

**STANDING COMMITTEE ON
ESTIMATES AND FINANCIAL OPERATIONS**

MISCELLANEOUS PROCEEDINGS

**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
MONDAY, 3 MAY 2010**

Members

**Hon Giz Watson (Chair)
Hon Philip Gardiner (Deputy Chair)
Hon Liz Behjat
Hon Ken Travers
Hon Ljiljanna Ravlich**

Hearing commenced at 3.05 pm

MARNEY, MR TIMOTHY

**Under Treasurer,
Department of Treasury and Finance,
sworn and examined:**

CAMERON, MR SEAN

**Acting Executive Director, Strategic Policy and Evaluation,
Department of Treasury and Finance,
sworn and examined:**

ITALIANO, MR GREG

**Executive Director, WA Police,
sworn and examined:**

DE MAMIEL, MR MICK

**Director of Finance, WA Police,
sworn and examined:**

The CHAIR: On behalf of the committee, I welcome you to this meeting. Before we begin, I am required to administer an oath or an affirmation.

[Witnesses took the oath.]

The CHAIR: You will have signed a document entitled “Information for Witnesses”. Have you read and understood that document?

The Witnesses: Yes.

The CHAIR: These proceedings are being reported by Hansard. A transcript of your evidence will be provided to you. To assist the committee and Hansard, please quote the full title of any document you may refer to during the course of this hearing for the record. Please also be aware of the microphones and try to talk directly into them. I remind you that your transcript will become a matter for the public record. If for some reason you wish to make a confidential statement during today’s proceedings, you should request that the evidence be taken in closed session. If the committee grants your request, any public and media in attendance will be excluded from the hearing. Please note that until such time as the transcript of your public evidence is finalised, it should not be made public. This prohibition, however, does not prevent you from discussing your public evidence generally once you leave this hearing.

Gentlemen, we are dealing with quite a small matter this afternoon. Unless anybody wishes to make a public statement, I will ask a question.

Mr Marney: We are happy to go directly to the questions.

The CHAIR: The committee received advice from WA Police in response to a letter dated 13 January 2010. The response stated —

The amounts referred to in the midyear review are the projected additional revenues from traffic infringements as a result of new technology and changes in speed detection devices.

These figures have no relationship to any possible future outsourcing arrangements. Outsourcing is one of the alternatives to the current business model to be evaluated.

The committee then wrote back to WA Police on 18 March 2010 noting this advice and asking why then this additional revenue was reported in the midyear review as savings from outsourcing. The committee was advised that the digitisation is the first stage in the contemplation of the outsourcing of traffic infringement processes. The committee has asked you in this afternoon because there seems to be some conflicting advice. We are asking if you could provide some further explanation for that. Whoever would like to start, that is fine.

Mr Marney: I am happy to lead off. In different ways, both pieces of advice to you are accurate, but what you have not got is the whole story. I will plot it out as I understand it and Greg can correct me if I am wrong at any point. My understanding is that there was, and is, a critical need to update the processing systems for infringement processing, and the digitisation of the camera fleet is part of that. External consultant advice estimated that that upgrade, together with increased throughput through those processing systems, as well as investment in additional red light and speed cameras, would give WA Police, and then us, additional revenue to the tune of \$80 million to \$100 million. Obviously, with increased throughput through the processes, there is a cost associated with processing those infringements. We subtracted from the lower end of that revenue estimate—the \$80 million—a figure, from memory, of \$7.2 million per annum for the processing. Those numbers were factored into the midyear review and budget parameters as the net impact on the state's finances associated with upgrading the camera fleet for the processing of infringements to digital technology as part of a longer term strategy of examining whether or not those processing systems are best done within government or by an external provider, as is the case in a number of jurisdictions on the east coast. But before that contracting arrangement could be contemplated, there needed to be an investment in our processing and equipment to get it to a robust platform before we could examine the option of outsourcing the operation to an external provider.

[3.10 pm]

That is how the word “outsourcing” ended up in the description. In hindsight, we would probably have left that word out because it is not actually part of the current process. It is more a two-stage process: first stage, get the systems, processes and equipment up to a decent standard; second stage, examine whether it would be more cost effective and more efficient and effective, full stop, to have those processing functions performed outside WA Police, given that it is not actually core business of police to worry about processing infringements. That is my version of the story. Hopefully, that is also Greg's version! I think the reason we are here is because you asked specific questions at different points in time. We answered the questions in a narrow scope. That is the whole picture, from start to finish.

The CHAIR: Is it not misleading to report that the revenue gained was from outsourcing? That is probably one of the reasons we said we needed a bit more clarification.

