

PROOF VERSION ONLY

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2012–13

Melbourne — 18 May 2012

Members

Mr N. Angus
Mr P. Davis
Ms J. Hennessy
Mr D. Morris

Mr D. O'Brien
Mr M. Pakula
Mr R. Scott

Chair: Mr P. Davis
Deputy Chair: Mr M. Pakula

Staff

Executive Officer: Ms V. Cheong

Witnesses

Mr Rich-Phillips, Assistant Treasurer,

Mr D. Yates, Acting Secretary, and

Mr D. Bloomfield, Acting Deputy Secretary, Government Services Division, Department of Treasury and Finance;

Ms T. Slatter, Acting Chief Executive Officer, Transport Accident Commission; and

Mr G. Tweedly, Chief Executive Officer, WorkSafe Victoria.

**Necessary corrections to be notified to
executive officer of committee**

The CHAIR — I declare open the Public Accounts and Estimates Committee hearing on the 2012–13 budget estimates for the portfolios of Assistant Treasurer, technology and the responsibility for the aviation industry. On behalf of the committee I welcome the Honourable Gordon Rich-Phillips, MLC, Assistant Treasurer, Minister for Technology and Minister responsible for the Aviation Industry; and Mr Dean Yates, acting secretary, Department of Treasury and Finance; Mr Darren Bloomfield, acting deputy secretary, government services division, Department of Treasury and Finance; Ms Tracey Slatter, acting chief executive officer, Transport Accident Commission; and Mr Greg Tweedly, chief executive officer, WorkSafe Victoria. Members of Parliament, departmental officers, members of the public and the media are also welcome.

In accordance with the guidelines for public hearings, I remind members of the public gallery that they cannot participate in any way in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the Assistant Treasurer or his chief of staff, can approach the table during the hearing to provide information to the Assistant Treasurer, by leave of myself as Chairman. Written communication to witnesses can only be provided via officers of the PAEC secretariat. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room, and no more than two TV cameras are allowed at any one time in the allocated spaces. May I remind TV camera operators to remain focused only on the persons speaking and that panning of the public gallery, committee members and witnesses is strictly prohibited. As previously advised to witnesses here today, I am pleased to announce that these hearings are being webcast live on the Parliament's website.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. This committee has determined that there is no need for evidence to be sworn; however, witnesses are reminded that all questions must be answered in full and with accuracy and truthfulness. Any persons found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript to be verified and returned within two working days of this hearing. Unverified transcripts and PowerPoint presentations will be placed on the committee's website immediately following receipt, to be replaced by verified transcripts within five days of receipt. Following a presentation by the Assistant Treasurer, committee members will ask questions relating to the inquiry. Generally the procedure followed will be that relating to questions in the Legislative Assembly. I ask that all mobile telephones be turned off.

I now call on the Assistant Treasurer to give a brief presentation of no more than 5 minutes on the more complex financial and performance information that relates to the budget estimates for the Assistant Treasurer's portfolio.

Overheads shown.

Mr RICH-PHILLIPS — Thank you, Mr Chairman. I am pleased to be here for PAEC this afternoon for 1 or 2 hours and not to be here for 55 hours. It reflects the enormous amount of work that the committee has to do through this process. The good work the committee does is well recognised. I will just take the committee to the slide presentation, which gives a quick overview of the areas of responsibility which fall into the Assistant Treasury portfolio. We have first, the workplace accident compensation and rehabilitation obligations, which are undertaken by the Victorian WorkCover Authority; likewise with the occupational health and safety framework; transport accident compensation and rehabilitation, which is undertaken by the Transport Accident Commission; management of the government's motor vehicle fleet through the Department of Treasury and Finance; purchasing and procurement arrangements, procurement policy, through the Victorian Government Purchasing Board and whole-of-government purchasing through the department; likewise land and property purchases and disposals; whole-of-government accommodation through the government services division of DTF; government superannuation policy, overseen by the commercial division of DTF and administered by the Emergency Services Superannuation Board; and the regulation of Victoria's registered housing agencies through the housing registrar.

On the next slide, in terms of the outputs, we have the responsibilities for areas of the department covered by the Assistant Treasury portfolio: the budget and financial policy advice output, overseen by Dean Yates in his

substantive role; the economic and financial policy, overseen by Brendan Flynn; GBE performance monitoring and financial risk management output under the commercial division; government services overseen by Adam Todhunter normally and Darren Bloomfield as acting deputy secretary; and the land and infrastructure investment management output. Separately, we have some statutory authorities attached to the portfolio: the Emergency Services Superannuation Board, the Victorian WorkCover Authority and the Transport Accident Commission, and, under the State Owned Enterprises Act, we have CenITex.

