is on?

**Mr LENDERS** — I will either take that on notice or ask Paul O’Connor to give you the mechanics of that. But the context is that the decision was made to decapitalise TAC by \$600 million, which is the government’s prerogative to do. It is not unusual. Alan Stockdale took \$1.2 billion out of the TAC so in the sense of money being taken out, decapitalisation of the TAC is not unusual. Again, as you would have read in budget paper 1, as the Treasurer phrased it, it is infrastructure and other things — whether it be infrastructure and health, roads et cetera — which ultimately will all assist us with the role of the TAC. Obviously, the government has set capitalisation ratios for the TAC. The government would not be seeking this money out of the TAC if it was going to jeopardise its core activity, which is to deal with the people injured on roads, and particularly the money here is set aside for the long-tail claims. So there was a draw-down on capital — not unusual. It was done within prudent

levels — not unusual. In fact we have put a framework around where the TAC should be. As you would have read in the Auditor-General's report, he actually asked the government to have a capitalisation policy for the TAC. As part of that review, it became obvious that there was a capacity to draw-down on capital for those infrastructure projects. As to the particular questions of when the draw-down will happen, I will ask Paul if he wishes to answer, or if not we will take that on notice.

**Mr O'CONNOR** — The draw-down will be occurring before 30 June. Instructions were given to the Victorian Funds Management Corporation to facilitate that as our fund manager for the TAC.

**Mr FORWOOD** — So by 30 June, the \$600 million will have gone. What will you be left with in terms of equity?

**Mr O'CONNOR** — Our funding ratio will still be around the target of 110 per cent.

**Mr CLARK** — Can you provide us, perhaps on notice, with what you expect the actual dollar value of the remaining equity to be after the draw-down?

**Mr O'CONNOR** — Yes.

**Mr CLARK** — I have a supplementary question to that, Chair.

**The CHAIR** — If it is on that capitalisation.

**Mr RICH-PHILLIPS** — It is on the draw-down. Once the 30 June date has passed, can you provide the committee with details of what the book value of the assets that were liquidated was versus the cash value you actually received? Imagine you liquidated \$600 million worth of assets: that will not necessarily be the book value.

**Mr LENDERS** — We will take that on notice and provide information to the committee. The one thing I will say, though, is that we have an annual reporting requirement for the TAC, which we are required to do under the Financial Management Act. We will assist with information, I am not going to be asking the TAC to start drawing up or preparing reports and putting resources into that. We will certainly get it to the committee, but it may be at the time of the annual report when that information will be prepared anyway. The annual report will be fairly comprehensive. With that caveat, we will provide information, but if it is coming in the annual report anyway, I am not going to ask the organisation to put the resources, effectively, into a second annual report.

**Ms ROMANES** — Minister, on page 15 of budget paper 3 there is reference to the cuts to WorkCover premiums. Can you tell us how the WorkCover scheme performed overall in the last year and the impact on employers?

**Mr LENDERS** — Fundamentally, we have seen premiums, from 2003-04 when they were 2.22 per cent, come down to 1.62 per cent. How does the scheme go for employers? The premium they pay, as a percentage of payroll, has come down in the order of a quarter or more. From the employers' point of view, if we are talking about manufacturers here who are battling an escalating dollar and battling competition from China, India, Thailand or wherever in the auto area, we are certainly seeing pressure off their payroll in those areas.

Critically, rather than the VWA being this ogre-like regulator which is out there to tell employers what is going wrong, following my earlier question, its transformation has been that it has a greater obligation to provide information to assist employers. With the Victorian Farmers Federation, for example, it has worked collaboratively in funding. Consultants actually go out on farms. Farming has been one of the highest areas of injury rates, so rather than say that is bad and whack some regulations in place, the VWA's response, first and foremost, is actually to go out there and address the most critical areas and to try and change the behaviour of farmers. Coming from a farming background myself, I know farmers are incredibly conservative people who — I will not say they know everything, that would be uncharitable; my family knew everything — are very reluctant to take advice from outside, particularly from a regulator. So in a sense, it is working collaboratively with them. In that example of employers, we have seen that activity and assistance. There has been other things that the VWA has done. We are working in collaboration. We sponsor an enormous amount of work that provides information to the industry in information campaigns. Again, we are seeing an extraordinary reduction in some of those most difficult areas — farming being the classic example — where there are great challenges for the VWA. There always will be challenges. There are still great challenges ahead for the organisation. As I said, from the employers' point of view,

they have seen lower premiums, better service delivery from the organisation, and the inspectors actually offering advice. Only in the end when all those things fail do we come in with the regulatory component — at the end. It is a transformed organisation.

