

SPECIAL MINISTER OF STATE AND MINISTER FOR INDUSTRIAL RELATIONS

OVERVIEW

| <i>Agency</i> | <i>Budget 2001-02 \$m</i> | <i>Budget 2002-03 \$m</i> | <i>Variation %</i> |
|---|-----------------------------------|-----------------------------------|------------------------|
| Department of Industrial Relations | | | |
| Total Expenses | 29.8 | 20.2 | -32.1 |
| Asset Acquisitions | 0.6 | 1.0 | 73.4 |
| Motor Accidents Authority | | | |
| Total Expenses | 17.3 | 18.3 | 5.3 |
| Asset Acquisitions | 0.1 | 0.1 | 21.7 |
| WorkCover Authority | | | |
| Total Expenses | 189.0 | 219.7 | 16.2 |
| Asset Acquisitions | 36.1 | 30.1 | -16.4 |
| Superannuation Administration Corporation | | | |
| Total Expenses | 47.8 | 50.0 | 4.6 |
| Asset Acquisitions | 12.8 | 3.8 | -70.1 |
| Workers' Compensation (Dust Diseases) Board | | | |
| Total Expenses | 82.9 | 85.3 | 2.9 |
| Asset Acquisitions | 0.3 | 0.6 | 109.7 |
| Building and Construction Industry Long Service Payments Corporation | | | |
| Total Expenses | 82.2 | 77.7 | -5.5 |
| Asset Acquisitions | 1.6 | 2.1 | 28.1 |
| Total, Special Minister of State and Minister for Industrial Relations | | | |
| Total Expenses | 449.0 | 471.2 | 4.9 |
| Asset Acquisitions | 51.5 | 37.7 | -26.8 |

DEPARTMENT OF INDUSTRIAL RELATIONS

The Department of Industrial Relations works with employers, employees and their representatives to facilitate productive workplace relations under New South Wales industrial laws. The Department is committed to ensuring that employers and employees are informed of their rights and obligations under this legislation.

The Department provides both education and information to assist employers (especially in small business) achieve compliance with New South Wales' industrial legislation and awards. However where necessary, the Department will continue to take action through the courts to either protect the rights of participants or to ensure the smooth operation of the industrial relations system.

The Department also administers the Government and Related Appeals Tribunal and Transport Appeals Board, which handle appeals against promotion and disciplinary decisions in the public sector.

EXPENDITURE TRENDS AND RECENT DEVELOPMENTS

Savings and efficiencies will continue to be realised without service delivery to clients being adversely impacted. For example, in June 2001, the Department initiated a review of its Compliance Services Division. As a result, thirteen new industrial inspector positions have been created. These positions are being funded from an improved targeting of existing resources. The number of industrial inspectors has increased from 43 to 56. The 13 additional inspectors are currently undertaking training.

STRATEGIC DIRECTIONS

In 2001-02, the Department finalised a comprehensive review of its functions.

The Department will continue to align its services to achieve outcomes which incorporate an appropriate balance between the needs of employers and workers. The Department will also continue to target inspector services at industries where compliance may be low.

The disadvantages experienced by many clothing outworkers will continue to be a particular focus for the Department in the coming year. In 2002-03, on-line strategies will be further developed to maximise information and advice available to the working community.

Cost savings are anticipated through significant reductions to fixed costs in the coming year. Revenue raising initiatives, especially through e-business will continue to be pursued.

2002-03 BUDGET

Total Expenses

In 2001-02 total expenses are projected to be \$20.2 million. This is a 32.1 percent reduction on 2001-02 budget primarily due to the wind up of the Workers Compensation Resolution Service from 31 December 2001. It was replaced by the Workers Compensation Commission, which is funded through the WorkCover Authority.

Expenses in 2002-03 include \$1.5 million for continuation of the Department's efforts to improve efficiency and compliance with New South Wales industrial legislation in the clothing outworker industry.

Asset Acquisitions

The Department's asset acquisition program will amount to about \$1 million in 2002-03. Major priorities will be the continuation of e-business initiatives, especially the development of an online wages calculator for the most common New South Wales awards which will enable employers and employees to calculate minimum pay entitlements such as wages, long service leave, redundancy pay and holiday pay based on identification of the applicable award and hours worked. During 2002-03, the Department will also continue to upgrade its information technology infrastructure.