Mr Marney: The revenue gain is not from outsourcing. It is from additional cameras, from the upgrading of equipment and the processing.

The CHAIR: Mr Italiano do you want to add anything?

Mr Italiano: No; there is not much I can add to that. I think it is an accurate description. The allocation of \$30 million is to achieve three things. At least this is what I keep emphasising inside our organisation. One is the digitisation of the current fleet of cameras we have. We are still working in wet film and that is both inefficient and increasingly unsupported by the technology that is now available, so our last scanner was procured in a very indirect fashion. The word “eBay” has been used to describe how we procured it. I am not joking; the technology has been obsolete for some time. The second thing is to update the software that supports the issuing of infringements so that it can deal with digital devices. Obviously, a key element in infringing a motorist is to try to

process and issue the infringement in as short a time as possible for a variety of reasons. The third thing is to deliver to government a proper business case that examines the benefits, disbenefits, advantages, risks of moving to an outsourced option either partially or fully and contemplates the alternative of perhaps another government department could be better placed to take on this function. That case is still being compiled and is not yet finalised.

Hon LJILJANNA RAVLICH: If I look across the forward estimates for a \$30 million investment in 2009–10, in net terms over the forward estimates, you would reap \$138.4 million if you take the \$168.4 million minus the \$30 million it has cost you to upgrade the equipment. What would be the estimated number of increased infringements for this amount? What did your modelling show?

Hon KEN TRAVERS: That \$168 million is net.

Hon LJILJANNA RAVLICH: Okay, I go back to that question. Under the modelling done by the agency how many extra infringements would the \$168.4 million amount to?

Mr Italiano: I will ask the director of finance to give specific numbers in a moment. I will first give the committee a sense of why the change in devices increases the number of infringements issued. The first is that we are replacing the current red-light cameras at traffic intersections with red-light speed cameras. I assume straight away that the committee can see that if we have a speed device as well as a car that sets off the camera by virtue of going through a red light, the number of infringements issued from that intersection will greatly increase. The second is that the new mobile camera we have in mind has a greatly superior functionality to the current wet-film Multanova camera. It is able to take a front and rear shot if we set it up that way. For the first time that will include motorcycles in the category of vehicles that could be infringed. It is also able to take multi-lane shots. If multiple vehicles are speeding alongside one another, it is capable of identifying the speed of each individual vehicle. The third is that it produces a better quality image from a further distance. Those are the reasons the technology is superior and why the number of infringements will increase. Furthermore, if you are able to issue an infringement earlier, there is a greater chance that motorists may recall who was in a vehicle at a given point in time. The committee is probably aware that that is an issue with some infringements. That is why we are estimating the increase. I would add—I think you identified it—it is a forecast and we cannot be entirely certain what driver behaviour will be. We have had to use experience from other jurisdictions. Of course, we have also modelled that there will be some changes in driver behaviour after a period as people become more and more aware of the devices. I offer that as the reason and can provide some numbers to explain.

Hon LJILJANNA RAVLICH: Before you go onto that, given the crude nature of the modelling, as you say, you cannot be precise. In the forward estimates, \$52.8 million in revenue in 2010–11 seems to have some level of precision about it and when we go on to 2011–12 there is a revenue flow to government of \$72.8 million, which is not really that crude and, likewise, when we go to 2012–13, we also have \$72.8 million, giving us a net total over the forward estimates of \$168.4 million.

[3.20 pm]

I can only draw a conclusion that there has been some pretty good modelling around this. Whether it lives up to expectations or not is quite another thing. But what I am really after is what this means in terms of the number of infringements in each one of those forward estimate years and what that will mean in terms of the number of infringements issued to members of the Western Australian public.

Mr Italiano: Again, just responding, it does have an element of precision when one says something point something. I think the Under Treasurer's opening remarks were that the estimate we provided was anywhere from \$80 million to \$100 million in any one full year. That was the parameter of the estimate. The reason there is a point something in it is that they deducted an amount of \$7.2 million.

That was our operating expense. That is why you end up with a number that perhaps looks more accurate than is indicated by the information we provided. I just say that is the reason.

Hon LJILJANNA RAVLICH: What you are telling me is that you had some broader parameters. You are telling me that this thing went across to Treasury and Treasury actually came up with these more precise figures, for whatever reason they did, but this is what Treasury came up with after you gave them a broad sense of what the figures might look like.