Just moving on to focus on some of the WorkCover matters, this slide shows the Victorian WorkCover Authority's performance over the last decade, reporting to 30 June of last year. This is a similar slide to that which was shown at PAEC last year and indeed to what has been shown at PAEC over a number of years. The key element to focus on in this chart is the blue bar, which is the performance from insurance operations, which is effectively the outcome of the insurance business, the matters that are controlled by the WorkCover authority. Next to that we have the green bar, which is the net result after tax; however, that takes into account investment performance, which is obviously beyond the scope of the authority. The yellow bar is the actuarial release, which is essentially the change or, in this case, reduction in the value of the liabilities as a consequence of the good management of the scheme, as assessed by the scheme's actuaries. The line reflects the funding ratio, which is essentially the scheme assets versus the scheme liabilities.

On the next slide we see the OHS performance in Victoria as administered by the Victorian WorkCover Authority. On the top left we have claims expressed as a ratio to 1000 workers. We can see that that has been on a downward trend over a number of years, and for the current financial year 10.34 is a record low for Victoria. The other chart shows the number of claims submitted in absolute terms, so it is around a little under 30 000 claims on an annual basis.

The next slide goes to one of the key announcements in the budget, which was a reduction in WorkCover premiums of 3 per cent. This chart shows the charge rate over the last decade. You can see that it has been in decline from 2001–02, and we are very pleased to be able to continue that reduction in the average premium rate for the scheme. Obviously reducing business costs is one of the key objectives of the government in creating a competitive business environment.

The next chart shows how we performed on a comparative basis compared to the other states and also the commonwealth Comcare scheme. We can see the second bar from the right shows the current premium rate for Victoria at 1.338 per cent of payroll, which is already the lowest among the jurisdictions, and the 3 per cent reduction to 1.298 will continue to ensure that we remain at the lowest end.

The next slide is similar information to that provided for the Victorian WorkCover Authority but this time for the Transport Accident Commission. Again, although the colours are different, the data shown is the same; the red bar in this case is the performance from insurance operations — those matters that the management can control. Next to that we have the net result, which includes investment returns, and the actuarial release is the light bar. You can see the line, again, is the funding ratio and, as a consequence of the substantial hit that the scheme had as a consequence of the global financial crisis in 2008–09, where you see the very large negative net result with the write-down in investment performance, we still have the funding ratio recovering. These figures are at 30 June last year and, of course, as markets move that funding ratio moves and would have moved again this week as a consequence of what we have seen.

In terms of road safety performance, which is a focus of the TAC, this chart shows road fatalities in Victoria. Last year we had a record low with 287 fatalities — that is the orange bars — and the black line shows the road toll as a ratio to vehicles on the road, because obviously as there is an increase in the number of vehicles and an increase in the number of kilometres driven, it is relevant to reflect the road toll as a ratio; to see it on a comparative basis.

The next chart moves onto some of the internal matters dealt with within the Department of Treasury and Finance. Just quickly, because I am conscious of time, we have fleet management within DTF, where there is a focus on the purchase of locally manufactured vehicles and, obviously, controlling cost in-fleet is important for the government's savings objectives. Onto procurement, DTF oversees whole-of-government state purchasing contracts, which provide efficiencies for the greater general government sector and policies overseen by the Victorian Government Purchasing Board.

On to the next slide: accommodation is also centrally managed through the Department of Treasury and Finance. Obviously the Victorian government is one of the largest leaseholders in the CBD, and it would not make good sense to have different Victorian government agencies competing with one another for the same leases so that is managed centrally through DTF. There are some of the factors that are taken into account — whole-of-government IT, and the IT platform run through CenITex under the efficient technology services platform is also administered out of the Department of Treasury and Finance.

Moving onto the final slide, this just highlights some of the other responsibility areas for the portfolio — as I outlined before, government superannuation, land and property purchases and disposals. The better financial management policy relates to the government's objectives around savings and oversight of the housing registrar, which was transferred to Treasury last year following a recommendation from the Auditor-General in 2010. Thank you, Mr Chairman.