MOTOR ACCIDENTS AUTHORITY

The Motor Accidents Authority of New South Wales (MAA) is a statutory corporation and was established by the Parliament of New South Wales under the *Motor Accidents Act 1988*. There have been substantial changes to the Scheme and new enabling legislation *Motor Accidents Compensation Act 1999* became effective in September/October 1999.

The MAA monitors and manages the Motor Accidents Scheme under which competing licensed insurers sell Compulsory Third Party (CTP) Insurance (known as the 'Green Slip') to the public in New South Wales. The MAA services the community by undertaking the following tasks:

- ◆ review and monitor premiums, handle claims, enquiries and complaints, manage the Nominal Defendant Scheme, collect and analyse statistics, monitor solvency and financial performance of insurers;
- ◆ educate and advise key groups, identify special needs, support and fund awareness and prevention, injury management and research projects;

- ◆ develop and implement public education in relation to the Green Slip and road safety initiatives;
- ◆ monitor and review legislation and legal developments as well as develop and coordinate policy; and
- ◆ operate medical and claim assessment services for claimants.

EXPENDITURE TRENDS AND RECENT DEVELOPMENTS

The Authority has been delivering cost-effective programs without any significant change in the cost of delivery. The average CTP insurance premium has been reduced and kept under control through appropriate legislative reforms and a close scrutiny of premium filings.

STRATEGIC DIRECTIONS

The Authority aims to administer the programs in an effective, efficient and economical manner, whilst ensuring compliance with all relevant statutory requirements.

The MAA aims to keep Green Slips affordable, lower the level of litigation in resolving claims and improve the timeliness and effectiveness of medical treatment to injured persons through:

- ◆ regulating the CTP scheme and its participants;
- ◆ providing education and information to stakeholders and service providers;
- ◆ operating medical and claims assessment services; and
- ◆ supporting injury prevention and improved management of claimants' injuries.

2002-03 BUDGET

Total Expenses

The Authority's total expenses in 2002-03 are estimated to be \$18.3 million. The MAA's operational expenses are estimated at \$13.2 million and Injury Management / Road Safety projects funding at \$5.1 million. Most of MAA's income is derived from a levy (set at 1.4 percent) on gross CTP insurance premiums collected by the licensed insurers.

Asset Acquisitions

The Authority's acquisition program relates solely to office related equipment such as computers, office machines and furniture and is budgeted at \$129,000 for 2002-03.

WORKCOVER AUTHORITY

In undertaking its statutory role, the WorkCover Authority:

- ◆ promotes the prevention of injuries and diseases at the workplace and the development of healthy and safe workplaces;
- ◆ promotes the prompt, efficient and effective management of the return to work of persons injured at work; and
- ◆ regulates the operation of workers' compensation insurance arrangements.

While the operations of the WorkCover Authority are included in the State Budget, the Budget does not include the underwriting and investment activities of the WorkCover Scheme Statutory Funds which are managed by licensed insurers.

EXPENDITURE TRENDS AND RECENT DEVELOPMENTS

To meet the Authority's key corporate objectives, expenditure in recent years reflects on-going activities in the review and reform of workers' compensation and occupational health and safety legislation. Key elements of the major recent legislative reforms are the introduction of new occupational health and safety requirements, a new dispute resolution system involving the establishment of a new Workers Compensation Commission and amendments relating to common law.

The revised 2001-02 Budget and 2002-03 Budget data mainly reflects funding of the recently enacted reform measures in occupational health and safety and workers compensation. Funds have been transferred from the WorkCover Scheme Statutory Funds to fund certain reform measures including the establishment of the Workers Compensation Commission.

STRATEGIC DIRECTIONS

A series of reform initiatives for the New South Wales workers' compensation scheme is to continue. Reform initiatives targeted at reducing the Scheme's accumulated deficit include an increased emphasis on injury management and return to work strategies, improvements to dispute resolution mechanisms, further compliance measures and removing cross-subsidies in premium rate setting.