Mr de Mamiel: What we have already said is that we provided a figure to Treasury of between \$80 million and \$100 million if they were to give us some money to actually digitise the cameras and also digitise the process. Treasury took the lower figure in terms of the \$80 million to \$100 million and discounted the lower figure by the \$7.2 million, and in the first year of operation obviously looked at it and said, "Look, you are not going to have it up and running by 1 July. There will probably be only about three quarters of the year of revenue coming through." Just to give you some information about how we act to derive that revenue, we captured 600 000 vehicles in our current wet-film technology. About 75 per cent, we estimated, we actually infringe people for, so basically we were saying that about 25 per cent of these were decisions where there were more than two vehicles in an image. What you do not realise probably is that the current technology cannot delineate between two vehicles. If we see two vehicles in a picture, we basically have to eliminate that in terms of the infringement process. So with the new technology, particularly the technology that is replacing Multanovas, they are laser technology, and you can line them up with up to four lanes of traffic. So we will not be throwing away any infringements in regard to where there are more than two vehicles in an image. On top of that, we will also be introducing speed at red-light intersections. I do not particularly have the stats here, but I understand that when they introduced these cameras with red-light speed functionality in Victoria, they actually had to turn them off for a period because of the amount of infringements being produced. We basically estimated that between 450 000 and 500 000 infringements would be generated over and above our current.

Hon LJILJANNA RAVLICH: Is that 400 000 or 500 000 extra infringements on top of the 600 000 that you currently capture minus the 25 per cent that do not actually result in an infringement? Let us just translate that to whole numbers. You are saying that 600 000 vehicles you currently capture on wet film. Only 75 per cent of that results in infringement, so that is 450 000, and now you are telling me that there is an additional 400 000 or 500 000. So really we are talking about a 100 per cent-plus increase in the number of infringements on an annual basis. That is what we are talking about. Am I correct?

Mr de Mamiel: Correct, and that was based on only \$150 infringement fines.

Hon LJILJANNA RAVLICH: That is \$150, but have you got different modelling for the higher categories?

Mr de Mamiel: No.

Hon LJILJANNA RAVLICH: You have not done that modelling yet.

Mr de Mamiel: No.

Hon KEN TRAVERS: Are you suggesting that on higher fines it will be even more?

The CHAIR: Can I just clarify that the \$150 is what range of offences. We were having a discussion about this, checking our memory. Is it more than 10 kilometres over?

Mr de Mamiel: That is right.

Mr Marney: More than 10 and less than 20, apparently.

The CHAIR: Apparently! We had a conversation in here—apparently—before.

Hon LJILJANNA RAVLICH: Can I just go back to the line of questioning. Am I to understand that you have not done the modelling or you do not have the modelling with you? Which of the two is it? Is it that you have not done the modelling on the higher level?

Mr de Mamiel: Obviously, we have moved on since then. What we found is that the original estimate of 75 per cent resulting in an actual infringement—it is actually lower than that. It is about 62 per cent I think. It is 64 per cent for Multanovas.

Hon LJILJANNA RAVLICH: Mr de Mamiel, I am trying to get to the point where you are saying that you have only done some of these figures based on the \$150 fine. If I look at the forward estimates, I am assuming that these forward estimates figures—the \$52.8 million, \$72.8 million and \$72.8 million, resulting in the \$168.4 million—are actually based on not only the total of the \$150 fines but also the next category of fines and so on and so fourth.

Mr de Mamiel: We have not done that sort of modelling. We have just made the assumption that it would have an extra 400 000 to 500 000 infringements, and we used \$150 as a base, and that is how we arrived at the extra revenue.

Hon LJILJANNA RAVLICH: So this extra revenue in fact could be an underestimation, because you either have them all at \$150 or there will be a whole lot—let us say 20 per cent—at the next highest category of fines and possibly some at an even higher level of fines. Some fines are \$1 000, as I understand it.

Hon LIZ BEHJAT: What percentage of that 75 per cent that get infringements are at that \$150 level? I would assume that it is probably a very high percentage and you are talking about the edges.

Mr de Mamiel: I do not have that information, but also what you have got to remember is that once you put these cameras in place, I am sure that there will be a change in behaviour. It does not necessarily mean that you can extrapolate out. I think we have seen with other circumstances where we have had legislation come in for other things that people have actually changed their behaviour. So I think \$150 is a reasonable base to take off and be conservative.

Hon LJILJANNA RAVLICH: Is it possible, Mr de Mamiel, to get a copy of your modelling?

Mr de Mamiel: It is not a lot different to what I just said really. This all happened basically out of the three per cent issue and these numbers were basically looked at in that vein.

Hon LJILJANNA RAVLICH: Can I just ask you one more question. Was this something that was generated from within the police department or was it something that was initiated through the economic audit committee work and given to you as a direction?