The CHAIR — Thank you, Minister. I note that we have until 2.15 to put questions to the minister in the Assistant Treasurer's portfolio. Just for the advice of the committee and for you, Minister, Mr Scott, who is the shadow minister in this portfolio, will be taking all the questions for the opposition.

Minister, given the key growth and efficiency initiatives announced in the budget, can you please outline for the committee the likely impact of the budget on enhancing service delivery, promoting productivity and achieving efficiency gains within your portfolio? In responding, could you also indicate how you intend to monitor the portfolio's effectiveness in maximising improvements in these areas?

Mr RICH-PHILLIPS — Thank you, Mr Chairman. That is a particularly relevant question for this portfolio. The impact on the portfolio is not so much one in a service delivery sense. I note that the two service delivery agencies — the Victorian WorkCover Authority and the Transport Accident Commission — are not budget sector agencies; they are outside the budget sector. But essentially the portfolio responsibilities are actually in delivering a number of those efficiencies. A lot of what the government requires departments to deliver in terms of efficiencies and cost reductions through the budget last year, and indeed this year, will actually be delivered through the government services division of Treasury, whether it is through a reduction in accommodation costs, whether it is through state purchasing contracts, of which there are a large number in place — which deliver cost savings across anything from telecommunications to stationery requisitions to staffing services — there are a range of areas where my division provides consolidated and aggregated purchasing, which delivers cost savings to whole of government and is absolutely central to line agencies being able to deliver upon their savings targets. Rather than being affected or impacted by the budget, this unit within Treasury is actually targeted at delivering and enabling other agencies to deliver upon their savings objectives.

In terms of measurement, with a lot of the SPCs there is benchmarking undertaken to assess the savings which are achieved as a consequence of having state purchasing contracts against industry benchmarks to understand how government costs are tracking against industry costs, which, from Treasury's point of view, is a measure of how effective those contracts are, but of course the real measure is the capacity of the individual agencies to deliver their outputs as a consequence of having benefited from the cost savings delivered through GSD.

The CHAIR — Thank you, Minister. I have a follow-up question, and it is more difficult for you to respond to this, perhaps, than it is for some other ministers. I will ask you to advise the committee what you consider to be the likely impact on industry sectors affected by the reforms and any other community stakeholders within your portfolio.

Mr RICH-PHILLIPS — I guess, again, Mr Chairman, going back, the Treasury element of the portfolio, which is delivering these, does not have direct stakeholders other than government, which is the nature of much of what DTF does, so I do not expect there will be external impacts from these initiatives. In reality, the delivery of these initiatives by Treasury will ensure there is greater capacity in the line agencies to deliver their outputs to the community. If you are asking for what the impact is going to be, I would say it will be a positive impact but not within Treasury — in the broader government sector.

Mr SCOTT — Minister, on page 317 of budget paper 3 there is reference to revenue from sale of surplus government land including Crown land, and I note in your presentation that one of your core responsibilities is facilitating the disposal of Victorian government land. I note also that the figure for the revenue to be gained from disposal of land had increased essentially over threefold, to 176 million from an expected outcome of

\$50 million and a previous figure of 53.37 million, I would just like you to explain this significant increase in the disposal of land and if there are any particular land parcels or reasons why this has increased.

Mr RICH-PHILLIPS — I thank Mr Scott for the question. The government has increased the target for the sale of land in this year's budget, and that reflects the fact that there are a number of large properties that we expect will come to market over the course of the 12–13 year, so the target reflects expected sale of those. There is always an ongoing portfolio of properties that are sold. I have to say it has been very interesting over the last year or so in this portfolio to see the nature of some of the properties we have disposed of, because some of them are ridiculously small. Some of them are literally postage stamps that the government, for one reason or another, owns. They are areas of land the size of this table, for example, which for one reason or another historically are on the government's books and they are disposed of, and there are a large number of very small properties which are disposed of through the course of this program.

That said, there are also some significant properties disposed of from time to time, and we expect in 12–13 that there will be a couple of properties which have been in the portfolio for a while. Typically with significant land sales there is a lot of work to be done in terms of remediation work, planning work et cetera, which needs to be done before they are brought to market, so those properties have been under way for several years and we expect that they will go to market in 12–13, and the increased target reflects the fact that there will be some significant properties we expect to dispose of in 12–13.

Mr SCOTT — By way of supplementary, in budget paper 2 on page 39 there is advice about the expected future recovery in the property market, and that is reflected in the expected increase in stamp duty averaging at 7.3 over the forward estimates. Considering the government itself is predicting a stronger property market in future years, isn't it a bit of a fire sale to put so much land on the market during this year rather than where you expect future years to have higher property prices and putting that more gradually over those years?

