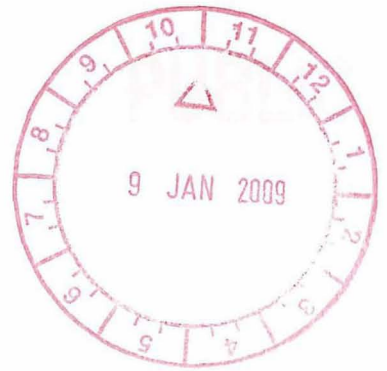




ABN 82 490 031 817



Attention: Renae Jewell
Committee Clerk
Standing Committee on Estimates and Financial Operations
Legislative Council
Parliament House
PERTH WA 6000

Dear Ms Jewell

In response to the advertisement in the West Australian Saturday 20 December, inviting comment from those interested, on the Inquiry into Public Sector Expenditure, I hereby forward my submission, in which I have addressed the Terms of Reference.

I have also included a copy of a previous paper which I compiled in September 2008 titled "Optimisation of State Government Services To Regional Western Australia", and request that this be read by the members of the Committee, in conjunction with my submission.

Please note that I am fully prepared for these documents to be published in whatever format and to be utilised as public documents.

Should it be deemed appropriate, I would be prepared to travel to Perth in order to expand upon my submission to the Committee.

Yours faithfully

John Mason

JOHN MASON ADMIN SOLUTIONS

7 January 2009

OPTIMISATION OF STATE GOVERNMENT SERVICES TO REGIONAL WESTERN AUSTRALIA

Introduction

With the newly confirmed sharing arrangement between the National and Liberal parties to form the minority Barnett government, the philosophical push for more support for regions will need an outline of proposals for this to be achieved. This particular submission looks at the Public Sector agencies in regions and how strategies can be best employed from existing and limited, if any, additional resources, for State Government departments to provide excellent customer services to all members of the public.

One way of obtaining an overview of existing services and the effectiveness of such services, and how these can be improved upon, would be for each department to be canvassed with a specific set of questions across a spectrum of issues.

This would enable a valuable starting point and would set the basic parameters of minimum service delivery standards which would see regionally based members of the public accessible to quality services across state government agencies.

It is important that each regionally based agency doesn't see such a survey as a mere wish list to attain more resources, but a constructive feedback mechanism to enable an objective assessment of standards and how, where necessary, such standards can be improved upon.

Obviously, government policy would need to be implemented and applicable across all agencies for a range of issues to be researched and would cover a wide spectrum, encompassing all aspects which impact upon service delivery in all regions of the state.

With such a wide ranging number of issues to be considered when endeavouring to attain optimum delivery of services, the following are key to a starting strategy, and which are outlined accordingly.

Needs Analysis/Survey of Each Agency

A well planned survey would need to be drafted which sets out the types of resources which would enhance the existing service delivery for each agency, from human resources, physical resources including suitable premises for accommodating agencies, staff recruitment, appointment and retention, efficient computer hardware and software and vehicle fleet requirement; all of which impact upon business area delivery strategies.

In order to maximise the data gathering from agencies, such a survey would need to be thoroughly researched for ready assessment of pertinent data, which would enable clear overview for planning purposes.

Conducting Survey

With each major region having a Development Commission, it would seem appropriate for these agencies to co-ordinate the analysis/survey for each agency, including the larger departments of Health, Education and Police. Once analysis/survey results are completed for each agency, the stage would be set for the assessment process.

Survey Assessment

It is envisaged that the Minister responsible for Regional Resources would convene a suitably skilled committee to assess the survey results and to make appropriate recommendations for implementation of key areas of change.

Key Issues for Consideration from Survey

The sorts of issues which could quite conceivably emerge from the analysis/survey would be wide ranging , but would probably include:

- Attracting suitable staff and retention so that in the economic boom, public sector agencies can compete with private companies through offering more generous District Allowances, housing subsidies for appointees recruited locally, review of GROH rentals for appointees requiring housing and tax rebates/Zone Allowances.
- Inclusion of special clauses in awards (representing across the public sector to include Police and Teachers) to load salaries at a realistic percentage for working in various regions, weighted to take into consideration isolation, airfare costs, general cost of living etc.
- For staff required to travel to remote parts of any region, application of Daily Rates according to the respective PS Travel Rates are to apply as a matter of course. Where accommodation rates exceed the Daily Rate, the respective department would make up the difference.
- A review would need to be made of leave entitlements for regionally based staff to reflect the number of issues of living in an isolated part of the state.

