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COMMUNITY AFFAIRS LEGISLATION COMMITTEE

Reference: Commonwealth Rehabilitation Service Reform Bill 1998

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SENATE
COMMUNITY AFFAIRS LEGISLATION COMMITTEE
Friday, 29 May 1998

Members: Senator Knowles (*Chair*), Senator Bartlett (*Deputy Chair*), Senators Denman, Eggleston, Forshaw and Lightfoot

Participating members: Senators Abetz, Allison, Brown, Colston, Cooney, Crowley, Evans, Faulkner, Gibbs, Harradine, Mackay, Margetts, Murphy, Neal, Reynolds, West and Woodley

Senators in attendance: Senators Allison, Denman, Eggleston, Forshaw, Gibbs, Knowles

Terms of reference for the inquiry: Commonwealth Rehabilitation Service Reform Bill 1998

WITNESSES

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Committee met at 9.04 a.m.

HOLZ, Mr Scott Raymond, New South Wales Representative, National Committee on Employment and Training, ACROD, PO Box 60, Curtin, Australian Capital Territory 2605

TAYLOR, Ms Sue, Deputy Executive Director, ACROD, PO Box 60, Curtin, Australian Capital Territory 2605

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CHAIR—I declare open this public hearing of the Senate Community Affairs Legislation Committee. The committee is taking evidence on the Commonwealth Rehabilitation Service Reform Bill 1998. I welcome representatives from ACROD and Jobsupport Inc. Witnesses are reminded that the evidence given to the committee is protected by parliamentary privilege. However, I also remind you that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. The committee has before it your submissions. Do you wish to make any alterations to those submissions?

Mr Tuckerman—No.

CHAIR—I now invite you to make an opening statement, at the conclusion of which I will invite senators to ask you questions.

Ms Taylor—The Commonwealth Rehabilitation Service is valued by many Australians, especially those whose disabilities occur later in life and who are looking for support to return to work. CRS has traditionally supported this group, whilst ACROD members and others funded by the Department of Health and Family Services focus more on people whose disability has occurred from birth or early in life and who are looking for support to enter the work force for the first time.

When the corporatisation and, later, the opening up of the CRS to competition was first mooted, there was concern that the CRS would become the largest competitive employment training and placement—commonly known as CETP—service in Australia and that it would provide a real threat to our members, particular those who are smaller. We have debated this issue over the past 18 months and have been assured by CRS that their client group is totally different from ours. In fact, at ACROD's employment forum in July last year, CRS officers commented that whilst 70 per cent of clients in Department of Health and Family Services funded organisations had an intellectual disability, this group represented no more than five per cent of the CRS client group.

There is no doubt that areas of competition have existed—staff being a major one. CRS has been able to attract staff away from community agencies with offers of higher wages. At the same time, many ACROD members across Australia report good relations with local CRS officers. It is true that since the recent tendering out of the Department of Employment, Education, Training and Youth Affairs, suspicion has grown about changes to CRS. This stems mainly from the perception that Employment National has received preferential treatment under the new arrangements. I am not saying that this has happened, but it is certainly the perception.

It is acknowledged that Health and Family Services are moving more slowly with their changes, but the second phase of opening up the CRS to competition must be handled carefully if the community sector is to survive. A major concern of ACROD is the maintenance of community service obligations, particularly access to the work placement trials, including access to workplace and functional assessments. Currently, these trials are provided through

the CRS to people with disabilities. ACROD believes that access to this program by people with disabilities must be maintained by government. It may be that this would best be handled by providing the program through the disabilities programs division of the Department of Health and Family Services for people with disabilities receiving employment support funded by the department.

The effect on rural and remote areas of Australia of introducing competition must also be carefully considered. Consideration will need to be given to providing services in these regions in more flexible and, possibly, different ways. Additionally, assessment and referral processes must be designed with these regions in mind.

Mr Tuckerman—My concerns that I am going to express today are quite specific. They are about the continued viability of high support services and placing people with significant disabilities into open employment if the work training scheme either disappears, or is restricted with the corporatisation of CRS work training.

There has been a lot of uncertainty over the last few months within the Department of Health and Family Services and government about what the future of work training will be. Even at this stage, we are really clear only for the next 12 months that the work training scheme will continue as it is. Beyond that, it is dependent, at this stage, on the agreement that is reached between the disabilities services program and the CRS, and the contractual agreement in that.

We have got a good working arrangement with the current CRS, but we are concerned that, when the CRS is opened up, firstly, as a corporatised entity and then when, in turn, it enters into competition, we will have a situation where one competitor actually runs a work training program that is a critical element in other services' functions that we could not actually operate if we did not have work training.

When the CRS is corporatised and when it is in competition with us, we will be faced with a situation where the CRS are actually the gatekeeper to an essential part of our program and yet they will be in competition with us. We see that as potentially a problem. We are also concerned that even if access is guaranteed, there is the issue of whether the access will be timely to other services. It is easy to envisage a situation where CRS are trying to run their own corporate activities in competition with other providers and we are asking them to process our stuff quickly and there will be a potential conflict of interest about where their staff time is allocated.

Work training, as it currently stands, is a very good package. To my knowledge it has been there for about 40 years. It was introduced because the sorts of insurance provisions it provides for people placed into work are not actually available in all the states around Australia because workers compensation is variable in each state. It provides a good level of workers compensation cover to people placed with employers. It provides functional assessments of the client, work site assessments to protect both the client and the employer, and it also provides a training allowance. It is a very attractive package for employers.

The value for a service like ours is that, if we are placing people with a very significant disability, employers often look at them and they are nervous. They are people who can make it in the work force, but employers are nervous about putting them on to their workers compensation arrangements. What this scheme provides is a try before you buy. It enables the employer to put a person on; it lets that person prove himself or herself and then he or she goes into the work force. We have found that 95 per cent-plus of our placements, given that route, have got into jobs. We suspect that, if we had to operate without that try before you buy, our success would be dramatically reduced.

Our preferred option is for work training to be continued and for the continuation of it to actually be protected in the legislation. My understanding is that that is not currently the case. Our other preference is not only that it be continued but that in the legislation there be written provisions that guarantee access to other services in a fair, equitable and timely fashion.

What I am saying does not imply any criticism of the Department of Health and Family Services. It is no criticism of the current CRS. We are not suggesting that they will not negotiate a contract in good faith, but circumstances can change. The CRS could easily come in the future to view this sort of thing as a competitive advantage, with different staffing. Other services could easily start to attack the CRS having this provision as a competitive advantage. What we are suggesting is that maybe we have an opportunity with this legislation to be proactive and to build in some protection for what has been a very successful scheme.

CHAIR—Thank you very much. Are there any questions?

Senator FORSHAW—Yes. I want to come back to the issue you raised in a moment, Mr Tuckerman. Let me start with a couple of very general questions. Regarding competition—I do not want to talk about the issue of competition all day—can you give me a brief response? Is it appropriate to be trying to look at the provision of services, such as the CRS provides, in the context of competition? The government says in its support for this bill that it wants to open up the CRS to competition and thereby produce advantages in the long run. Do you agree with that?

Ms Taylor—I think that for a lot of the CRS services, the rehabilitation type services, there needs to be choice for consumers. But, on the other hand, it needs to be handled very carefully to make sure that the community sector does not get decimated in the process. That is our concern. As I said, it is a perception in the DEETYA ones. We do not know. We have to monitor it over the next 12 months. Our members, per se, are not concerned about competition as long as it is fair competition and it is a true level playing field.

Senator FORSHAW—What disturbs me when we talk about the concept of competition in areas like this, or areas in employment services or welfare services, is that the emphasis really is about choice rather than competition. In other words, you can have a government owned and funded enterprise, and you can also have private sector organisations such as yours, that are able to interact with the government agency to provide the services, and clients will end up going to one or the other or a mixture of both. What disturbs me is, once you start talking about corporatising CRS for the purposes of driving competition between the agencies, between the providers, what impact does that have on the ultimate recipients? But, anyway, that is a philosophical debate.

Can I then come to a couple of specific issues. You raised the issue of rural and regional areas. That has certainly been a matter that has been raised as one of concern. Again, it could be said, if your focus is on competition, that the non-competitive type areas get left behind. Can you expand a bit on those concerns and how it may be prevented from occurring? Community service obligations in the legislation—are they sufficient?

Ms Taylor—It goes a long way. But the other thing that needs to be considered is that when people receive these tenders—if that is the way they choose to go, and I know that has not happened with CRS; it has not been determined yet—they should either be in a rural and remote area or have had a track record of providing services in those areas because they are different. They require different specialisations. It would worry us if they just brought people in that had no track record.

Senator FORSHAW—It could also be argued, though, that, if you set up this corporatised structure but that it is still felt that CRS is the agency that ultimately should pick up the bulk of the community service obligations by looking after the rural and remote areas, then you do not have a level playing field. It can work both ways, it seems to me. That would be the natural expectation, wouldn't it, that the government owned or corporatised agency would still be best placed to deal with people in those regions?