Mr RICH-PHILLIPS — Obviously, Mr Scott, these properties need to be considered on a case-by-case basis, and it is not the government's intention to undertake a fire sale of these properties. There is an imperative to put these properties on the market. The revenue or the cash — I won't use the word 'revenue' because it is not revenue in a budget sense — from the sale of these properties obviously contributes to the government's infrastructure investment, and the government is mindful of realising the best return on those properties when they go to market. So they will not be a fire sale — absolutely not — but we expect these ones are ready for sale, and they will go to market, but if they do not produce a return assessed in accordance with the Valuer-General's valuation, then they will not be sold.

Mr MORRIS — I observe that there is a degree of symmetry with the Treasurer being the first witness on day 1 and the Assistant Treasurer being the last witness on day 10, albeit not in his role as Assistant Treasurer. But in regard to that role, page 31 of budget paper 2 refers to the reduction in WorkCover premiums. Can you indicate for the committee the impact the government anticipates this will have for business?

Mr RICH-PHILLIPS — Thank you, Mr Morris. This is an area I am particularly interested in. Obviously it was one of the major budget announcements for this year, and I am very pleased that it is being delivered through my portfolio. As I indicated in the opening slides, the government announced in the budget a reduction of 3 per cent in the average WorkCover premium for 12–13, from the current 1.338 per cent of payroll down to 1.298 per cent. The mechanism for this is an assessment undertaken by the Victorian WorkCover authority as to the costs of the scheme for the 12–13 year. That is then assessed by the board and the board makes a recommendation to government, and the board has recommended to government that that 3 per cent reduction in premium be made, which I was very pleased and the government was very pleased to accept, which will flow through from 1 July.

What this means for businesses is a reduction in the total premium pool paid by businesses of around \$57 million, so it will be a very substantial reduction in the aggregate level of WorkCover premium that is paid by Victorian businesses in 12–13, and it is a very affordable premium reduction in terms of the cost of operating the WorkCover scheme for the 12–13 year. We expect that there will be a very substantial number of businesses that are beneficiaries of the reduction in WorkCover premiums — and I have a figure for you, Mr Morris. We expect there will be around 114 000 businesses that are beneficiaries of the reduction in WorkCover, including around 59 000 that will have a premium reduction of more than 10 per cent as a consequence of not only the average premium reduction but also the performance of their industry or, if they are a large employer, the

performance of them as an individual employer. So this will be a very significant benefit for Victorian employers — \$57 million — and it is well affordable within the scope of the current expected operation of the scheme in 12–13.

Mr SCOTT — Minister, I am sure you are aware there is an article in today's *Age* related to occupationally linked cancers amongst firefighters. There is also the federal Senate inquiry and legislation last year. I note the non-partisan approach taken at a federal level to this issue. Are you planning action to address this issue during 2012-13? There are obviously a couple of different avenues — either legislation or regulatory action under section 87 of the Accident Compensation Act — to proclaim diseases.

Mr RICH-PHILLIPS — I thank Mr Scott for his question and his interest in this area. It is something that earlier this year I asked the Victorian WorkCover Authority to undertake some work on as a consequence of the legislation that passed through the commonwealth Parliament to look at what it would mean for the Victorian scheme and ways this issue could be addressed in Victoria. Mr Scott indicated in his question that legislation was passed through the commonwealth Parliament last year which basically created a causal link between a person who had a particular type of cancer that is specified in legislation. If they had been a firefighter in particular locations for a particular period of time it gave rise to a compensable claim based on that person having that type of cancer. As a consequence of the legislation the claimant did not need to establish that the cause of the cancer was their service as a firefighter; the legislation did that for them.

In Victoria under the current provisions of the accident compensation legislation there is a provision which allows for diseases to be linked to WorkCover claims; however, the general provision requires that the causal link be established. If a person is making a claim that they have a cancer as a consequence of having been a firefighter or something else, the general provision requires that the causal link be established between the disease and their service in a particular occupation. However, there is a second provision within the accident compensation legislation which allows for diseases to be gazetted with a causal relationship either to a particular place, a particular process or a particular occupation. Currently there are around 25 separate diseases which are gazetted under this provision — arsenic-related diseases and Q fever with respect to work in abattoirs. For example, if a person has Q fever and they worked in an abattoir, they do not need to establish that the cause of that Q fever was working in the abattoir; it is established under the gazettal. There is currently a mechanism which would allow for diseases such as cancer to be linked to firefighting without necessarily there being legislation like that which was introduced in the commonwealth.