Strategies to Offset Cost

There are a number of strategies which could be employed to fund the enhancement of the public sector in regions, including:

- Various government departments to decentralise administration, finance and recruitment to the various regions with natural attrition from the respective centralised structures, to build up more resources in regions at no additional cost.
- With modern communications in the form of email, internet, teleconferencing etc. training and conferencing would need to be done electronically where possible to save resources in the form of travel/airfares.
- In the process of decentralisation, the further development of cluster directors to be domiciled in regions for each agency respectively, with a director possibly being responsible for up to 3-4 regions. An example of this would be in the case of Housing & Works, where one director could be based at Kalgoorlie for instance and oversee the Goldfields, Pilbarra and Kimberley regions thus freeing up centralised infrastructure.

- This would lead to a thinning down of metropolitan based departmental bureaucracy to the extent that costs would be transferable along with the concept of decentralisation from city to regions.

Office of Shares Services

The Office of Shared Services, which has been given much funding, but has failed to live up to the expectations and obligations originally intended, could be a means to be a major contributor to the regionalisation concept.

With vast resources and staff at its disposal, the OSS should be restructured to cater for the regional bolstering concept, with the existing clusters of support for payroll, HR, finance etc. notionally geared to support respective agencies.

A thorough review of the OSS and the several incompatible systems which make a significant portion of its charter ineffective, bordering on the impossible due to poor planning and lack of consultation, needs to be undertaken urgently. Existing resources at OSS then need to be reallocated to dovetail into the regional concept for administration as per the eventual committee recommendations.

Timeline for Implementation

Given that the analysis/survey would be the first stage, followed by the committee assessment and list of recommendations, the Optimisation of State Government Services to Regional Western Australia could be up and running in twelve months. Once implemented, fine tuning would obviously be ongoing.

Conclusion

In conclusion, the concept of Optimisation of State Government Services to Regional Western Australia is a very achievable project within the twelve month timeline, providing the solid groundwork is laid through the analysis/survey, committee and implementation stages.

This project most probably needs to be overseen by the Minister responsible for Regional Resources.

It is conceivable that of the resources already available within the public sector, a skilled project team would work under the auspices of that particular Minister, in order that the coordination work with Development Commissions at the analysis/survey stage and liaison with the committee, will provide a solid base for implementation.

In having prepared this submission, the key to providing optimum government services to the people of regional Western Australia has been outlined so that this initiative will materially assist in providing a starting point for ensuing quality service to all throughout the state.


JOHN MASON
16 SEPTEMBER 2008

Submission

Inquiry into Public Sector Expenditure

By John Mason

(John Mason Admin Solutions)

Introduction

In response to the invitation by The Standing Committee on Estimates and Financial Operations to interested individuals for written submissions, in an advertisement in the West Australian Saturday 20 December 2008, I have prepared the following in the hope that it may assist in the Committee's deliberations.

Attached is an initial paper which I compiled in September of 2008 titled "Optimisation Of State Government Services To Regional Western Australia", which needs to be read in conjunction with this submission.

As a former Public Servant of 39 years, I am keen to contribute constructively via this submission and do so from a regional perspective, given my service history being predominantly regionally based.

I propose to comment on the respective Terms of Reference in relation to the relevant points from my own experiences with some suggestions which will hopefully elicit some thoughts by Committee members.

Accordingly, the following is proffered in the hope that it may assist in the Committee's brief to make appropriate recommendations:

The impacts of the three percent efficiency dividend on the general level of service delivery across all agencies, in particular any impacts to service delivery to regional centres.

I question the very terminology "three percent efficiency dividend" when it is clearly a three percent reduction in government expenditure. All agencies across the state public sector vary markedly in their core business, and methods of achieving their respective outcomes, almost always summarised by their respective mission statements. The one size fits all philosophy is risky at best without an extensive overview, independent from internal bureaucratic input for obvious reasons. Refer to "Needs Analysis/Survey of Each Agency " in the attached paper. The Office of the Auditor General and the newly created Public Service Commission may well have the overarching capacity to overview the impacts on the three percent reduction, with the respective Development Commissions throughout the state working in unison to assist in the Regions. My biggest concern is that the entire exercise is in relation to the 2008-2009 or current financial period, which is half way completed having been prepared under the auspices of the previous Labor Government. As such, the propensity to rush, negates the effectiveness of such an important exercise and with this in mind, Committee findings and recommendations should set the ground work for the next financial year 2009-10, as a guide.

Consider alternative methods for achieving a three percent reduction in government expenditure.