**Mr RICH-PHILLIPS** — I would like to ask you about some of the demands this budget makes on the TAC, because they are fairly substantial over the next 10 years, according to the budget papers. Firstly, on page 32 of BP3 there is a reference to \$597 million over 10 years provided by the TAC to extend the safer roads initiative. As a starting point, can you reconcile that \$597 million with the other figures in the budget papers, which are \$471 million for the asset initiatives and \$55 million for the output initiatives under the safer roads initiative from the TAC? There is roughly \$80 million difference there.

**Mr LENDERS** — Again, I will take that on notice or ask Paul O'Connor to provide the exact reconciliation. But just to paint a picture of it, we have had the various phases of the black spots program, under various names, which are recorded. We have some of the output initiatives like the funding for the trauma foundation which are in there. Then of course we have the 10-year, ongoing approximately \$60 million a year, which I am sure is that \$597 million figure you mentioned there, which is the \$60 million a year into the SRIP3 or the black spots and the next stage over the 10-year period. I guess what the government is seeking from the TAC in this budget and announcing for the future is the continuation of the black spots initiative, a new black spot program into the future, and funding to find a better medical treatment of trauma — that even includes things like fit-outs of ambulances and a range of things. That essentially is what the three are, but if we take that on notice or if Paul provides it now to reconcile those figures to the ones you mentioned in the budget paper.

**Mr O'CONNOR** — There are in fact the two and the additional TAC funding for the safer road infrastructure program, which we call SRIP. The third tranche of that funding is a contribution of \$60 million real, indexed over 10 years. It has been agreed with VicRoads that 30 per cent of that would be into output and 70 per cent into the asset base which would be new initiatives. This continues the investment in safer road infrastructure to make sure that the safer roads will contribute to safer drivers and lower trauma.

**Mr RICH-PHILLIPS** — So the \$55 million that is currently shown in the budget as output will be supplemented by that additional \$60 million to make up the \$597 million; is that correct?

**Mr LENDERS** — We will take that part on notice.

**Mr O'CONNOR** — I do not have those details in front of me.

**The CHAIR** — Can you give the budget paper reference so it is clear to Mr O'Connor?

**Mr RICH-PHILLIPS** — Yes, the first reference was \$597 million on page 32 of BP 3 and how that reconciles with the output and asset initiatives for DOI which are \$55 million and \$471 million respectively. Just from a governance point of view, obviously this is a significant cash drawer from TAC?

**Mr O'CONNOR** — Yes.

**Mr RICH-PHILLIPS** — The authority is under, subject to ministerial direction, the act. What discussions took place between the government and the commission in terms of arriving at this particular level of investment in the safer roads initiative? Obviously the directors of the commission have a responsibility from a prudential point of view. The government has its desire to have this particular initiative. From a governance point of view, what is the nature of the relationship and discussions between the government and the TAC in arriving at this figure?

**Mr LENDERS** — I think first and foremost there is a very strong collaborative relationship between the three key agencies and the ministers. The Transport Accident Commission, Victoria Police, VicRoads and the ministers have an ongoing collaborative approach where we have a shared strategy on how we are dealing with bringing down the road toll and dealing with trauma. So we work in collaboration; we are not silos. Yes, certainly the TAC and Victoria Police and VicRoads are statutory bodies with different levels of independence and different requirements of their governance structures. Arrive Alive is a classic example. It is a blueprint that we have all been working towards for a period of time, and one that evolves over time. The mechanics of these structures is Arrive Alive. We know that if we are going to bring down the road toll further, and we keep on pressing ourselves harder and harder to do that, the strategies involve driver behaviour, infrastructure — black spots being the obvious

example — the nature of roads and vehicles. There is a whole range of issues in there, so we work collaboratively, and there is dialogue obviously. I, as the minister, with the Treasurer, have obligations, in consultation with the TAC, on a range of things, whether they be the decapitalisation, or a range of other things, but in the end the TAC board has to see the SRIP3 money within the scope of its act and obligations. Obviously there is consultation here. Obviously that is intensified in the lead-up to a budget where can announce in an open way where the government is going with these funds and interlink with them, but there is an ongoing dialogue, a regular one, and a joint strategy, which is Arrive Alive.