In terms of establishing that causal link, the Victorian WorkCover Authority since February has been undertaking some work looking at those diseases and the prevalence of those diseases. Obviously it is important to establish that the disease does not occur simply because it occurs in the general population, but the occurrence of the disease is because of a causal link to an occupation. WorkCover has been undertaking some work since February, and I expect that work will be completed later this year — certainly the second half of this year — at which time the government will then look at what that research has discovered and what is the appropriate way to deal with this issue.

Mr SCOTT — Has any cost or potential change to the scheme to deal with this particular issue been factored into the budget for WorkCover over the 2012-13 year?

Mr RICH-PHILLIPS — Anything in the WorkCover scheme does not have a budgetary impact other than — —

Mr SCOTT — In its own budget, I was referring to. I understand that.

Mr RICH-PHILLIPS — Because there has been no policy change, then nothing is reflected in WorkCover budgeting. The work under way at the moment will inform the authority and the board and ultimately the government as to whether a change should be made and the expected cost of a change like that. At the moment, no, because no policy change has been made.

The CHAIR — Before I call the next member, Minister, we are having a bit of a sound system issue today. Could you drag that microphone forward a bit more, a bit further if you can.

Mr ANGUS — Minister, your slide presentation earlier referred to occupational health and safety. Can you advise the committee why the government is not implementing the national OHS package?

Mr RICH-PHILLIPS — I thank Mr Angus for his interest in this issue. This is a significant issue for the Victorian government and a significant issue for the Victorian community. The issue of national occupational health and safety arose in 2008 with a COAG agreement between the nine state, territory and commonwealth jurisdictions to implement a national OHS model comprised of legislation and a suite of regulations and then codes of practice which would be applied consistently across Australia. Obviously the COAG agreement was entered into by the previous government in 2009, and work progressed from that COAG agreement through to 2010 with the production of the model bill which was to be enacted across jurisdictions and subsequently the application of model regulations and codes of practice.

The Victorian government's position with respect to this harmonisation issue is that we support the principle of harmonisation and understand the potential for harmonisation, but the reality is no jurisdiction is being asked to implement a principle; all jurisdictions have to implement the package of legislation. Victoria is currently recognised as having the best occupational health and safety framework in Australia. It has produced the lowest claims rates in Australia over a number of years, and we have the lowest claims rate ever in Victoria in the year just completed, so we have what is recognised as the best model.

Unfortunately as part of that harmonisation approach a lot of compromises were introduced from the Victorian model to get the other states and territories on board. You may have seen in 2010 the then New South Wales Premier, Kristina Keneally, indicating that New South Wales would not proceed with national harmonisation because the package at that stage did not include enough of the elements out of the then New South Wales model which were regarded as punitive and a retrograde step from where Victoria currently is.

A whole lot of compromises were made from the Victorian model to get to the national model, and the reality for Victoria is that at the end of last year the Victorian government commissioned from PricewaterhouseCoopers, a supplementary impact assessment of those national laws for the impact they would have on Victoria, because that work was not done at a commonwealth level. That supplementary impact assessment found that the impact on Victoria — the cost to Victoria — would be a little under \$3.5 billion over five years. Around 800 million of that cost would be first-year transition costs, and then there would be around \$580 million a year, ongoing, for Victorian businesses to adopt the national model compared to the current Victorian model.

It is the Victorian government's view that the case has not been made that the national model would improve workplace safety. Remember: this was about harmonisation. We are being asked to impose a whole lot of transitional costs and a whole lot of ongoing costs without delivering a tangible workplace safety outcome. So the government has said, 'We won't do that'. The reality is that most of that cost would have been borne by single-state Victorian businesses. The vast majority of businesses in Victoria are single-state businesses. Only a very small proportion of Victorian businesses operate across state boundaries and therefore would potentially benefit from a common regime across boundaries; the vast majority would not. The vast majority of the cost was to be borne by SMEs — around 78 per cent of the costs was to be borne by SMEs. The Victorian government's view is that that is not an acceptable cost to impose on Victorian business, particularly in the current economic environment.