Mr Italiano: During the economic audit review process we were asked to examine potential efficiency measures that could be taken within our areas. As far away as at least 2007 WA Police submitted to then Minister Kobelke a case arguing to outsource infringements at that particular time, so it is a long-standing matter that was under consideration within the department, and we provided it as part of an overall number of suggestions of things that might be possibly taken up as an efficiency measure in government.

[3.30 pm]

Hon LJILJANNA RAVLICH: But this is not about outsourcing. We have already established that.

Mr Italiano: It is about outsourcing to the extent of providing a case as to whether the function should or should not be outsourced for government consideration.

Mr Marney: Further, it is about outsourcing in so much as you have to get the cameras, the systems and the processes up to a sustainable level of functionality and support for the technology before we can then go and consider whether or not it would be better to have those functions performed within police or within another government agency, or outside government.

Hon PHILIP GARDINER: In relation to what you have both just said, I think you mentioned in your earlier statement, Tim, that you thought you should perhaps have used a different word than “outsourcing. You have to remember that those of us who are reading these tables would have a totally different view on outsourcing from what you have just discussed. I am surprised, really, that even in the correspondence that we have received since this came up, you have not said that “outsourcing” was the wrong word to use, because it will give a misleading understanding. It does give a misleading understanding. The way you have described it just now is that it is new technology, or revenue from new technology, or something like that. It is not as though you are outsourcing it so that someone else will run the whole show and that is the reason that we are going to generate \$70 million. My point is that the way you have described it has led me to an entirely different conclusion from what you have just described as being the reality. I am surprised about that. I would have liked to have seen in here something like, “I am sorry. We have actually made a mistake in the description of this.”

Mr Marney: I believe that is what I said at the outset. I think that if we go back to the midyear review document 2009–10, which was prepared and finalised within six weeks of the impact of the global financial crisis, in that circumstance, frankly, I make no apologies for getting the word slightly wrong. The description provided in the midyear review—in the text of the midyear review as opposed to the table—hopefully would have gone into greater detail around that issue.

Hon KEN TRAVERS: Sorry—the text of the midyear review?

Mr Marney: Yes.

Hon KEN TRAVERS: Where is it referred to in the text of the midyear review?

Mr Marney: I do not have a copy of the midyear review with me. Normally there is a description of policy decisions. But, if it is not there, the issue is, as I pointed out in the opening comments, that this is the first step to consideration of outsourcing of this process from the WA Police Service. We could have expanded the text and said this is the first step of a broader process. Yes, the wording is not illuminating as maybe you would have liked. I agree.

Hon KEN TRAVERS: I accept that. I understand that. But I think the point that Hon Philip Gardiner was making was that we have written to the two agencies twice now, and both agencies have effectively given us the impression that it was the other agency that developed these figures. There has been no greater explanation to give us the sort of explanation that we are getting now. That is why we have called the hearing today—it is because we were not satisfied with those answers. I look forward to seeing if you can identify where in the text of the midyear review that occurs. I say that because one of my questions is that it does not even appear under a policy decision affecting expenditure—which is what I would have thought that \$30 million would have been included in. Call me cynical, but one then starts to wonder whether it has just been hidden in the budget, in the hope that no-one will pick up that this process is going on where the government is expecting to raise \$168 million without it becoming a public issue that that is what the government is doing. I am still trying to work that out. When we have asked the questions, we were told by the police department that the negative amounts reflected in the out years “relate to the projected increase in traffic infringement revenue which was not derived by WA Police”. So, the police department told us that it was not derived by the police. We then got a letter from you, Mr Marney, that said that these figures were derived by the Department of Treasury and Finance based upon revenue and administration cost estimates provided by WA Police as part of the economic audit process. I think you have probably explained it a bit better now—that is, that Treasury gets the final figures based on the information—but it would have been nice to have been given that as the explanation rather than being left with a certain view as to who was doing it. Is this method purely about revenue raising? Was any consideration given to road safety measures in terms of this whole issue, or was it driven purely by revenue raising?

Mr Marney: To be honest, I have lost track of your questions. There were about four in there. So, if we can step back to the first one, we will start with that.

Hon KEN TRAVERS: Okay. It was pretty much statements to explain why the committee has called you before it. The answers that we have been given were less than satisfactory in terms of who actually developed the estimates of \$52 million next financial year and \$72 million in additional revenue in the years after.