**The CHAIR** — I would like to take you to the Transport Accident Commission move to Geelong by 2009. Could you give us the estimated total cost of this move, particularly the following figures: the rental of the new headquarters in Geelong, any redundancy costs, incentives to be provided to employees to make the move; and will all these costs be met by the TAC from retained earnings and investments or will there be a contribution from future state budgets?

**Mr LENDERS** — First and foremost on their — did she take your question Mr Rich-Phillips?

**Mr RICH-PHILLIPS** — You beat me to it, yes. It is on the list, Minister.

**Mr LENDERS** — It will mean I will give some fulsome answers so I will not be cut off at any time.

**The CHAIR** — You can ask as many supplementaries as you like.

**Mr LENDERS** — There are a number of aspects to this, so I will be as open as I can, but there are a number of constraints here — firstly, the costs that go to the Geelong construction project for the TAC building. Clearly we have now had expressions of interest and we have a group — I know that the TAC has a small group of people who are actually in the bidding process with the board. So clearly in the sense the cost aspect will be more fulsome when that process is over than we can now because we do not, I guess, want to show our hand on that. Needless to say, this will be the construction of a purpose-built building, and the PWC report obviously has estimates and that in there. That is one aspect. The second one also is on the staff costs of whether there be incentives for people to move to Geelong or the payment to people who do not go to Geelong. Again, while heads of agreement are reached, the TAC has gone a very long way with its work force, which is a very difficult process for the TAC. It is absolutely focused on getting a far greater number of people moving to Geelong than the PWC report indicated, but they are challenges. Again, there are still a number of i's to be dotted and t's to be crossed on that particular process. Without again showing our hand to the CPSU at this juncture as to what the total amount is, it is fair to say that the key objectives — and the work force certainly knows this because Paul and his team have been talking with them in a very collaborative sense. There is nothing secret there.

**The CHAIR** — What has been told to the staff so that the Public Accounts and Estimates Committee is aware of what offers have been made?

**Mr LENDERS** — I will pass that straight to Paul.

**The CHAIR** — I fully understand the importance of while you are out to tender not giving us final figures. I absolutely understand that, but what can you put on the public record that has been conveyed to staff?

**Mr O'CONNOR** — Through the minister, Chair, what we have agreed with the CPSU is an in-principal agreement, which is a Geelong support and assistance program to focus on retaining the maximum number of TAC staff with us through to the time of our relocation to Geelong, to be able to assist TAC staff to be able to trial the opportunity of working in Geelong for up to 12 months, and support for commuting assistance as well as the opportunity to relocate to the Geelong region. The retention of our staff has been a crucial part of that platform that has been agreed in principle with the CPSU.

The second part is the relocation support to Geelong as well, and that is in that trial period for 12 months to make sure the TAC people have the opportunity to try the experience of living with their families in Geelong. Then if they do not like that, being able to return to Melbourne without compromising their benefits and opportunities they would otherwise have had. There is also the support for redeployment and retraining, and the TAC is committed to supporting people in their careers beyond the TAC if in fact they are not able to make that relocation possible because of family or circumstances and their commitments in Melbourne. It is a wide-ranging package that has been agreed. It has been adopted by our staff and it also includes knowledge transfer allowances, incentives for our



people who will not be able to stay with us if they are leaving the TAC, to reward them for sharing their knowledge with their colleagues and new recruits as well.

**The CHAIR** — Does the commuting assistance include public transport or is it only mileage allowance?

**Mr O'CONNOR** — It is a mixture of commuting by vehicle, but also the TAC has agreed with the CPSU to explore the opportunity of a TAC bus, and also has agreed up to three years to fund V/Line passes for staff who would prefer to commute by train.