- **In considering the approach of the former Government,** my reference to the Office of Shared Services in the attached paper outlines the issues which are cause for great concern, with a great many resources being tied up in an agency which really hasn't achieved expectations and obligations originally intended. An urgent thorough review of exactly where this agency is at, could well provide the key to the issue at hand, with the reallocation of resources currently tied up, being redirected, which could alleviate the problem by achieving the three percent target sooner than any other conceivable plan.
- **Whether certain agencies or functions of agencies should be exempt from the efficiency dividend.** In my opinion, there are three agencies which are sacrosanct and shouldn't be included and these are Police, Health and Child Services. While it might be argued that Education should be included with these other three exceptions, from my own experience, the Education portfolio needs a shake up in terms of the countless numbers of highly paid bureaucrats and consultants at the East Perth headquarters, and at Regional Offices throughout the state. This added expense is swallowed up in the guise of the second highest budget to that of the Health Department. The investigative agencies need to go through Education with a fine tooth comb, without the interference of senior Public Servants who benefit most from this intransigence. This exercise should be undertaken with a clear view of not detracting any funding or resources directly related to schools.
- **Whether the rate of the dividend should vary according to agency size or function, and if so specific advice on which agencies or functions should contribute a disproportionate share of savings over the forward estimates.** My reference to the Office of Shared Services and the cutting back of the Education portfolio's hefty and expensive bureaucracy as it relates to the direct delivery to schools and students needs to be thoroughly investigated. The extensive savings made in this exercise would bolster the other agencies and contribute to the overall target of equivalent to 3% per agency.

Whether a three percent efficiency dividend has a disproportionate impact on smaller agencies, including whether or not smaller agencies are disadvantaged by poorer economies of scale or a relative inability to obtain funding for new policy proposals.

The most costly resource in any agency is human resources and associated superannuation, leave and projected salary increases for staff, with any administration budget reflecting in excess of 60% being accounted for in salaries and associated expenses. As such this major component doesn't afford the advantage of economies of scale such as the supply of material resources, and accordingly is a constant expense, which impedes the smaller agencies operating and planning in strategic ways, particularly in implementing new policy proposals which are apt to occur with a change of government.

What measures agencies are taking to implement a three percent efficiency dividend, and the effect on their functions, performance and staffing arrangements.

The first and most obvious strategy which agencies should be employing is to embargo the appointment of consultants and contract staff, with efficient deployment and training of permanent staff to undertake any new policy initiatives. It should be every agency's aim to upskill staff so that

all requirements are covered by permanent public servants. This would alleviate the exorbitant hourly rates charged by consultants.

The impact of the current financial crisis on the State's economy and finances.

The current financial crisis impacts directly on the state economy and finances in several ways, including the cut back in GST allocations from the Commonwealth Government. With the general decline of economic activity in the manufacturing and retail industry, the commensurate rate of GST payments to the Australian Taxation Office will reduce, with the resultant allocations of GST dividends to states also shrinking.

Stamp duty on property sales will be reduced due to the cut back in sales due to the slackening in the real estate market, with many prospective sellers not prepared to sell at prices which have fallen in recent months. There is a cautious approach within the property and real estate industry.

Royalties on our sales of iron ore and nickel will be reduced with our larger purchasers opting to scale back on the previous large volumes of imports, which will have a direct impact on state revenue.

With predicted higher unemployment, the impact on WA's economy will be one of slower growth, with the 6% growth forecast for 2008-09 looking highly unlikely.

The sustainability of the rate of growth in general government expenditure detailed in the 2008-09 budget.

With priority services earmarked for substantial increases, the 3% cut in funds, if undertaken strategically, shouldn't impact on those key areas identified in the Capital Works Program as per the following:

- \$1.2 billion in electricity infrastructure with the commencement of \$500 kilometers of new transmission lines. However, utility suppliers who make a profit from sale of power to the community surely, should be levied part of their revenue base towards such projects.
- \$1.1 billion on water infrastructure including \$955 million towards the Southern Seawater Desalination Plant. Once again, part of the revenue projections by the Department of Water should be used towards such projects.
- \$810 million on Roads. This is a program which is of vast importance and as a public safety issue, needs to be retained.
- \$502 million on Hospitals and other health facilities. This is a priority to ensure that the public have access to appropriate health care in keeping with the increased population.
- \$377 million on Ports to expand export capacity. This is important to ensure that the related infrastructure is provided for expansion of all exports and is setting the stage for economic improvement.
- \$347 million on Schools and TAFE Colleges and if left unchecked would mean that maintenance and expansion initiatives will undoubtedly blow out if not attended to in the 2008-09 program.