Ms Taylor—My understanding has always been that if no-one else showed interest in those areas then the government would ensure that they were covered. I suppose that is where a community service obligation comes in. I do not know whether the other two have got anything they want to add.

Mr Tuckerman—There is an issue with more difficult cases about whether competition, to some extent based on price, is the answer. There is an issue about whether there are groups who actually need a different approach—whether you need an approach that looks at some benchmarking activities and continual improvement and cooperative arrangements for the betterment of a group of people, because there are certainly high support people that are not well serviced in the current system let alone any change to a more competitive system.

Senator FORSHAW—Can I turn to the issue that you raised, Mr Tuckerman, about the work training scheme, so it is clear. At the moment, people who would be covered under that work training scheme are effectively treated as employees of the Commonwealth for the purposes of workers compensation insurance and other issues. That removes the impediment on the private employer of having to worry about that aspect for the period of the training and the period of determining whether or not the individual will be suitable. What you are saying is that because other agencies, and, of course, the sector, interact with CRS with the work training scheme, if CRS is corporatised it will continue to have control of the work training scheme but not necessarily continue that same relationship, because they are now in competition with you. Is that a fair assessment of what you are putting?

Mr Tuckerman—Yes. In our organisation we have always had a very good positive relationship with CRS. My understanding is that there is a bit of a mix in the quality of relationship around the country, even within the current arrangements. Once CRS was corporatised and was the gatekeeper of that program, I could foresee that those problems could easily become really quite problematic.

Senator FORSHAW—What do you see is likely to happen? As I understood your evidence, agencies will find it difficult to access the program and maybe, ultimately, when someone in the Consumer Competition Commission looks at this again and says, 'Hang on a minute, CRS still has a monopoly here of a service within the overall rehabilitation service,' it will change further. That is what I understood.

Mr Tuckerman—Yes, that is exactly it. I see two problems. The first problem is that at some stage this may be seen as an unfair competitive advantage and the whole scheme might be brought into question. The second thing I see is that, even if it is enshrined as existing, there is a need to protect access for other services when one of the competitors in an industry is controlling the key aspect.

Senator FORSHAW—Yes: the sort of argument that Optus has with Telstra. Do you have any view about how we might ensure that that did not happen? Presumably it would be by trying to legislate it.

Mr Tuckerman—I do not have a clear view on what the legislation should say, but we have an opportunity to include something in the legislation that prevents either of those unfortunate scenarios from unfolding.

Senator FORSHAW—What would be the impact of the work training scheme ultimately disappearing or being wound down because of the sorts of concerns you raise? Presumably it would be quite dramatic.

Mr Tuckerman—It would be an unqualified disaster. For services like Jobsupport, prior to 1986, our population just did not get into the work force. People with moderate and severe intellectual disability did not get in at all. They did not get in, because services like ours did not exist that could provide the ongoing support and initial training to get them in. Even when we were set up, the very first thing we did was to set up some changes where social security pensions were safeguarded. Those changes have now become institutionalised, and the current system is good.

The other thing we did, first up, before we even signed the contract, was arrange access to work training—because these employers are, frankly, scared when they initially look at our clients. We are talking about people who have failed all their lives, who have very low self-esteem, who have significant problems and who have to front up to an employer. The employer looks at them and the employer is nervous. The employer says, ‘Do I want this person on my workers compensation?’ It is a reasonable fear.

What work training provides is the chance for the employer to let this person prove themselves in a risk free environment. As I said earlier, these people do prove themselves, and they go on to be very long-term, stable employees. They would not get in the door without this provision. In New South Wales it would not be possible, for example, to take out equivalent insurance.

Senator FORSHAW—That is what I was going to ask you about. Do you then have the problem of varying arrangements across the states and territories on Workcover?

Mr Tuckerman—Yes.

Senator FORSHAW—It is why the scheme is constructed the way it is: to overcome, at least in part, that problem.

Senator DENMAN—I think it was Ms Taylor who mentioned rural and remote areas, in her opening address. Could you tell me how you think it ought best to be coped with? Coming from a rural area, I have an interest in this.

Ms Taylor—I am not a service provider.

Senator DENMAN—I realise that.

Ms Taylor—But I know that we have some members who specialise and have worked for a long time in rural and remote areas.

Senator DENMAN—So is your fear that this specialty will disappear?

Ms Taylor—Yes, I think it has got to be protected. The other issue that is of major concern to us is the new referral and assessment process through Centrelink. The natural pathway for people with disabilities to a lot of CRS and our members’ services is for the individual to go straight to the service. We are not arguing that they should not have to meet eligibility criteria; they should.

Senator DENMAN—Right.

Ms Taylor—But the natural pathway has been for our members to assist these people through that process. The natural pathway for long-term unemployed Australians for 40 years has been to go to the CES, to government, and our concern is that that is to be changed from 1 January. It is going to be particularly difficult in rural and remote areas, where we have some members whose nearest Centrelink office is 1,000 kilometres away.

Senator DENMAN—And they do not have transport to get there, in a lot of cases.

Senator FORSHAW—Even if they did, it would still be 1,000 kilometres away.

Ms Taylor—There has got to be some flexibility in how it happens.

Mr Holz—Wherever there has been the concept of having mobile teams that would go out and do assessment and referral activity, quite clearly in the past that has not been effective.

Senator DENMAN—No, I realise that.

Mr Holz—Evidence suggests that, in areas where that has been the case, people have got something like two visits in eight years to their area. There needs to be that natural pathway.

Senator DENMAN—And the phone link service has not been successful either—the 00 number they can dial.

Mr Holz—Yes.

Senator DENMAN—Thank you.

CHAIR—Can I just ask a few clarifying questions for my own peace of mind? From reading these submissions and listening to what you have got to say, I feel as though I am in a bit of a time warp, and that I could, in fact, simply be rewinding the tape from the hearings that we had last year for the corporatisation of Australian Hearing Services. Virtually all of the same concerns that were raised about AHS are now being raised about CRS.

I have kept up with AHS. In fact, I was only seeing them again as recently as last week. I have kept up with the service provision of facilities into rural and remote areas, and out into Aboriginal communities. I have kept up also with the recipients of the service, all of whom appreciate what is being done and say that the service provision just gets better and better. I am at a bit of a loss to understand, given all the safety provisions of service delivery contained within the bill for CRS, what is now different about this bill, in terms of the concerns that were expressed with AHS but that have been proven to be unwarranted—maybe fair at the time, but now unwarranted. What is the difference now?

Mr Tuckerman—Our concern is very specific. It relates to one of the competitors in an industry having control of a key aspect. While that control was invested in the government, we did not see it as a problem. Now that we are now moving into a new competitive environment, we do see it as a potential problem. I am not saying that it will be, but I am saying that there is a chance to be proactive and prevent it from becoming a problem, by enshrining those aspects in the legislation. Before, when CRS were part of the government department, they were not in competition with us, and none of those issues came into play. I am only here to comment on that narrow aspect.

CHAIR—Mr Holz or Ms Taylor, do you have any opinion as to why this will be so dreadful, vis-a-vis the success of AHS?

Mr Holz—Again, I would reinforce what Mr Tuckerman has said about the access to work training: if one player has a key monopoly on that, then that could potentially cause us problems. It is certainly not the service provider that will suffer; it is the person with the

disability, and specifically those people with the highest support needs. It would be beneficial to have some guarantee of access to that particular program.

CHAIR—But there is no question that there will not be guaranteed access to the program. That is the point that I am getting at. That is why I raised this in the context of AHS, because many people said last year that those who were most in need and the profoundly deaf would be the ones who would suffer. Those very people are now saying to me that they have found increased competition and flexibility to be to their benefit—as opposed to their disadvantage.

Mr Tuckerman—Can I talk briefly about the Sydney situation? In Sydney, the department of education classifies people. Since 1990, about 700 of those classified into what the department of education calls IO classes have come out of school. Out of that 700, only 17 have been accepted into all of the other open employment services in Sydney, apart from us. So, at the moment, even though those services could potentially take that population, they are not doing so. We are the largest service that is placing that group, and the Spastic Centre reports similar things. Our success is due almost entirely to our being able to offer the ‘try before you buy’ option. I guess we are just very nervous.

CHAIR—Okay, thank you very much. Any further questions?

Senator FORSHAW—I do not have a question but a comment. Do not assume that we necessarily agree with the observation that the Australian Hearing Services corporatisation has been an unqualified success. In fact, I would argue quite strongly about that. I just thought I would let you know that.

CHAIR—I am sure that the staff of AHS will be thrilled to hear that.

Senator FORSHAW—I also think that there are some differences in the types of services that are being provided between the two.

Ms Taylor—That is right.

Senator FORSHAW—We are talking about a much wider range of disabilities—and people, particularly—as distinct from the provision of what was, in many cases in AHS, merely a hearing device for people.