Mr Marney: I think that the answers that have been given by both agencies are correct. They have correctly answered the precise question that you have asked. The issue is—again, as I have pointed out in the opening statements—that an external consultant to Police provided estimates of the revenue impact. Those estimates were of an impact of between \$80 million and \$100 million. Those numbers were provided by Police to Treasury and Finance. Treasury and Finance, being the risk-averse bunch of people that we are, took the lower end of that range and sought advice from Police as to what it would cost to administer that higher volume of infringements. That figure was estimated at \$7.2 million per annum. That is how the figures were derived, albeit for the first year of operation we assumed that the new processes would have been in place for only three-quarters of the year, so we discounted further the estimates, not wishing to be aggressive or to be misleading in the forward estimates and introduce risk into the state's forward estimates and the financial position. The description of the initiative, from my recollection—I would have to confirm this by checking back to the 2009–10 budget papers—is that the \$30 million investment that has kicked off this entire process was detailed in the asset investment program within the agency statements in budget paper 2 and budget paper 3, and the policy decision tables in, I think, one of the appendices to budget paper 3. So, the matters were fully disclosed in the budget papers. The reason I recall that is because I explicitly sought clearance of the precise disclosure of that \$30 million investment to ensure that everyone knew that it was going to be disclosed openly and transparently.

Mr Italiano: I do not think we mentioned at all in our letters that Treasury provided the figures or calculated the figures, so I do not know where that came from, actually.

Hon KEN TRAVERS: It is a direct quote from your letter —

The negative amounts reflected in out years (2010/11 to 2012/13) relate to the projected increase in traffic infringement revenue which was not derived by WA Police.

The CHAIR: Can you just give us the date of that letter?

Mr Marney: The estimates of infringement revenue were not derived by DTF.

Hon KEN TRAVERS: It is a letter from WA Police dated 28 January this year.

The CHAIR: Can you provide a copy of that letter to the witnesses, please.

Mr Marney: The estimates of revenue were provided to Police by the consultants that modelled the impact. That is my understanding. They were then handed to us. We took the lower end of the range and introduced a cost factor to recognise that we would actually have to expend money to process the infringements.

[3.40 pm]

Hon KEN TRAVERS: In the budget papers, the \$30 million for the upgrade of the speed and red-light cameras is listed there but I cannot find any mention of the increased revenue. Would the increased revenue have been included at the time of the budget or has that been added in since the budget?

Mr Marney: As far as I understand it, it was included at the time of the \$30 million expenditure.

Hon KEN TRAVERS: The first identification I can find of that additional revenue is in the midyear review, "Implementation of Corrective Measures" under "Economic Audit Stage 1", and in

fact even in the police section where you list “Economic Audit Stage 1” there is no mention of the increased revenue. Is that an oversight that it was left out of the budget papers?

Mr Marney: I am happy to provide supplementary information on all of the detail around this matter provided in the 2009–10 budget papers and subsequent midyear review.

The CHAIR: Thank you, Mr Marney. We will take that on.

Hon KEN TRAVERS: The other three economic audit measures that were listed in the midyear review are listed in the budget papers, but this one does not seem to be.

Mr Marney: The \$30 million is disclosed.

Hon KEN TRAVERS: The \$30 million is disclosed as an asset investment item but not the increase in revenue. I cannot find, either in the budget papers or the midyear review, any explanation in a greater sense as to what was occurring.

Mr Marney: As I said, I am happy to dig out the explanations that were provided in the budget papers. I cannot recall precisely where those explanations are, offhand.

Hon KEN TRAVERS: Who made the decision? Was it a request from Police to Treasury to develop this process, or was it a request from Treasury to Police to provide the increased revenue?

Mr Marney: As was previously indicated, I think by Mr Italiano, this matter has been around for many, many years. It goes back to at least the year 2000 when I first became involved in police budgetary matters. It was claimed at that point the system was at risk and unsupported from a technology perspective, although we did wring 10 years out of it.

Hon LJILJANNA RAVLICH: Can I get clarification—it seems to me that Mr Italiano said that the issue of outsourcing has been around for years. The question really related to how these figures were arrived at. Was this an initiative of the agency or was it in fact a direction from Treasury that these savings had to be harvested?

Mr Marney: The issue referred to previously, which has been around for many years, is the issue of the processing system and supporting technology, not the question of outsourcing. That is the issue that has been longstanding.

Hon LIZ BEHJAT: And digitalisation is one of the first steps moving towards outsourcing?

Mr Marney: It enables you to ask that question down the track. The issue that has been around for a long time has been the technology that supports the processing of infringements. The question of whose direction or decision was it—it was the government’s.

Hon LJILJANNA RAVLICH: Was this a direction by the economic audit committee to the police department through the Treasury that these savings had to be harvested?