A review of the Scheme design and structure is also underway to ascertain best practice workers' compensation arrangements.

An independent actuarial report on the Schemes financial position as at 31 December 2001 shows a reduction in the accumulated deficit of \$198 million from the June 2001 valuation. Whilst the impact of the recent reforms are at an early stage and will take some time to manifest, this reduction indicates that the Scheme is moving in the right direction.

Major community education and awareness programs will also continue to promote improvements in occupational health and safety, injury management and delivery of benefits to injured workers.

2002-03 BUDGET

Total Expenses

Total expenses for 2002-03 are estimated at \$220 million, including:

- ◆ \$63.4 million for the safety inspectorate and activities engaged in the prevention of injuries and diseases at workplaces;
- ◆ \$53 million to restructure the resolution of workers' compensation disputes including funding of the new Workers' Compensation Commission;
- ◆ \$23.5 million to meet the cost of workers' compensation related claims made in respect of uninsured employers, failed insurers and those arising from bush fire fighting and emergency services activities;
- ◆ \$26.2 million for regulation of the workers' compensation insurance scheme including the support of employers and employees with injury management;
- ◆ \$7 million to fund industry reference groups and support employer and employee organisations implement recent legislative reforms through the "Workcover Assist" initiative;

- ◆ \$5.5 million for an education campaign to raise community awareness on occupational health and safety; and
- ◆ the assistance to farmers to install tractor rollover protection has been extended to 31 December 2002 as part of a \$2.4 million program that commenced in 2000-01.

Asset Acquisitions

The capital program of \$30.1 million in 2002-03 provides for:

- ◆ \$12.8 million for a range of software applications and \$3.5 million for infrastructure. This will support the business of WorkCover, and meet the requirements of WorkCover Scheme reform and related occupational health and safety legislative changes. WorkCover's information management and technology strategic plan is consistent with the Government's blueprint on information management and technology;
- ◆ \$9.9 million to be spent on the fit-out of premises at Gosford for the relocation of the WorkCover Authority in September 2002;
- ◆ \$1.6 million for regional office accommodation;
- ◆ \$1.3 million for office equipment and furniture, including \$0.9 million for the recently established Workers Compensation Commission; and
- ◆ \$1 million for the purchase of minor technical and computer equipment.

SUPERANNUATION ADMINISTRATION CORPORATION *(TRADING AS PILLAR ADMINISTRATION)*

The former Superannuation Administration Authority (SAA) became a statutory State Owned Corporation, the Superannuation Administration Corporation (SAC), on 26 July 1999. In November 2001, SAC's trading name became Pillar Administration (Pillar).

Pillar currently provides superannuation administration services to the trustees of the First State Superannuation Fund, the Pooled Fund and the Parliamentary Contributory Superannuation Fund. These services include collecting contributions and paying benefits, maintaining member records, telephone and field advisory services and technical advice to the trustees.

EXPENDITURE TRENDS AND RECENT DEVELOPMENTS

As a State Owned Corporation, Pillar operates on a fully commercial basis. The major foci in recent years have been:

- ◆ profitability;
- ◆ contracts with existing clients;
- ◆ operational performance;
- ◆ the migration of superannuation schemes to new computer systems; and
- ◆ relocation of a large proportion of staff to newly established premises in Wollongong.

The relocation to Wollongong was a Government initiative with funding provided by Treasury. By the end of the 2002, it is expected that up to 300 positions will be located in the Wollongong office.

The system migrations have now been completed other than for residual projects. Although continuing investment will be made in systems to ensure that the business can meet the needs of the superannuation administration industry, capital and operating expenditure should decrease in coming years in relation to existing levels of business.

Pillar is seeking new clients from the public and private sectors and has achieved an early success in winning private sector business. Business expansion will enable it to improve the returns it has from past expenditure on system development and to spread the costs of general overheads. Pillar is actively marketing its services and expects to win new clients in 2002-03.

STRATEGIC DIRECTIONS

2002-03 BUDGET

As a statutory State Owned Corporation, Pillar is subject to the commercial monitoring regime that provides accountability and reporting requirements to the New South Wales Government as shareholder.