Ms Taylor—I am delighted to hear that this program is going to be set in concrete. I feel confident in what we have been told by the departmental officers for the next 12 months, but I think there needs to be some more concrete setting in future.

CHAIR—Thank you very much for your time. We are very grateful. We have now got a teleconference.

[9.41 a.m.]

CORCORAN, Mr Maurice Gerard, Executive Director, Disability Action Inc., 62 Henley Beach Road, Mile End, South Australia 5031

MORRELL, Mr David, Systems Advocate, Disability Action Inc., 62 Henley Beach Road, Mile End, South Australia 5031

SAWYER, Mr Gary, Manager, Disability Action Inc., 62 Henley Beach Road, Mile End, South Australia 5031

SPACKMAN, Mr Lindsay, DARE Advocate, Disability Action Inc., 62 Henley Beach Road, South Australia 5031

CHAIR—I welcome Mr Maurice Corcoran, representing Disability Action, who will be giving evidence to the committee by teleconference. Mr Corcoran, the committee has before it your submission. Do you wish to make any alterations to that submission?

Mr Corcoran—No. We would like to talk to the points in our submission. I have three other colleagues with me who have their own expertise. I asked them to join the teleconference because of their particular experience.

CHAIR—That is fine. Could we have details of their positions.

Mr Corcoran—I will introduce them. Mr Gary Sawyer is our current manager of our state-wide volunteer advocacy program. He is also a past manager of the regional rehabilitation service. Mr Lindsay Spackman is a former state secretary of a trade union. He is also a director or chairperson of an employment agency here in Adelaide and is a volunteer advocate for Disability Action. Mr David Morrell is Systems Advocate for Disability Action and has been in that position for several years now. All three will be speaking to particular points in our submission.

CHAIR—Thank you, Mr Corcoran. I now invite you to make a short opening statement, at the conclusion of which I invite senators to ask you questions.

Mr Corcoran—If we are able to speak to the points through our submission, I will ask David Morrell to speak briefly on the first two points that we have raised—that is, the removal of the guidance provided by part 3 of the Disability Services Act and the removal of the AAT appeals right. I will hand over to David Morrell.

Mr Morrell—It appears to us, and I stand to be corrected, that the repeal of part 3 of the Disability Services Act—

CHAIR—I am sorry. We are having extreme difficulty in hearing you from this end. It seems as though you might be a little far away from the microphone on your phone. Is there a possibility of just coming a little closer to that?

Mr Morrell—I am a little closer now and I am talking somewhat louder. Is that better?

CHAIR—Yes, thank you.

Mr Morrell—We are concerned about what appears to us to be the removal of any rationale in legislation for the existence of the rehabilitation industry by the repeal of section 3 of the Disability Services Act and the failure of the new reform bill to substitute anything for it. I stand to be corrected, but it appears that there is no longer any legislative specification of what a rehabilitation industry or services are supposed to do.

CHAIR—I am sorry, we are losing you again. I think you will probably have to speak fairly loudly into the microphone.

Mr Morrell—I have come off the hands-free and I am now speaking directly into the handset. That will not be possible for one of our people, but the rest should be able to. Is that an improvement?

CHAIR—Yes, that is great.

Mr Morrell—To move on quickly to the second point, because I am aware that time is getting by—that is, the removal of the AAT appeal rights—we have a particular concern about the removal of an authoritative end to any appeal process, the ability to arrive at a final and authoritative determination of any grievances.

We also have a more general concern as an advocacy agency. In our experience of advocating for many hundreds of people with disabilities over the years, the surest way to generate complaints in any system is to not have clear procedures for its operation. Also, the surest way to prolong disputes—and this is where our particular expertise comes in—is not

to have clear and authoritative ways of resolving them. We would be gravely concerned about the removal of the AAT from the field of play.

Also, with many different private operators operating, there is a general concern about accountability. We see the increased likelihood of disputes with clients and, quite frankly, an awful lot more work for advocates and a lot more work for service providers who have the opportunity here for a good quality control mechanism if they are very clear about their procedures and their grievance resolving procedures, but if they do not get that right they also have the possibility of a great deal more work. I will now hand back to Maurice Corcoran.

CHAIR—Thank you.

Mr Corcoran—I now call upon Gary Sawyer who can clarify the points we raised in our submission relating to the implications regarding workers compensation insurance for people in employment under this scheme.

Mr Sawyer—Good morning.

CHAIR—Good morning.

Mr Sawyer—From our reading of the implications of this, we have some concerns. Under the current scheme, people with disabilities who are placed in training placements or work trials by the CRS are actually covered by Commonwealth insurance. We are inferring here that, under the new arrangements, the employers will bear the responsibility for this. Our concerns are, firstly, that there are some really major prejudices around workers compensation involving people with disabilities which make it much harder to place people with disabilities in employment placements.

Secondly, the fact that they are covered by the Commonwealth, at least in the training period, is a major selling point for the Commonwealth Rehabilitation Service. I would suggest that that particular training scheme that CRS operates is probably the most successful and most cost-effective tool for placing people with disabilities in employment in Australia. I cannot think of anything that has been more successful. So changes to that scheme could be quite significant. Thank you.

CHAIR—Thank you.

Mr Corcoran—We would also like to comment on our point about the potential effects of opening up the disability services employment and rehab markets in private enterprise. I would ask Gary Sawyer to make some points on that.

Mr Sawyer—There are probably a couple of concerns there. One is in terms of the corporatisation of CRS and the focus on outcomes and profits. That would have an impact in rural and remote areas in terms of an actual physical presence. Our experience in South Australia where we have a fairly strong private rehabilitation industry which services the Workers Compensation Authority is that there is virtually no permanent presence of private rehabilitation in rural South Australia. There is only a sort of scattered visiting service. We believe that that change in focus is particularly important in terms of access to clients and in terms of networking with employers in regional areas, which would be extremely important to people with disabilities.

We also have some concerns in relation to the possibility of creaming. We think that the temptation for creaming in an outcomes and profit based system would be irresistible, particularly where the method of payment to a corporatised CRS or private rehab does not reflect the real cost of actually providing a service. People with more significant disabilities who are costly to place and who perhaps are a bigger risk in terms of successful placement

would tend to be overlooked for people who are low risk and less costly. So the decision to offer assistance would be based on economics rather than need.

We have a history of that in South Australia with the CRSs that have already had a fairly strong outcomes focus because of their connection with the Workers' Compensation Authority here. There is also a history of that with their ESRA case management system which was an outcomes based system but a system where there really were not the rewards for organisations to work with people who were difficult to place. That resulted in those people being missed and a focus on people who perhaps really did not need assistance.

Mr Corcoran—We would also like to talk about the loss of skills. It has certainly been brought to our attention through the associations of competitive employment and a number of employment agencies that in the past there have been a number of community based agencies that have built up specific skills and knowledge in working with people with various disabilities and various needs. An example of that is a placement agency that perfected working with people who were deaf and hearing impaired and the majority of their staff were very competent at signing. We believe that there have been a number of those agencies that did not have the resources and were not successful in the tendering process. That has meant that those agencies, those local community based specialist agencies for people with disabilities, have been lost through that process.

We are also concerned that there will be a loss of skilled workers generally in the job placement agencies because they will not be having regular and consistent contact with people with disabilities so that any skills that were developed could be lost over time due to a lack of practice.

I would like Mr Spackman to make a comment on the specific issues to do with the corporatisation of CRS and the FLEX services.

CHAIR—We are starting to run short of time so we would appreciate it if your comments could be as brief as possible to allow some time for questions.

Mr Corcoran—We should have about another minute and a half from Mr Spackman and we are then open for questions.

Mr Spackman—Our main concern at this point is that the CRS, along with other employment agencies, is implementing a fee for service which will be a cost for those people who do not actually meet the eligibility criteria for FLEX 1 and 2. Those people would mainly be spouses of people who already had employment, and the majority of these will be women and people who have a disability that affects their day to day living. These are the people who at least can afford to pay for the services.

Those people who do actually meet the criteria and have a disability that affects their daily life will all be in the FLEX 3 part of it. In our opinion, this will not be the profit making area for CRS and the other employment agencies, and so they will send those people back to be reassessed by Centrelink. As the JSCI and WAT tables are inflexible, we are worried that those people will actually be lost in this system and not be serviced by anybody.

Further to that, we are worried that, if too many are classified to the family and health services, those family and health service providers will actually be sent back to be reassessed, as they will not have the funds to cope with those people, and so those people will also be lost in the system. Another concern that we have is that, if the JSCI and the WAT tables are tightened, this will have the effect of even further restricting disabled people from entering the work force. As you can see, we are not really in favour of the CRS implementing a fee

for service, because we believe it could be detrimental to disabled people looking for employment.

CHAIR—Thank you. I now invite senators to ask you questions.