Mr Marney: No, it was not.

Mr de Mamiel: From a WA police point of view, when we were looking at three per cent, we basically had a footnote at the bottom of our figures that we were trying to say that basically if you were to digitise the whole fleet then you would grow your revenues. This was offered up at that time as possibly a way of us meeting the three per cent. I understand that it was sat on but looked at later. That is how this has basically arrived.

Hon LJILJANNA RAVLICH: Can I ask you a follow-up question: in terms of a \$30 million investment in 2009–10 and the net harvest over the forward estimates being \$168.4 million, given that the government is in a difficult financial position and given that this investment is going to deliver a positive return, if you like, to the government, why is there consideration that this be outsourced?

Mr Marney: You would not outsource —

Hon LIZ BEHJAT: The revenue would still come to government. It is just the outsourcing of the processing that —

Hon LJILJANNA RAVLICH: So it would work —

The CHAIR: Let us get clarification on this.

Mr Marney: Where the financial benefit would show in outsourcing the processing would be in that \$7.2 million cost that we have estimated. That is what you would shift if it was better to outsource it. The revenue would still flow to government.

Hon PHILIP GARDINER: That is the point we have finally got to, Tim. That is why I feel cross about this because when you read what we have got in here, that this \$50 million, \$73 million and \$73 million in the out years is a result of outsourcing, I think, “God, there is inefficiency in this department which is horrendous!” What we are talking about, though, which we have just clarified, is that the technology is being changed to give us that 50, 73 and 73. That is the first thing, which is really how that should have been described. Then, under a new line some time in the future, when you start considering outsourcing and you are going to make efficiencies of \$7.2 million, if they exist, you would say the outsourcing benefit is two or three, or whatever it might be. I am surprised that there has not been an open admission to the point that this is a misdescription.

Hon LIZ BEHJAT: There has been. Mr Marney said that when he first —

Hon PHILIP GARDINER: No; you’re missing the point too, Liz.

The CHAIR: I think we have now.

Hon PHILIP GARDINER: We have finally got it now that —

Hon LIZ BEHJAT: I just want to make the point that we are going to crucify these people for the fact that instead of the word “outsourcing” they should have put the word “digitisation” there.

Hon PHILIP GARDINER: Absolutely.

Hon LIZ BEHJAT: We have got these people here today and we are going to hang them for this!

Hon PHILIP GARDINER: No; your words, Liz.

The CHAIR: We need a little order. I do not think anybody is talking about crucifixion. I am certainly not

Mr Marney: Do we get to choose hanging or crucifixion!

The CHAIR: Crucifixion to the left; hanging to the right!

Hon KEN TRAVERS: The committee hangs you, the government will crucify you!

The CHAIR: Let us take a couple of deep breaths. I think that Mr Marney has explained now. I can understand that members were confused, but I think we now have clarification.

Mr Marney: I would also point out, though, that this matter would have been subject to consideration in both lower and upper house estimates processes post budget, which are quite involved. That is the opportunity for Parliament to dig into these issues. I apologise that that did not occur as part of those processes.

Hon PHILIP GARDINER: Accepted.

Hon KEN TRAVERS: If it is brought to our attention, but it would appear that there were significant revenue increases here that, until the midyear review, had not been highlighted. You are right—normally a member of Parliament would expect significant policy decisions that change either expenditure or revenue to be reported. I think one of the problems is that it does not appear to have been reported in the budget other than the expenditure of the \$30 million, not the flow-on revenue benefits.

Mr Marney: As indicated, I will do a search of the budget papers to see where it did show up so you know exactly where it was disclosed and how. If there is a gap in that disclosure, then I take responsibility for that.

Hon KEN TRAVERS: I know it was raised earlier but I wonder if the outside consultant's modelling that arrived at these figures is able to be provided to the committee. I have to say I find it extraordinary that we are expecting to have somewhere in the order of 1 300 additional infringements a day being issued to people. That is every day of the year for 365 days when this is fully operational. If we can get that modelling, I would certainly appreciate that.

Mr de Mamiel: There has been modelling done since then. There is not a lot of modelling in regard to the numbers that we provided in the actual papers.

The CHAIR: Can Hon Ken Travers describe how he came to that figure?

Hon KEN TRAVERS: That is literally dividing the \$72 million by \$150 per fine, which would work out at \$1 315 per day. You are saying there is not a lot of modelling in the documentation on which this was based, but we heard earlier that there was an outside consultant's report on it.

Mr de Mamiel: That is since those figures were provided.

Hon KEN TRAVERS: What was the modelling on which the original figures were provided?