**Mr RICH-PHILLIPS** — On the same issue of the TAC relocation, Minister, can you, probably on notice, tell the committee how much the TAC paid PricewaterhouseCoopers to do the feasibility report into the relocation, and given this that report was completed on 16 December 2005, which is the same day you announced the relocation would go ahead, can you tell the committee whether you did take this report into consideration before you made the decision?

**Mr LENDERS** — I am not sure whether to take the last one as an insult. Of course we took the report into consideration. One of the key things, Mr Rich-Phillips, on the date is that this was not a decision government took lightly. For all the economic reasons, the move to Geelong and decentralisation reasons, which are all very sound macroeconomic policy, they do not wash globally well if you were a staff member who is used to travelling to Melbourne, which the vast majority obviously were. We did not take this decision lightly. One of the things we were acutely conscious of, given the timetable when it was announced, is the worst possible outcome would have been on the day before, or two days before, Christmas to have made an announcement as people were going away. We were acutely conscious to make our decision within government as fast and as prompt as we could, so on that 16 December date, the one that you mentioned — and I know it was getting towards Christmas — we accelerated the government processes in responding to that report so there would at least in that area, I guess, on what was a very hard decision for the staff in the TAC, be a bigger gap where they could talk with their union, talk with their peers, talk with management and all the other things they wished to do rather than having the worst possible scenario for them that on 23 December we suddenly brought down an announcement and more likely had it applied. Yes, we acted promptly in government; yes, we commissioned the PWC to do modelling for us above and beyond the preliminary work we would have done. Obviously we would more than likely not have made an announcement that this was what we were contemplating doing in principle subject to a feasibility study, so clearly that is where we were and that was the promptness in our releasing that so that it would not be on Christmas Eve.

**Mr RICH-PHILLIPS** — So you did it on the same day as the PWC report — —

**Mr LENDERS** — I have not got the dates in front of me as to when they were tabled. I can assure you that we had some very late nights and some very early mornings around the time that the final decision was made.

**Mr RICH-PHILLIPS** — It is actually dated the same day you made the announcement, so I do not know whether you announced it on the same day you made the decision, but there was obviously little time between it being completed on 16 December and you making your announcement on the same day.

**Mr LENDERS** — I have not got the chronology of dates in front of me. I certainly take it from what you are saying that there is a release date of an announcement, but let me assure you that there were a lot of late nights and early mornings at that time, and this was before we even got to the process of commissioning PWC to do the work for us. We obviously had a lot of thought put gone into it, but we needed to have some independent verification of the figures.

**The CHAIR** — There is a supplementary from Mr Forwood on the PWC report.

**Mr FORWOOD** — It is on the move to Geelong.

**The CHAIR** — Mine was on employees — that was the PWC. If you have something different we can take that for the next question.

**Mr FORWOOD** — I am thinking we are running out of time, but what I particularly wanted to ask was — —

**The CHAIR** — Is it on the PWC?

**Mr FORWOOD** — It is on the move to Geelong.

**The CHAIR** — On employees or PWC?

**Mr FORWOOD** — Can I ask a question?

**The CHAIR** — Ask the question and we will see if it is in order.

**Mr FORWOOD** — Let us do that. Minister, was it a government decision to instruct the TAC to move to Geelong rather than the board deciding, and is it not true that Stephen Grant left as CEO of TAC because he disagreed with the decision?

**The CHAIR** — That has nothing to do with either — —

**Mr FORWOOD** — So you are not going let him answer the question?

**The CHAIR** — I am just saying — —

**Mr FORWOOD** — Okay, that is fine. Please yourself. As usual, open, honest, transparent and accountable.

**The CHAIR** — You are the one who is saying you want to get on to the financial portfolio.

**Mr FORWOOD** — You are the person who set the time.

**The CHAIR** — The committee set the time. This was set at a committee meeting, so we are now going to move to the finance portfolio as we have had five minutes extra on WorkCover and the TAC.

**Witnesses withdrew.**