Senator FORSHAW—Hello. I am a senator from New South Wales. From reading your submission and listening to your comments this morning, it would seem to me that you really do not think that CRS should be corporatised at all and that it should basically be left as is. Would that be a fair assessment of your position? Or do you see some value in going down the path that the government proposes but trying to sort out the problems that you are alluding to? Should we just scrap the idea altogether?

Mr Sawyer—I do not think that in principle we have an objection to the corporatisation of CRS or to a more outcomes and profit driven system. Our concern is actually to develop a system that is going to be able to pay the CRS, or a private provider, for the real costs of providing a service. If that is not going to be the case—and I cannot see how you can do it—then people with more significant disabilities are going to be disadvantaged.

Senator FORSHAW—You are starting to drift off when you give those answers. I hear what you say, but I cannot help thinking—both from what was said and from your submission—that there are many issues you have raised. You have raised about five or six, some of which are quite significant. You have also outlined a range of issues; and, no doubt, when the department appears before us later this morning, we will be seeking answers from them on those issues. I can probably leave it at that for the moment.

Senator ALLISON—Mr Morrell, you say that there are no clear ways of resolving disputes. Can I ask you to comment on what the government is saying in that respect? It says that there will be ample opportunities for clients to lodge complaints or appeal processes; that decisions will be subject to normal administrative law processes; that Centrelink will have an appeal process; that CRS will have its own complaints handling processes, to be stipulated in the contract; and that there will be a right of appeal and a complaint handling process, as part of the new accreditation system. Have you had a chance to look at those proposals, and do you still say that they are inadequate?

Mr Morrell—The short answer to your question is no, we have not had a chance to look at all of those proposals. If all of those details, however, had been on the table and available to us, we may have been satisfied. We stand by the general point that those things do need to be there and that they need to be transparent, available to all players and, in particular, comprehensible and readily presentable to people with disabilities who are using the services.

One of the issues that we have frequently encountered with advocates is that policies exist on paper but are not necessarily communicated to the people with disabilities who need to be making use of them. Many misunderstandings and much disempowerment occur as a result. So all of these things, if they are there, have to be right out in the open and readily presented to the service users, as part of normal operations—otherwise our concern stands.

Senator ALLISON—Can you, for the committee's information, indicate how many appeals have gone to the AAT in recent times? Are we looking at a large number?

Mr Morrell—From this agency, I do not think we have had any appeals going to the AAT—not related to CRS types of issues, in any case. My colleagues here confirm this. The bulk of appeals are dealt with at lower levels, without having to go to that final high end-point, which is why we have laid so much emphasis on the importance of grievance handling

procedures that exist well short of getting to the AAT. They are actually where the bulk of disputes are dealt with, and so they are far more important.

Senator ALLISON—Thank you. Mr Corcoran, could you expand on your comment about the loss of skills in community based agencies? What sorts of skills do people have, and why would we not expect these in a corporatised organisation?

Mr Corcoran—I am sorry, but I missed the last part of your question.

Senator ALLISON—I am inviting you to expand on your comment that there will be a loss of skills because community based agencies have built up those skills and experiences. What are those skills? Why is it that you think that the new corporatised body would not have those?

Mr Corcoran—The comment I would make is that a number of the community based, smaller, specialised services that had been previously working with people with disabilities really did not have the same degree of resources to put together detailed applications for the tender process. A number of those agencies were unsuccessful in winning tenders—as opposed to some of the larger employment agencies, such as Drake and others, which were able to commit a number of workers to the task of putting together a submission. It is on that basis that a number of these smaller agencies were unsuccessful in the tendering process. Either that, or they were awarded just to focus on either FLEX 1 or one specific area of the contracts.

The other thing I would say is that, given the current establishment of some of these larger organisations, workers are going to have less opportunity to be working on a one-to-one basis or in a group situation with a number of people with disabilities. Given that they are not going to be having the same degree of contact as was happening in the smaller community based specialist services for people with disabilities, we believe it is probable that that same degree of expertise and knowledge around disability related issues and employment related issues could very well be lost.

Senator ALLISON—Thank you. Would you regard the level of consultation over this legislation, with disability advocacy groups such as yours, as having been adequate?

Mr Corcoran—In terms of the consultation process that took place, there was some opportunity for us to feed into the process. However, I would also suggest—and I will look to my colleagues for a reaction on this—that some of the strategies that have been employed in the consultation process were basically saying at times that the decisions had been made already and that we were going down a particular track. Certainly, in relation to the WAT questionnaire, et cetera, some of those things appeared to be not up for negotiation and not up for consultation. That was our experience here in South Australia, anyway.

CHAIR—Mr Corcoran, I have a couple of quick questions that I seek clarification on. Where does the bill give rise to your concern about fees being charged to people whom you represent, given that there is no change in the rehabilitation policy and that CRS will in fact be bound by its contract that it will not be allowed to charge for services to clients eligible for free services, nor for services to employers in supplying those clients?

Mr Corcoran—I will ask David Morrell to comment on that.

Mr Morrell—I could not tell you off the top of my head the exact place in the reform bill where the concern about potential for charging fees arose. We reacted to that issue on the basis that it was a concern raised by the people who had set the terms of reference for the discussion this morning. Given that it was not included in the terms of reference, we accepted it as a concern and formulated our reply on that basis.

CHAIR—Does the fact that there is actually a clause in the bill preventing fees being charged to the people that you represent ease your mind at all?

Mr Morrell—We accept that those people referred into the system from Centrelink will not be charged fees. We had had the concern that those people who are not referred from Centrelink but who chose to seek service themselves would be subject to being charged a fee.

CHAIR—There has been no change of policy. I will go on to the other area of your concern about the AAT. I am also wondering about the foundation for your concern and where you think that the complaints and appeals process that is contained in the bill is being short-changed. The provisions are such that departmental decisions will be subject to normal administrative law processes; that Centrelink, which will make decisions regarding eligibility on behalf of the department, will be subject to the appeal process; that CRS will have its own complaints handling process, which will be explicitly provided for in its contract; that dissatisfied CRS clients will also be able to lodge complaints with the department as purchaser; that rights of appeal and complaint handling processes will be a feature of a new accreditation system that is to be introduced for the CRS and non-government service providers. Where do you see the appeal process being short-changed in what I have just read out that is contained in the bill?

Mr Corcoran—From the statements that you have just made, if the appeals process is going to be clearly promoted and is going to be a transparent process, I guess at this stage we will wait to see case examples go before these appeals, and we would like to reserve our judgment based on the experience of people with disabilities who actually go through this process. We would hasten to add that we as an agency have worked very hard with our local Centrelink agency and have now developed a protocol between our agency and Centrelink precisely for some of those purposes, and that is to act as advocate where they believe there is a need for an advocate to assist a person with a disability.

CHAIR—Where do you think the legislation is deficient, when you raise a concern that it is inadequate in the appeal process?

Mr Corcoran—We had a major concern in terms of the removal of what was an existing appeal through the AAT. We have supported people with disabilities through the appeals tribunal in other areas, and it has been seen to be a very good strategy for resolving issues and having the opportunity for the person with the disability and their advocate to express in great detail their grievance.

CHAIR—Thank you all for giving the Senate your time today.

Mr Corcoran—Thank you.

[10.10 a.m.]

GREASLEY, Mr Keith Robert, Deputy President, Health and Family Services Section, Community and Public Sector Union, 5th Floor, 191 Thomas Street, Haymarket, New South Wales 2000

O'NEILL, Mr David John, National Industrial Officer, Community and Public Sector Union, 5th Floor, 191 Thomas Street, Haymarket, New South Wales 2000

CHAIR—Welcome. Do you have any comments to make on the capacity in which you appear?

Mr Greasley—I am also an occupational therapist with the Commonwealth Rehabilitation Service, presently.

CHAIR—I remind witnesses that evidence given to the committee is protected by parliamentary privilege and also that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. The committee has before it your submission. Do you wish to make any alterations to that submission?

Mr O'Neill—No.

CHAIR—I now invite you to make a short opening statement and then I will invite senators to ask questions.

Mr O'Neill—Thank you. I would like to thank the committee for the opportunity for the CPSU to appear today. I firstly make it clear that anything I say should not be taken as an attack upon the management of CRS, whom I think are in a very invidious position in the corporatisation process that has been established.

CPSU has industrial coverage of employees of the CRS. Our members comprise the three main employment areas in CRS—that is, the operational management, the service delivery providers or professional case managers and that semi-professionals who work with them, and also the administrative and clerical support people in the organisation.

Our members are extremely concerned that CRS clients and staff are becoming the victims of ideology in this situation. The introduction of competition policy in health and human services is likely to prove something of a dead end, I believe. There are some areas where government provides the best and cheapest solution and that cannot be avoided. Government service provision is not always a bad thing. We believe that the introduction of competition policy will not mean that there will be large numbers of private providers setting up in the main streets of regional and remote Australia or competing with each other to provide services to disabled and other clients needing rehabilitation.