Mr de Mamiel: The explanation that I gave to you earlier was how we actually arrived at those figures based on the increased number of infringements, but the modelling that has since been done by —

Mr Marney: The modelling people!

[3.50 pm]

Mr Italiano: We could undertake to provide the committee with supplementary information. For example, some time ago Professor Max Cameron published a document looking at the overall impact of increasing the enforcement of speeds on Western Australian roads and what he anticipated would evolve. That becomes a bit dated because you use technologies that Professor Cameron did not necessarily think we were going to use. He has not modelled red light speed cameras, for example. It is a bit of a movement in that sense. We will provide any supplementary information that we can.

Hon KEN TRAVERS: I would like the documentation on which the modelling was done to determine the figures that are in the budget. I am absolutely interested in what impact you have placed on changed behaviour. The number of people being charged with speeding has basically doubled. At some point with that number, you would at least see the change in behaviour because people driving would lose their licence. I am intrigued to know what the expectation of changed behaviour was.

One of my earlier questions was: was road safety ever considered when the modelling was being done or was it purely modelled on financial outcomes?

Mr Marney: The modelling was not with respect to road safety. That would be a matter for cabinet and the government in terms of its policy decision making. We cannot tell you what their criteria or value set was.

Hon KEN TRAVERS: In terms of the work that your agencies did, it was purely on financial revenue raising, not consideration of road-safety issues.

Mr Marney: That was our part of the job.

Hon LJILJANNA RAVLICH: Who were the external consultants who undertook this work? Do they have a name?

Mr Italiano: The only work that I am aware of was done by Professor Max Cameron. That is not to say that others have not been involved. That is the extent of my awareness at the moment.

Hon LJILJANNA RAVLICH: Let me get this right. There was a job to do in terms of this potential reform or whatever. Did a tender ever go out for this consultancy work? We have heard time and again in this committee that these figures were put up by the work of an external consultant. I am asking a very simple question, which is: who was that external consultant who undertook this work and, if not all of the modelling, some of the modelling? Who was this person or persons if it was a company or organisation?

Mr Italiano: I understand the question.

Hon LJILJANNA RAVLICH: I think you are telling me that there was no such thing as an external consultant but there might have been somebody who dabbled with some of the stuff some time ago. If it is about the person that you referred to when answering the question from Hon Ken Travers and you are saying some of that data is obsolete or not up to date or whatever, you are really telling me that an external consultant was not hired to undertake this job to provide these projections for you then to hand on to Treasury. Is that what you are telling me?

Mr Italiano: To the extent of my knowledge, no consultant was specifically tasked, which is part of what you said, to provide these numbers. That is correct.

Mr de Mamiel: They were Tim's words in terms of using a consultant, but the consultant's figures were done post us doing our estimates. That is the Max Cameron report, which basically was commissioned by the Office of Road Safety. We looked at those figures as part of our exercise to digitise cameras, but we have also looked at them from the point of view of what they would look like if we were to take into account the fact that we were going to put in red-light speed cameras, which Max Cameron did not take into account. Max Cameron also took into account fixed-point cameras et cetera and things like that. We did not use Max Cameron's report to estimate these figures; we used our own figures based on very basic parameters.

Hon LJILJANNA RAVLICH: Are you telling me that the agency undertook a back-of-the-envelope sort of analysis of this, handed the figures to Treasury, Treasury included them in the midyear review and then the police department hired Max Cameron to come in and verify the figures that had already been handed across? If that is not what you are telling me, what are you telling me because that is certainly what it sounds like to me?

Mr de Mamiel: I just said that the Office of Road Safety commissioned Max Cameron to do this study. We have not commissioned anybody to do a study on this. We have done the work ourselves, which we provided to Treasury. Treasury has taken the figures at a conservative value at the lower end of \$80 million to \$100 million and offset our processing costs, which were probably equivalent to an increase in the amount of resources we need to process the extra infringements.

Hon LJILJANNA RAVLICH: Why throughout this whole hearing have you been referring to an external consultant having done this work when your own evidence to this committee was that an independent external consultant was never hired to do the modelling prior to the figures going across to Treasury?

Mr Marney: They were probably my words when I said an external consultant was used. If Mr de Mamiel's evidence is that initial work was done within the finance area of the police, that is where it was done. I stand corrected in that regard. I do not think it is an internal inconsistency between the evidence of persons from the police.

Hon KEN TRAVERS: Can I just clarify something? We are dealing with two things. One is the capital investment, which is the \$30 million for the new technology. The other is the revenue. In terms of budget cut-off dates, are there separate dates for the cut-off of when revenue is determined as opposed to when expenditure is determined within the government, or is it the same cut-off date?