The sustainability of the forecast decrease in operating surplus detailed in the 2008-09 budget.

As the financial year has progressed, with over half the period gone, the decrease in operating surplus as outlined in the 2008-09 budget is evident. This will obviously impact upon some of the major projects as outlined in the budget, including the four year plans for the new major stadium at Kitchener Park, a new museum on the East Perth power station site and Perth Water front development. With the erosion of operating surplus already evident with the reduction in royalties for exports of iron ore and nickel, the forecast over the next four years may well determine the course for such projects as outlined in the budget. Such projects, whilst desirable, are not essential to the economic future of our state in the immediate term, but should be kept as viable options should and when the economy shows signs of averting from the predicted recessionary trend.

The sustainability of the forecast increase in net debt detailed in the 2008-9 budget.

Likewise, as with the previous point, an increase in net debt so far in the 2008-09 budget is evident and as such, will impact upon certain strategies of planned tax cuts of a total of 1.2 billion over four years. However, the reduction in Stamp Duty on the purchase of medium sized home by 15 % or an average \$3,000 from 1 July 2008 was intended as a strategy to assist housing affordability, which is a stimulus to the flagging housing market and should be fully implemented. It was intended to implement further land tax and payroll tax reform with a bringing forward of the motor vehicle stamp duty cut to 1 July 2008, from last year's budget. While the tax cut strategies were designed to stimulate the economy, the reality of our current situation may necessitate a partial review in order to ensure that our net debt doesn't balloon.

The impact of failing to implement the three percent efficiency dividend on the operating surplus and net debt.

It is quite conceivable that failing to implement the three percent efficiency dividend on the operating surplus and net debt could delay the provision of infrastructure such as the \$1.76 billion Fiona Stanley Hospital which is being built debt free from surplus funds, as was the situation when the 2008-09 budget was handed down in May 2008. The declared intention for there to be no increase in household electricity charges in 2008-09 with the overall increase in household fees and charges capped at 2.4% below inflation, may need to be rationalised in view of the economic downturn. The projection of the economy continuing to grow for a third consecutive year of above 6% is now fully in doubt. As such, the three percent efficiency dividend needs to be found from sources across the board in order to ensure that the operating surplus isn't substantially eroded, with the net debt not disproportionately increased.

Summary Comments

By way of summary, I believe that there are several different strategies to be utilised in order to save the equivalent of what the three percent efficiency dividend would amount to. As a means to ensure that there is fairness and equity for all concerned, including members of the public and major stakeholders in the form of agency employees across the state public sector, there needs to be a degree of flexibility to ensure that no particular group or sector of the community is adversely treated in the implementation of the 3% cut back.

It needs to be clearly acknowledged that the timing of the 2008-09 budget in relation to the state election which was brought forward to September of 2008, has been a factor which has, together with the global economic crisis, exacerbated the situation. This in turn, has necessitated for there to be a review in order to come up with strategies and implications as per the Terms of Reference, which I have followed.

Accordingly the following key points serve to summarise my views and recommendations in relation to the three percent efficiency dividend as it relates to the public sector:

- The Office of the Auditor General and the Public Service Commission conduct investigations in unison of all metropolitan agencies, with the respective Development Commissions working in conjunction with these agencies for regionally based departmental branches
- Thorough review of Office Of Shared Services
- Health, Police and Child Services to be totally exempt
- Department Of Education and Training to be subjected to close scrutiny for non school areas of operation i.e. Head Office and District Offices
- Staffing and FTE components of all agencies to be fully considered
- Embargoes on the appointment of highly paid consultants at the expense of mainstream permanent public servants

In having targeted specific projects and programs as outlined in the 2008-09 budget, I have endeavoured to give my views on those which are essential, as opposed to others which may need to be shelved in the current economic climate.

Conclusion

In having compiled this submission I was influenced by two major factors. Firstly, in my lifetime, I have never seen the economy take a turn for the worst internationally with such damaging spin offs onto our own economy in such a short time. Secondly, the unprecedented timing of the September state election and the subsequent change of government has thrown up a situation which probably has never occurred in this state prior. A government having handed down its budget in May, only to be voted out in September, coupled with a sharp decline in the economy, has given me the impetus to try and assist.

Hopefully, my submission may contribute in some small way to come up with viable options so that everyone concerned, benefits.



John Mason

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7 January 2009