We are currently seeing the sort of experimentation that is occurring with CRS leading to ridiculous outcomes with Employment National where there has been an accreditation of alternative private providers and that has led to some spectacular public failures. Senator Knowles, I note, raised AHS, Australian Hearing Services, in her example of corporatised government services. I am less sanguine about the outcome in AHS than Senator Knowles is.

The provision of hearing services to the aged and poor in Australia by AHS has been successful for a long time. There has recently been a concerted push, helped along by the multinational hearing aid manufacturers, to create a so-called level playing field in the provision of hearing services. This has led to the absurd situation where government now pays private providers a higher price per client than it does for clients assisted by Australian Hearing Services, the so-called inefficient government hearing service.

Australian Hearing Services clinical staff are all fully trained professional audiologists in the same way that the professional staff in CRS are fully trained professionals, and AHS is paid less per client whose hearing is assisted than is a private provider whose staff may not be as fully trained as AHS staff. So, effectively, this government, for ideological reasons, is prepared to subsidise the profits of private providers whose staff are generally not as well qualified as those of the government's own services. There are obvious lessons to be learned from this and they should be applied to the consideration of the so-called reform of CRS.

The forced introduction of competition policy and level playing fields into health services creates higher costs, despite the rhetoric around. Obviously no private companies will go into the sort of non-profit work done by government health providers unless they are government

subsidised. Any profit they make must be as a direct result of being subsidised by government. How this equates to more efficiency and lower costs escapes me.

We are also concerned that private providers, as in AHS's situation in the provision of hearing services, will be allowed by government to employ staff that are lower qualified than those in the government's own service, or improperly trained. How can this be of any advantage to clients? It is simply another way to increase private profits with public subsidy.

Mr Greasley will talk in a minute about the effects on CRS clients of the government's bill, particularly in relation to the repeal of part 3 of the Disability Services Act. I would like to turn briefly to the effect on our members of the operation of the proposed CRS Reform Act. CRS staff will be compulsorily transferred out of the Australian Public Service under section 81C of the Public Service Act 1922. These people joined CRS when it was part of a government department, many of them with strong motivations regarding the provision of rehabilitation to disadvantaged and disabled clients. Many of CRS's best staff are now leaving because they fear that the removal of CRS from the APS means both a decline in standards for clients and a decline in their own working life and conditions.

Many of our members are concerned that the removal of CRS from the Australian Public Service will inevitably mean a decline in their terms and conditions. Certainly, the current Public Service Act allows for people to be transferred, retaining their accrued sick leave, holiday leave, superannuation, et cetera. This is true. It has been said by the government. However, there is currently an all staff ballot occurring in CRS for the staff to vote on accepting a section 170LK certified agreement covering their terms and conditions. However, this agreement is for 12 months only. Where are the guarantees that CRS staff will retain all of their current rights, terms and conditions into a second and subsequent agreement, in the absence of any legislation to provide that surety?

The current draft certified agreement in CRS has already reduced some of the current rights of CRS employees. Transferring CRS employees have retained the current right to 12 weeks paid maternity leave, but with the imposition of a reduction for second and subsequent periods of maternity leave. Women having a second or later child will now have to meet the arbitrary requirement for a 12-month gap between their periods of maternity leave. This is a loss in conditions and is discriminatory.

A further loss of conditions is for future employees of CRS, who will be in a different class from transferring employees. Women seeking maternity leave in CRS in the future, who have been hired after corporatisation, will have to have been employed in CRS for at least five years to qualify for paid maternity leave. Future employees of CRS will also accrue only two-thirds the rate of long service leave that current transferring employees are accruing.

I mention these discriminatory clauses to point out that CRS staff are not transferring with all their entitlements, as claimed by the government. It is also worth emphasising that the CRS certified agreement, which purports to replace all of the current award and legislative instruments protecting entitlements of staff, is only a 12-month agreement. There is no ongoing protection for CRS staff and their entitlements in the government's bill.

I will also allude briefly to the current confusion about superannuation matters. There is no guarantee for CRS people—nor any other public servant at the moment—about the future of their superannuation. My understanding is that CRS future employees will not have the same rights to superannuation as current transferring employees. The new starters in CRS will be put into an inferior superannuation scheme.

Finally, the government's draft Public Service reform bill, which potentially may affect CRS staff who have been compulsorily transferred out of the Public Service, will not provide the same right of return to the APS from CRS that the current Public Service Act provides. We seek substantial amendments to the CRS Reform Bill, to guarantee our members' terms and conditions in the longer term—that is, beyond a short-term certified agreement. I would now like to hand over to Mr Greasley, who will address some of the effects of the reform bill on clients.

Mr Greasley—I have heard some of the other speakers this morning so I will gloss over some of the areas fairly quickly. I am not doing that because of the lack of importance of them but rather to not bore you because I know that they have been covered already.

We have obvious concerns about the lowering of services for people with disabilities as a result of the corporatisation. Certainly, the concerns for rural and remote clients are obvious in that it is clearly not a profitable area, and that is why private rehabilitation firms have not gone in there very much. However, we particularly have concerns for the client that is not wholly employable. They are, to name a few, people with severe physical disabilities, people with psychiatric disabilities, people with acquired brain injury disabilities and others. They are the people for which it will cost more to get into employment. We believe that they are the people that are likely to be creamed out.

We have had some indication from you today, and from papers we have read in the last few days, about the accountability mechanisms. As we understand it, it will basically be a contract between the funder and the provider—in this case, Disability Services and CRS. We have got concerns about that because of the obvious corporate pressures and the pressure to make profits that will be on CRS. There would be a similar pressure on Disability Services as well. That is obviously going to push a pressure of creaming.

We would contend that there has been creaming going on in CRS, and a consequent loss of services for people, for those less employable people that I mentioned earlier, since financial accountability came into CRS in the 1980s. That is not to say we are against financial accountability but we are concerned about what goes along with that if you do not have proper safeguards and proper accountability to maintain services.

I know you will be presented with a lot of figures today, if you have not already—and the figures will probably keep on going—that are supposed to prove that what we are saying is untrue. But I put it to you that we are talking about a human service here, and we are talking about very complex human services—certainly, Senator Knowles, a human service that is much more complex than Australian Hearing Services. It simply is not possible to measure the extent and quality of services to people with disabilities, and the measurement of those becomes even more complex with the increase in complexity of the disability of the client. In short, CRS has no reliable way, at present, of measuring the extent and quality of services to people and, therefore, exactly what they are achieving for people with severe disabilities.

To back up this contention, CRS, in the last four or five years, has spent an enormous amount of money trying to develop what is called a case classification system. Without boring you too much, it was hoped that that would achieve what I was just talking about, the ability to measure the extent of services to clients. It did not work and, as a consequence, it was not adopted by Disability Services and the scheme was eventually abandoned.

CRS staff for many years have had subtle, and sometimes not so subtle, pressures put upon them to make profits. That has resulted in staff and management understandably being forced into the pressure of creaming. That has been going on for years and it can only get worse once

we increase the profit motive in CRS. As well as this, CRS is already talking about decreasing the quality of services, we believe, by decreasing the number of professional staff in CRS—that is, hiring less expensive staff to do, we would contend, a less efficient and less quality job. We have already heard many managers talking about getting rid of professional workers and putting somebody on for \$34,000 who may not have professional qualifications.

We are aware of the accountability mechanisms that were spoken of earlier and the replacement of the AAT appeal rights. At the moment there really is not very much information around about how that will work, and we are suspicious of that. Just one comment on the replacement of the AAT: I note that whereas the AAT was independent, what it is being replaced with will not be truly independent.

I think there is a rule of thumb that is obvious: if you put together a profit motive and a lack of accountability, that is going to lead to creaming and a decrease in service to less profitable clients. Make no mistake about it, unless we institute proper accountability measures with corporatisation, services to these clients will disappear.

I will briefly touch on some of the other concerns we have that have already been brought up today. We are obviously concerned about the work training. It is an extremely valuable tool for CRS. We are concerned about the sort of assessments that are done by Centrelink to determine who should be referred to disability services. We have major doubts about the assessment that is used and we are also concerned about the level of training for staff who are performing those assessments.

We are not sure about this but we understand that it will not be possible to self refer to CRS in future unless, I presume, you are willing to fully pay. We are very concerned about what might happen to independent living programs. There is not much information around about that, but quite clearly that is probably an area that is not highly profitable. I was interested in the recent findings from casemix in Victoria which I think demonstrate what might happen—that is, Casemix was more profitable but there was a clear decrease in the quality of services. That did not surprise me. That is all I have to say, thank you.

Senator EGGLESTON—I would like to take up some of the points you have made, Mr Greasley. First of all, what percentage of services provided by CRS would you say are provided to persons on social security benefits of various kinds?

Mr Greasley—I do not have those figures available. I am sure CRS would be able to provide them to you, but it is significant numbers—more than 50 per cent.

Senator EGGLESTON—It would be most of your clients in fact, wouldn't it?

Mr Greasley—Yes. It would be the majority of clients.