Mr Marney: It is the same.

Hon KEN TRAVERS: That would not be an explanation of what has happened here, where the revenue is treated separately to the expenditure.

You mentioned earlier that you expect the processing of the additional 450 000 speed infringements per annum will cost you \$7.2 million. Is that correct?

Mr Marney: Yes.

Hon KEN TRAVERS: You are currently spending \$8.2 million to process the 600 000 that you are already processing. You are pretty much doubling the number of speed cameras and doubling the cost of it. Where are the actual savings from digitisation?

Mr Italiano: The principal saving is the inefficiency of digitisation. To take a wet image and process it, the number of people who have to be involved in the process of that is significant. The digital process—both the image and the way it integrates with the processing system—does produce efficiencies in time and effort. We have made some estimate as to what that efficiency dividend from the digitisation process would be. We think it is somewhere between 20 and 30 per cent. In raw terms, if you double the amount of revenues and improve the process, we think it will cost 70 to 80 per cent on top of what we currently do to produce that number of infringements. That is an estimate. The answer is: the new process with digital images—the new system—improves the productivity of the area because you have that new technology in place. You can produce more infringements for less people required to process those infringements.

Hon KEN TRAVERS: I understand what you are telling us but the figures that you quoted, which is that it is currently costing you \$8.2 million, to produce basically double the number of infringements, including picking up 25 per cent that you currently bin, mean it is still going to cost you an extra \$7.2 million. I am not sure that I see where the saving is in the actual out-turn figures. Where is the actual cost saving to government from the digitisation? I can see the extra revenue you generate out of it, but I am not sure I see where the saving is.

[4.00 pm]

Mr Italiano: There is no reference to savings in that figure anywhere, and we have not necessarily determined what those savings will be at this point.

Hon KEN TRAVERS: So that estimate of \$7.2 million is based on current processing costs?

Mr Italiano: That is right.

Hon PHILIP GARDINER: So it will not be the \$15.4 million—the addition of the two numbers? It will probably be, as you said, more or less about 80 per cent of the \$15.4 million.

Mr Italiano: That is our best estimate.

Hon PHILIP GARDINER: That is not being taken into account in the numbers.

Mr Italiano: It might take some time for that efficiency to be gained through training and implementation of equipment, so it is not entitlement.

Mr Marney: The key issue here—the key driver behind digitisation—was a robust, stable system. It was not about efficiency of processing; it is just the ability to process, which was at risk under the old system. Secondly, the \$7.2 million is a conservative estimate, as is taking the \$18 million out of the \$80 million to \$100 million range. On both the revenue and cost sides, the parameters that were entered into the budget are at the conservative end of the spectrum of possibilities.

Hon KEN TRAVERS: My final question is: what is the date for implementation of the new cameras? When do you expect them to be out on the streets?

The CHAIR: And where? Sorry! Totally inappropriate!

Mr Italiano: Tim is writing down the locations! I am sure that the Under Treasurer is a very law-abiding citizen!

We are rolling out the initial rollout of the new camera technology from June into July. The installation of digital red lights at intersections is a fairly involved process; it involves roadworks, cabling and a range of other things. That is the rollout to get to the first stage of the process, and it is through June and July. We then have a program to continue to replace the current devices.

Hon KEN TRAVERS: That is why you still do not expect to get more than about 75 per cent next financial year? The other question I have is: does Western Australia Police have any key performance indicators for what you expect to get out of this process? I note the four issues that you listed, but do you have any figures for the number of speeders that you hope to detect, the reduction in speeding that you hope to achieve, or the number of extra drivers you hope to identify? Do you have any targets or figures that you hope to achieve in those sorts of areas?

Mr Italiano: We have not set any specific targets with respect to the matters the member has mentioned. There are existing key performance indicators in our budget in terms of percentages of speeders who are detected by the existing cameras; that is an existing budget key performance indicator. We have not identified anything beyond that at this point.

Hon LJILJANNA RAVLICH: Is it possible to get a copy of the Max Cameron report?

Mr Italiano: My understanding is that it was, or is, a public document on the Office of Road Safety website. The report was commissioned by the Office of Road Safety.

The CHAIR: We will check there first, and, if not, we will get back to you.

Gentlemen, we have come to the conclusion of our questions. Thank you very much for your attendance this afternoon; we appreciate it. You will obviously receive a transcript and have an opportunity to make any corrections, should you wish to do so. I will now close the hearing. Thank you very much.

Hearing concluded at 4.03 pm