We are committed to maintaining what we believe is a best practice OHS framework here in Victoria. We welcome the opportunity to look at ways to harmonise with other jurisdictions where it means removing rather than imposing regulatory burden. But we will not impose the national package and add that \$3.5 billion cost to Victorian businesses over the next five years.

Mr SCOTT — Minister, The Essential Services Commission is conducting a review into WorkCover and the TAC. The Minister for Finance made clear that although the essential services commissioner is under his area of responsibility, reviews requested by ministers are, in this case, are your responsibility. He made that very clear in the previous hearing. I also suspect that the Treasury and Finance and the Department of Premier and Cabinet have some interest in these matters as well. I ask you: in light of the review, will you rule out the amalgamation of the two schemes, including the use of private insurance companies to manage the claims of Victorians injured in motor vehicle accidents?

Mr RICH-PHILLIPS — I thank Mr Scott for his question. He is quite right in saying that the Essential Services Commission is a matter for the Minister for Finance. I see Mr Scott ready to leap.

Mr SCOTT — No, I was just — —

Mr RICH-PHILLIPS — The government has asked the ESC, via the Minister for Finance, to undertake a review of TAC and the Victorian WorkCover Authority. I have to say to Mr Scott — and I can see where his question is going: will you rule things in, will you rule things out? — I am not going to pre-empt the delivery of that report. I am expecting that report probably in the second half of this calendar year. I saw the question that Mr Scott asked of the Minister for Finance when he was here around the terms of reference and were things excluded from the terms of reference. Basically what the government is seeking from the ESC through this review is to look at the functions of the Transport Accident Commission and the Victorian WorkCover Authority, how each agency carries out its functions, how those functions can be improved and how the two agencies can work together better.

The reality is this is the first time there has been a comprehensive look at the two organisations since they were established in the mid-1980s. For example, the Victorian WorkCover Authority has some 50 statutory responsibilities under four separate acts of Parliament. In the case of the TAC there are around 14 separate statutory responsibilities under its act of Parliament. The responsibilities of these two organisations are very complex and, in some respects, can be in conflict. ESC is looking at the function and operation of these organisations, and I am not going to pre-empt ruling in or ruling out what the ESC may report. Obviously the government will receive the report, it will consider the report and it will decide what recommendations, if any, it accepts. I am not going to start ruling out recommendations which may or may not even be made.

Mr SCOTT — Can you at least give an assurance about some critical aspects of the operation of both schemes, particularly the functions of the Transport Accident Commission in their current form remaining at Geelong and the continuation of the narrative test for common-law entitlements?

Mr RICH-PHILLIPS — With respect to the first matter of TAC having relocated to Geelong, I cannot for the life of me imagine why the Essential Services Commission would make a recommendation around the location of the TAC. It has basically just in the last financial year concluded the move to Geelong. That was a complex and expensive operation, the move to Geelong, and the government has no plans to move the TAC from Geelong.

On the other issue you raised, around the narrative test, if Mr Scott wants a commitment around benefits and entitlements, that is not a matter that the ESC is looking at anyway. The reviews are looking at the organisations rather than the schemes they administer.

Mr O'BRIEN — I would like to take you to budget paper 3, page 318, under the government services output initiatives. I am wondering if you could advise the committee, Minister, of the estimated level of savings that have been achieved through the government vehicle fleet.

Mr RICH-PHILLIPS — I thank Mr O'Brien for his question. This is the one of areas I spoke about in my opening comments around the functions which are undertaken by DTF through the government services division which are aimed at achieving benefits through aggregate purchasing. The Victorian government, I am sure it will not come as a surprise, operates a very substantial vehicle fleet. The government services division is responsible for running that fleet across the general government sector and there are smaller operations outside the general government sector. There are currently in the order of 9100 vehicles managed by the government services division under the vehicle fleet. Around 1100 to 1200 of those are in the executive fleet, which relates to executive officers with employment contracts. The rest are operational vehicles within the government fleet. The objective of running a centralised fleet is to save money and we estimate that in 10–11, the last financial year, savings as a consequence of the centralised fleet were in the order of \$13.5 million — very substantial savings as a consequence of aggregated purchasing of vehicles.