Senator EGGLESTON—Under this new proposal aren't they still going to receive free services?

Mr Greasley—I am not disputing that. What I am suggesting is that the services may be decreased, particularly for those who are likely to be less profitable.

Senator EGGLESTON—If the services are going to remain free in both cases, it is very hard to see why that should be the case. The same range of offices is going to remain, the same range of referrals is going to remain, from Centrelink now, as from what was previously probably the Department of Social Security. It is hard to see the reasons for your concern, given that those services will still remain free and those clients who are now being referred will still be referred to CRS.

Mr Greasley—I do not think it is difficult to see what my concerns would be. Quite clearly, if you are going to an organisation and saying, ‘You’ve got to make a profit or you may not survive,’ then there will be the obvious pressure to take the most profitable clients.

Senator EGGLESTON—You are making an assumption there which I do not think is justified. You have also said that referrals from Centrelink will depend on the education of the staff in Centrelink, but many of the people who are referred to CRS now are referred by medical officers who do medical assessments of clients of the Department of Social Security. Many of the referrals will, will you not agree, still come from medical officers who have assessed people who are on various kinds of social security benefit and who the medical officers feel would benefit from CRS services? That system is not going to change, is it?

Mr Greasley—That system is not going to change, but there are systems that have changed, and I think what we are really referring to is the removal of the disability support panels and in their place what we might term a bean counter sort of assessment that is yet to be proven to be accurate.

Senator EGGLESTON—But the doctors are the ones who basically assess the disability support provisions and disability support pensions, and they will be the people who are making the assessments in terms of whether or not people should be referred to CRS. Won’t that be the case?

Mr Greasley—In the past that was one of the professions that have been making those decisions. There have also been other professional people making those decisions as well.

Senator EGGLESTON—Yes, but most, I would suggest, of the referrals have come from what were Commonwealth medical officers. Isn’t that the case?

Mr Greasley—Commonwealth medical officers were involved in making those decisions but, as I said earlier, they were not the only ones involved. What we are talking about here is, I believe, a mechanism to save money whereby you perform an assessment and you get a number at the end of it and decisions are made from that number. In the past, a much higher proportion of those decisions were made by a panel of professionally trained people who would look in depth at the client and look at their lifestyle and look at their needs and put that together and make a decision. It is a case of whether you think you can determine those things by numbers or whether the complexities of human beings are better handled by other human beings making logical decisions.

Senator EGGLESTON—I would suggest to you that the system is not going to change essentially at all, and that you are just speculating about negative outcomes. Essentially the same sorts of assessments and referrals will be made by the same kinds of professional people, and nothing essentially will change.

Mr Greasley—Well, things have changed, Senator, and I think you would have to admit that we are both in a position where we are speculating. Everybody around this table, and out of this building for that matter, has to speculate—that is what we are doing here. So, we have no choice but to speculate, as you have no choice but to speculate.

Senator EGGLESTON—Within a limited range, I agree. But essentially the same service is going to remain intact, and I think that your concerns are misplaced.

The other point I would like to raise is with Mr O’Neill. He has talked about spectacular public failures, referring to Employment National, and I would just like him to detail what he describes as spectacular public failures of a service which only began on the first of this

month, and I think today is the 28th, so it has hardly had time to develop a history of spectacular failure.

Senator FORSHAW—Want to bet?

Mr O'Neill—I think it is fairly apparent from the media—

Senator EGGLESTON—The media.

Mr O'Neill—You may say the media has only emphasised the failures; fair enough—

Senator EGGLESTON—They tend to do that.

Mr O'Neill—Right, but there have certainly been some failures in the way Employment National has operated.

Senator EGGLESTON—Instance one.

Mr O'Neill—I instance the situation where one gentleman won a contract from Employment National to conduct an employment service from his bedroom in a home unit at Lakemba, and, when it was found that that person in fact could not deliver, the work was passed on to somebody else. But I understand that person actually got a brokerage fee—

Senator EGGLESTON—Was that before or after 1 May, one might ask?

Mr O'Neill—That was before 1 May, I believe.

Senator EGGLESTON—Yes, indeed.

Mr O'Neill—Since then there have been several instances of matters that came forward in the first couple of weeks of operation where Employment National simply was not working very well.

Senator EGGLESTON—Well, as I said, Employment National has only been in operation for 28 days and it is very hard to say that it is not working very well, and I would seriously dispute your contention of spectacular public failures. I think when there is a new system in place in Employment National, as there will be a new system in place here, we have to give it time to work.

CHAIR—Thank you, Senator Eggleston.

Senator FORSHAW—We really do not have time to debate Employment National. I could tell you some spectacular failures, if you wanted to listen to them later, Senator Eggleston, that I have been made aware of.

You have said in your submission that the loss of independent living programs, the removal of part 3 of the Disability Services Act, means that the current facility for assisting disabled people to live more independently while not necessarily placing them in employment is now defunct. Would you expand on that a bit?

Mr O'Neill—You would understand that I am not a professional with CRS, but my understanding is that independent living programs are about a situation where somebody who is disabled and not working is assisted to achieve a more independent life, improve their quality of life and perhaps reduce the requirement for outside assistance to help them cope with life while not necessarily putting them into paid employment. My view of it is that, if part 3 of the Disability Services Act goes, there does not appear to be an arrangement where this sort of facility can be provided to people elsewhere. Mr Greasley may have further comment on that from a professional viewpoint.

Mr Greasley—At this stage we are not saying that it is definitely disappearing. It is certainly something we would want looked into. If it is not disappearing, it is an extremely

valuable service to the community. I think there need to be safeguards to ensure that there is no reduction in current services in the area. From memory, it is approximately 20 per cent of the work that CRS has done in the past.

Senator FORSHAW—The range of the issues that you have referred to have also, as you said, been raised by other witnesses and in written submissions from other people. I will be very interested to hear from the department when they come on next to respond. For instance, what sort of appeal mechanism will be in place if AAT is abolished? What will happen to the issue of insurance and the work training program? I can pursue those with the department shortly.

Senator Eggleston put to you that nothing will really change. The government is saying that it is necessary to corporatise CRS to introduce competition in the provision of services, presumably, to make the outcome better for—one would hope they had in mind the clients. In terms of the people who work at CRS, firstly, do they believe there is value in corporatising CRS? Secondly, if yes, why; if not, why not?

I might say that I am not one who thinks that we should not look at corporatising government enterprises. The question is whether or not they are involved in a market which is ultimately about competing with other profit making business enterprises or whether they are involved in the provision, as you say, of very critical services, particularly for disadvantaged people. Frankly, I find the concept of competition when talking about provision of those sorts of human services pretty damn degrading.

Mr O'Neill—I think there is a range of views amongst CRS employees. There is certainly, amongst the members who have approached us, a great concern about the potential loss of services to disabled people in rural and remote areas, et cetera. Obviously there is a range of people's opinions about the value or otherwise of corporatisation. The general concern is whether it is corporatisation for its own sake, for ideological reasons, or whether it actually achieves something. There is a real concern that it will not actually achieve something and all you are doing, as I mentioned earlier, is effectively subsidising private providers to provide the same service. It may in fact raise the cost to the government of the entire service without achieving any better or further outcomes.

Mr Greasley—Could I add to that. There certainly is a culture that has developed in CRS which goes something like this. It is said openly by the organisation that, come corporatisation, there is no room for the values of social justice.

What that means is probably debatable, but you might extrapolate those definite statements coming from CRS to be, well, with social justice go issues like equity and so forth. And I think there is a general feeling amongst the staff in CRS that, yes, those issues of equity and maintenance of services to the less profitable client will go and you will have to accept that and, to use the words of CRS, if you don't like that, get out.

Senator FORSHAW—An earlier witness used the word 'choice', and I made a comment, and I make it again, that I think sometimes there is this issue of, 'We need to have competition because Professor Fels says we need to, or because COAG says we need to, or because competition policy says we need to,' but you can have the existence of choice in the provision and delivery of welfare services. We have it right across the system with charities and government agencies and all that, but I do not think people generally—certainly I would not—

want to think that that gets reduced to the concept of competition in its purest sense. That is what is worrying me about this.

Mr Greasley—It is an ideological argument. I have got a clear personal view, and that is that competition is good in some areas and it is not good in others. Probably most people would agree with that.

Senator FORSHAW—It depends on what you mean by competition. It is one thing to be competitive in terms of competing for the delivery of services, but it is another thing to be competitive if the only motive at the end of the day is to knock somebody else out of the business or out of the market.

Mr Greasley—Yes. But at the end of the day I do not think there is any doubt that issues such as equity of services and social justice issues for people with disabilities will decrease with this corporatised service. And that is a choice people want to make. To me, a civilised society is one where there is equity. If you do not agree with that, well, go along with the corporatised CRS, I guess.

Mr O'Neill—I think the concept of choice in this situation is fairly spurious because you are not going to have half a dozen shopfronts along the main street of Dubbo all competing to serve rehabilitees; it is simply not going to happen.