The 2002-03 Statement of Corporate Intent is expected to focus on:

- ◆ quality of service and compliance;
- ◆ system enhancements;

- ◆ profitability;
- ◆ business expansion; and
- ◆ completion of the relocation to Wollongong.

Total Expenses

Estimated operating expenses for 2002-03 are forecast at \$50 million.

Asset Acquisitions

Asset acquisitions amount to approximately \$4 million for ongoing development of software for the various superannuation schemes and ongoing upgrades of the computer systems and accommodation fit-outs. Also, Pillar intends purchasing the Coniston premises, now owned by Sydney Water. This will require funding when the purchase is finalised.

WORKERS' COMPENSATION (DUST DISEASES) BOARD

The Workers' Compensation (Dust Diseases) Board was established under the *Workers' Compensation (Dust Diseases) Act 1942*. Under the Act, the Board is required to determine eligibility and award compensation to workers and to dependants of deceased workers. The Board is also responsible for administering the Workers' Compensation (Dust Diseases) Fund and the payment of monies for compensation, awards, research grants, fees, salaries and all other costs of administering the Act, including the operating expenses of the Dust Diseases Tribunal.

EXPENDITURE TRENDS AND RECENT DEVELOPMENTS

Due to an increase in outstanding claims over the previous five years, total expenses, which encompass the cost of claims and other expenditure of the Board, has grown from \$50.2 million in 1996-97 to a projected \$85.3 million in 2002-03. The projection for 2002-03 includes an increase of \$19.8 million in the actuarial estimate of total liabilities of the Dust Diseases Fund.

Investment income of \$13 million to June 2002 reflects the lower returns on investments since the events of 11 September 2001. Projections of investment income for 2002-03 are based on projections provided by the Board's actuary.

STRATEGIC DIRECTIONS

The Dust Diseases levy rate for 2002-03 has been set to meet compensation liabilities arising from total reported claims as at 30 June 2002 and projected claims forecast by the actuaries for 2002-03. The Board's policy is to maintain the levy at a level to meet liabilities associated with reported claims and forecast claims for the relevant financial year.

2002-03 BUDGET

Total Expenses

Total expenses, encompassing the projected cost of claims and other expenditure, are projected to be \$85.3 million in 2002-03.

Asset Acquisitions

Asset acquisitions by the Board are projected to be \$0.6 million in 2002-03. This expenditure will be utilised mainly in information technology, office refurbishment and the upgrading of scientific equipment including the commissioning costs of a mobile respiratory testing unit.

BUILDING AND CONSTRUCTION INDUSTRY LONG SERVICE PAYMENTS CORPORATION

The Corporation administers the *Building and Construction Industry Long Service Payments Act 1986*. The Act provides workers in the building and construction industry with an industry-based, portable long-service benefit scheme. The Corporation earns its revenue through:

- ◆ a 0.2 percent levy on the cost of prescribed building and construction work in New South Wales; and
- ◆ investment earnings on scheme funds.

EXPENDITURE TRENDS AND RECENT DEVELOPMENTS

The Corporation cannot control the number of claims made in any year, which means that disbursements and cashflows can vary considerably from year to year.

Over recent years, levy and investment income received has been gradually rising however, in recent times this has been volatile.

Forward projections of scheme liabilities, long service payments, investment and levy incomes are based on actuarial advice and current business conditions.

STRATEGIC DIRECTIONS

The Corporation is continuing to examine and implement ways in which customer service and the effectiveness and efficiency of the organisation's operations may be improved.

The Corporation is relocating the bulk of its operations to Gosford in 2002-03.

2002-03 BUDGET

Total expenses are estimated to be \$77.7 million, of which \$66.9 million is for long service payments for registered building and construction industry workers and movements in the Scheme's liabilities.

Total income is estimated at \$65.9 million, of which \$33.4 million is from the long-service levies, and \$32.5 million to earnings from New South Wales Treasury Corporation investments.

Asset Acquisitions

An amount of \$2 million has been budgeted for the relocation to Gosford and Lidcombe plus annual provisions.