Also as a side benefit it allows the Victorian government to support Australian car manufacturers through the purchasing of Australian-manufactured vehicles, not all of which, I might add, are manufactured in Victoria. We have Holden Commodore and Holden Cruze, we have Ford Falcon and we have Toyota Camry in the fleet. The reason we purchase vehicles which are not necessarily manufactured in Victoria is because of the supply chain benefits to the Victorian manufacturing sector. Part of the commitment around fleet was the purchase of 2000 Toyota Camrys. I am not sure whether Mr Pakula may have been the minister responsible at time that arrangement was put in place; it was a curious commitment by the government because the commitment was to

purchase up to 2000 hybrid Toyota Camrys, which in an ungenerous interpretation could have been 1, but because it was up to 2000 — it was not a minimum — the government has delivered on the spirit of that commitment and 2000 hybrid Toyota Camrys were purchased for the fleet by April of this year, so that target has been met in honouring the commitment that was made to Toyota here in Victoria. Obviously we do not necessarily have 2000 Camrys in the fleet at the moment because they cycle in and out, but 2000 have been purchased, which highlights one of the benefits of running a centralised fleet — the capacity to deliver outcomes in manufacturing as well as deliver substantial cost savings across the whole of government.

Mr SCOTT — Minister, within WorkSafe there is a unit specifically tasked with the investigation of allegations of bullying. I think it is referred to as the bullying prevention unit. I just wanted to ask for some technical information, so if you do not have that information available I am willing to accept it on notice. What percentage of complaints received by the bullying prevention unit result in further action after a complaint is received, and is there any change to the expected percentages from 2011–12 to 2012–13?

Mr RICH-PHILLIPS — I thank Mr Scott for his question and for his interest in this matter. There has been generally in the workforce a renewed focus on workplace bullying as a consequence of the Brodie Panlock case, the tragic case many members of the committee would know around the young girl working in a cafe who was subject to bullying and ultimately committed suicide. This case was of great concern to the community, and this government was very pleased when it came to office to make changes to the Crimes Act to make that type of bullying a criminal offence. As a consequence of the interest surrounding the Brodie Panlock case there has been in the general workforce an increased focus on bullying and increased reporting of bullying.

That has been reflected within the Victorian WorkCover Authority as well — over the last two years there has been an increase in the number of reports of workplace bullying. As to the specific matters — Mr Scott raised specific numbers — we can take that on notice and come back to the committee, but I can say that this is an issue that obviously is of particular interest to the VWA as the OHS regulator and it is an issue I have had discussions with the Chairman about to ensure that we have appropriate practices in place within the VWA to manage these internal issues.

Mr SCOTT — Just a follow-up quickly, and again I am happy to accept this on notice: if you could provide the resources or the budget for the bullying prevention unit for 2011–12 and 12–13, I would be grateful for that as well.

Mr RICH-PHILLIPS — I will take that on notice. I do not know whether it is possible to separate that out from the general —

Mr SCOTT — As is possible.

Mr RICH-PHILLIPS — human resources functions, but if it is possible we will advisedly.

The CHAIR — Minister, I refer to BP3, page 318, which is the government services output. Will you outline the savings which are being achieved through the whole-of-government purchasing arrangements?

Mr RICH-PHILLIPS — Thank you, Mr Chairman. Again, as I said in my introductory remarks, one of the key functions of the government services division in Treasury is to deliver savings across the general government sector, in particular in relation to aggregated purchasing. There are a number — I think around 40, 45 — of state purchasing contracts in place which cover a large range of government functions which are often common to government agencies and departments, and as such benefit from aggregated purchasing where one head contract is put in place and it allows individual agencies and departments to access the cost savings which were negotiated as a consequence of the government's aggregated purchasing power.

Since the change of government there have been a number of new contracts signed. There is nothing remarkable about that; these contracts expire and are renewed and from time to time new SPCs are created. In the last 18 months new contracts have been signed with respect to cash and banking services, with respect to stationery and office products and with respect to print management services. The e-services panel, providing ICT services to government as distinct from hardware or software, and the staffing services panel has also been refreshed. The estimate for the 11–12 year is that in aggregate the 48 SPCs will deliver savings of around \$160 million in 11–12. So it is a very substantial saving that is achieved through aggregated purchasing and providing individual agencies with the capacity to access lower cost structures than would otherwise be the case if they

were negotiating on an individual basis, or worse if they were competing with one another for the same service provision.

The CHAIR — Thank you, Minister. As it happens, you have concluded your response exactly at the right moment. That ends the question period for the Assistant Treasurer's portfolio, and I therefore thank Mr Yates, Mr Bloomfield, Ms Slatter and Mr Tweedly for their attendance. We will have a very brief adjournment.

Witnesses withdrew.

UNVERIFIED