Senator GIBBS—Could I just pick up on your being concerned about people in rural and regional areas as regards services. Are you basically concerned that the private people will not have the expertise to look after people with disabilities? I would imagine now that the staff have certain expertise, and you would have to be specially trained or attuned to working with people like this over a long period and understanding their problems.

Mr Greasley—I think that is not so much a concern. It is certainly true to say that CRS has in the past offered a higher quality service than private rehabilitation organisations, and I think that is because it has not been as subject to the profit motive as private rehab firms are. If private rehab goes into the country, I do not think the service would be good, and we have yet to see what will happen to the quality of services from CRS.

My main concern is that it is simply not a profitable area to work in, and that is why private rehab agencies do not go there. Once you privatise CRS, the question remains: will CRS continue to go there? Indeed, even if they do, will CRS offer the same high quality programs as they have offered in the past? I do not think they will.

Senator GIBBS—No, that is right. I was just concerned about the staff who are being forced to move over to the corporatised CRS. Is the total number who are working now moving over? Is there a reduction in staff? Is it the case that they do not have any choice at all; that they are simply told to go, or what? Are they going to lose their jobs?

Mr O'Neill—The situation is that the Commonwealth under the Public Service Act 1922, section 81C, is able to transfer the entire work force and functions to a government business enterprise, effectively. CRS over the last year or so has effectively been conducting a person shedding exercise. Mr Greasley alluded earlier to CRS saying, 'If you don't want to go with the new market oriented CRS, there's the door.' People have been leaving, under voluntary redundancy provisions. They have not been sacked.

Senator GIBBS—But you do not have a choice, do you?

Mr O'Neill—They do not accept the concept of the bottom line and profit, as opposed to their normal concerns about community service obligations and social justice and so on. So

people are making that choice and saying, 'I don't want to work in that sort of profit based organisation, so I'll leave.' That is fair enough; that is what is happening. CRS has recognised that, and there has been a facilitation of people leaving under voluntary redundancy provisions.

So there has been a reduction in staff, to a certain extent. Some of those staff have been replaced with contract staff. That is a concern to us, of course, that permanent jobs are being replaced with contract staff. On the new certified agreement that is being established—it is being voted on up until today by the staff, so we have not got a result yet—predictions are that the agreement will be carried, approved by the staff. Under that, there will be a new concept of employment known as ongoing employment, so people will have a degree of tenure, but it will not be same nature as Public Service employment now is. Those ongoing employees will be the people who have transferred across, plus any new hired people after corporatisation.

As I have pointed out, the newly hired people will have a different set of conditions to those that have been transferred across. There will be no choice in that. CRS will probably raise an argument with you that we have a split population now in the Public Service between those who are in the public sector super scheme and those in the Commonwealth super scheme. But that was a choice matter. People joined the PSS out of choice. The new structures in CRS will mean that people will have less long service leave, less maternity leave and an inferior super scheme, if they join after corporatisation. They do not have a choice. They have a choice to join or not, but it is not a matter of people being able to choose to go into one or the other.

Senator GIBBS—I see. Are these contracted-out staff going to have the same qualifications as the staff now? Will they be getting the same wages, same conditions, that sort of thing?

Mr O'Neill—CRS tell us that they wish to maintain a generally professionally qualified work force, because they see that as a selling point in their provision of service. So we are hopeful that CRS will maintain that level. But there is no guarantee. Our further concern down the track is that private providers may be less trained. I referred to AHS earlier and the senators have referred to Australian Hearing Services earlier. Australian Hearing Services' competitors are not as highly trained as Australian Hearing Services, and that is a worry, I think, in a health service area.

CHAIR—They would argue that point. We are very much over time. Can we move on to Senator Allison, please?

Senator ALLISON—Mr Greasley, on service quality safeguards, you say that CRS cannot currently measure the success of its services, and you pointed to the failure of a case classification system. Should this bill have service quality measurements in it? If so, what should they be?

Mr O'Neill—I certainly believe it needs to have service quality measurements in it. Obviously, that is our main concern. It is difficult for me to recommend that; I am not an expert in the area. There are, however, many experts in that area that could advise on that. I would probably start off simply by summarising it by saying that we are concerned about the accountability mechanisms that are there and we are concerned that the accountability mechanisms that are there could basically be summarised as bean counting, in other words, the number of people placed in employment without regard to the level of difficulty that there has been in placing those people in employment, and therefore creaming.

Senator ALLISON—This bill is about corporatisation, not about tendering out the services. The government says that no decisions will be made until there is consultation with the industry and with clients. How confident are you that that consultation will take place?

Mr O'Neill—Not very confident at all. We are concerned that there will be an imposed system and that the consultation will be more window-dressing than anything.

Senator ALLISON—I have a question about the professionalism of staff. You say that there is already some evidence of creaming within the CRS at present, which suggests that there will be a group of clients that will be too difficult to deal with. Do you see anything in this bill which would protect CRS once it is corporatised and, further down the track, presumably outside providers from having an appropriately trained professional staff? What is in this bill, from your point of view, that is problematic in that sense?

Mr Greasley—It is more not what is in the bill but what is not in the bill. It is very general and does not give detail about how this will be done. In fairness to CRS and any other organisations involved in this, it is very difficult to measure quality of services and it is very difficult to stop creaming. But, in the whole industry, creaming is what it is all about. People talk about it all the time. I do not think anyone would deny that creaming does not go on. The only argument is to what extent it goes on. It will always be difficult to stop, but I see little evidence of procedures in place to address the issue.

CHAIR—I am sorry, but we are going to have to suspend the committee in a moment because we have got a division. Senator Allison, do you have any further questions?

Senator ALLISON—I was just going to push for an answer to the other part of that question about professional staff. How do we make sure that there are safeguards in there to see that professional staff are employed?

Proceedings suspended from 10.51 a.m. to 11.00 a.m.

CHAIR—Could I just ask you to answer that last question.

Mr Greasley—Would you remind repeating it? Sorry, but the bells were ringing—

Senator ALLISON—It concerned your remark that managers in the CRS had already been threatening to put people on for \$34,000 and your concern about having professional staff in a corporatised structure and then further on into a privatised contracting out situation. What safeguards are there in place, and should they be in this bill, for maintaining a level of professional staff?

Mr Greasley—If you have a service that offers quality programs of value—you cannot be undercut everywhere—then you will want a higher proportion of professional staff. The concern we have is that, if you lower the accountability, you will lower the standards and you will therefore make it non-profitable to be paying more for professional staff who will offer a higher quality service. If you have that lack of accountability, there will not be a reason for paying for higher quality services. We will go to the lowest common denominator, and that is a tendency in private rehabilitation now.

Mr O'Neill—If I could just make a further comment, I think it would be beneficial to have an amendment to this bill that required a certain level of professional qualification for CRS employees. In the future, if people were to be providing rehabilitation services from private providers, it would be beneficial to have some accreditation process so that we can be assured that those people have the appropriate skills and qualifications to actually do the work.

CHAIR—Thank you very much for attending this morning.

[11.03 a.m.]

BLAZOW, Ms Judy, Assistant Secretary, Strategic Management Branch, Disability Programs Division, Department of Health and Family Services, Bowes Street, Phillip, Australian Capital Territory 2606

BLAZOW, Mr Nicholas, Assistant Secretary, Corporate Development Branch, Department of Health and Family Services, Bowes Street, Phillip, Australian Capital Territory 2606

LAW, Mr Alan James, General Manager, Commonwealth Rehabilitation Service, Department of Health and Family Services, Bowes Street, Woden, Australian Capital Territory 2606

CHAIR—I welcome officers of the Department of Health and Family Services. You are reminded that evidence given to the committee is protected by parliamentary privilege and also the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. You will not be required to answer questions on the advice you may have given in the formulation of policy or to express a personal opinion on matters of policy. The committee has before it your submission. Do you wish to make any alterations to that submission?

Mr Blazow—No, we do not.

CHAIR—Thank you. Would you like to make an opening statement at the conclusion of which senators will ask you questions?

Mr Blazow—Yes, I would like to make a short introductory statement, if I can.

CHAIR—Thank you.

Mr Blazow—Basically, I would like to talk about the bill itself and the proposed reform strategy for CRS. Following that, we would be pleased to respond to any questions from the committee. I would also like to take up some of the issues that have been raised with the committee in submissions or in evidence this morning.

I would like to draw the committee's attention to a very important distinction that we made in our submission which tends to get a bit lost in some of the discussions of this issue. That is the need to distinguish between the Commonwealth's rehabilitation program itself and the CRS which is the organisation that currently delivers that service.

It might be useful if I just quickly outlined the current arrangements because again there is some misunderstanding about the department's role, CRS's role and the role of others.

Under the Disability Services Act, it is the secretary to the department that provides rehabilitation services to eligible clients under the Commonwealth's program. This is dealt with in an administrative way by a division of the department which is commonly known as the CRS, the Commonwealth Rehabilitation Service. The essential thing is that the CRS is not a body corporate, it is not referred to in legislation and it exercises no powers or functions in its own right.

From a client perspective, under the current arrangements there is no choice in relation to provision of free rehabilitation services under the Commonwealth's program. Clients must come to the department and use CRS's services and they have no choice in the matter. This bill provides for a range of transitional and consequential amendments designed to assist in the incorporation of the CRS as a Commonwealth owned company. The provisions in the bill assist in the transfer of CRS operations to that new company, an organisation that for the first

time will have a board of its own and will be devoted to the provision of rehabilitation services rather than operating as an arm, albeit a very large arm, of a very big department.

It is important to identify that the functions that are to be transferred are the provider functions—the delivery of the service. The purchasing and the policy functions will remain with the department and the department will contract with the new CRS company for the full range of existing services.

This effectively will achieve a separation, a split between the purchaser and provider function. That separation is intended to achieve a number of things: to provide CRS with a more efficient and flexible organisational structure, to improve transparency and accountability in the delivery of services and to improve the development of policy and relationships between policy and delivery. In the longer term, it allows for the introduction of client choice of service provider.

While the bill facilitates the incorporation of CRS there is no change in existing rehabilitation policies and services. All services will continue as they currently exist. In particular, eligible clients will continue to receive the full range of services currently available.

I would like at this point to turn to a number of issues that have been raised with the committee. There are a number of fairly fundamental issues I would like to concentrate on first. A number of comments have been made in relation to the fact that the bill is as a consequential repealing part III of the Disability Services Act. We have been advised by Attorney-General's Department that part III as currently constructed sets out a detailed regime for the delivery of free rehabilitation services by the department. As such the separation of the provider function from the department is not compatible with the existing structure of part III of the act. Accordingly, to separate the provider function from the purchaser function, it is necessary to repeal that part. In its place the intention is that the objects and principles of the act and the detailed provisions that are set out in part III relating to various types of services, allowances and those things will be incorporated in a legal contract between the department and the new CRS company. As I indicated before, that contract will be for the entirety of existing rehabilitation services.

Another issue raised with the committee and raised in submissions is the issue of competition. I would like to make a fairly up-front statement here: this bill does not provide for the introduction of competition. The CRS will continue to provide all Commonwealth rehabilitation services to eligible clients under contract to the department. While the government has announced its intention to introduce competition in the long term to introduce client choice of service provider, this bill does not provide for it. The government has made no decisions on how that is to be introduced and will not do so until there has been an opportunity for extensive consultations with service providers and clients.

I would now like to quickly focus on various other issues. There have been a number of comments made in relation to work training, training allowances, services in rural and remote areas and the independent living program. It would be obvious from the comments that I have made that there is no change in relation to these services: these services will continue in their entirety as they currently exist. There is no change in rehabilitation policy or programs. Services that are free of charge to eligible clients and employers will remain free of charge to eligible clients and employers, and these will be explicitly provided for in the contract between the department and the CRS. With the separation of purchaser and provider, it will be the purchaser that determines the requirements. One of the issues raised with the committee

was the possibility that CSR might, for example, be able to introduce charges for eligible clients. This is not the case, and will be explicitly provided for in the contract.

There has also been much mention of appeals to the AAT. Under the new arrangements, the CRS will no longer be exercising any statutory powers and functions. Therefore, the appeal provisions in relation to the AAT will become redundant in as much as those appeal provisions relate to precisely that—the exercise of statutory powers and functions. However, in its place—and I will not go through all of the details unless the committee wants to pursue that in questions—we have identified, in our submission, a whole range of complaints processes that will be introduced under the new arrangements. We believe that these will offer clients an enhanced and improved complaints and appeal process than is possible under the current arrangements, including review at various levels of the system.

I will now deal with some of the issues that were raised particularly in the last submission. There was a suggestion that corporatising the CRS in some way will mean that it will become dominated by the profit motive to the exclusion of all else. This is not correct. While a company, or any organisation, I would hope, needs to operate efficiently, under the arrangements CRS will be operating under contract to the department for the full range of services and the income for CRS will depend on its performance under that contract. That contract will include performance measures of various kinds. It is not the case that the profit motive will somehow supplant or otherwise overtake the obligations of CRS to perform in relation to providing free rehabilitation services.

There were a number of staffing issues that were raised. In relation to the staffing issues, a distinction needs to be explicitly drawn between existing CRS staff who are being or would be compulsorily transferred under section 81C of the Public Service Act and the employment of new staff by a corporatised CRS. The terms and conditions of the employment of new staff by the CRS company will depend on the company itself. In relation to existing staff that have been compulsorily transferred, arrangements will be made under section 81C to transfer them, along with their existing entitlements. That will include continued access to the CSS and the PSS superannuation schemes for existing staff.

There was some mention about the Public Service reform bill impacting on mobility rights. Under section 81C, any staff who are compulsorily transferred will have rights of return to the Public Service. There was some concern about the Public Service reform bill in some way limiting those rights, but the bill has been rejected twice, and I am not sure that that is really a relevant factor.

In terms of the CRS and its operations, we certainly would see that the primary drivers in relation to a new CRS company will be efficiency but also delivery of services to clients, and that will be based on their capacity and ability to deliver the excellent services that they currently provide to the clients and to improve those services which will generate the business and continued support for the CRS as an organisation. At this stage I would like to finish the short opening statement. I invite any of my colleagues to add to that statement if they so wish.

Senator ALLISON—On that last point, Mr Blazow, that efficiency and delivery of services will be the key to the new corporatised CRS—

Mr Blazow—Of any organisation I would hope efficiency would be a major objective.

Senator ALLISON—How will those efficiencies be delivered? How will this organisation make itself more efficient than it currently is?

Mr Law—I will answer that, if I may. This reform process has in fact been going on for a couple of years within the existing structure. The key element of the early decisions was to separate the purchaser function from the provider function. Traditionally, CRS had—

Senator ALLISON—I am sorry, I do understand the purchaser provider model and all of that. I am asking for specifics about how that will lead to efficiencies in particular.

CHAIR—Mr Law, is there a quick answer to that or will it be a longer answer?

Mr Law—No, there is a whole range of issues.

CHAIR—A division has been called. We shall return.

Proceedings suspended from 11.17 a.m. to 11.27 a.m.

CHAIR—While we are waiting for Senator Allison to come—I know she has put a question down which you are breathlessly waiting to answer—we might go to Senator Gibbs.

Senator GIBBS—Mr Blazow, I noted that you were talking about training programs and that they would continue. Does this mean that the allowance that people are paid will continue as well?

Mr Blazow—Yes, there is no change in existing policies, programs or services.

Senator GIBBS—Under the program at the moment, people can find employment where they are being trained and at the same time they are being paid their social security and their training allowance, and that will continue. But what has happened is that some areas are not covered by workers compensation, so the Commonwealth has addressed that by covering them under Comcare. How will this apply to people now that the CRS is going to be corporatised?

Mr Blazow—There will effectively be no change in those arrangements because all existing services will continue and be provided by the corporatised CRS. The change will be that the CRS will be a separate company to the department and will operate under a contract to the department. But all those existing services that Comcare can cover will stay in place. They do not depend on the legislation, they do not depend on the bill, they do not depend on the existing Disability Services Act.

Senator GIBBS—So, even if they use other providers, they are still going to be covered by Comcare?

Mr Blazow—Yes.

Senator GIBBS—There will be no different arrangements at all?

Mr Law—No, that is right, no change at all.

Senator GIBBS—Good, thanks very much. Do you want me to continue?

CHAIR—We will let Senator Allison go back to her other question, now that she has arrived. Mr Law, do you want to answer that question?

Mr Law—Yes. The point I was leading to before was that the separation of people who provide a function increases accountability and therefore flows through into greater efficiency and effectiveness. But, in practical terms, having CRS much more focused on the provision of service—whereas it previously acted as purchaser in the broader sense as well as provider—allows it to focus far better on clients, and having a board of directors whose focus is for the success of CRS as a provider will help to provide far more focus on those issues of efficiency and effectiveness.

We have operated for the past 12 or so months with an advisory board, and the presence of that advisory board has been very helpful in terms of the CRS management seeking

efficiencies and effectiveness. Those efficiencies and effectiveness to date are that currently, for this year's expected outcomes, we will achieve 10 per cent higher vocational outcomes this year than we did in 1995-1996. The measure of success of CRS is the number of vocational outcomes. We have reduced the levels of overheads quite dramatically and we will continue to do that in corporatisation. Corporatisation allows us greater flexibility to reduce those overhead costs, and we are directing more of the available funds into direct service provision as opposed to other overheads.

Senator ALLISON—What sort of overheads have been reduced?

Mr Law—Overheads that have been reduced are as follows. Management overheads have been reduced with a flattening of the management structure. We are continually introducing new technologically based systems as well as other systems, and that in fact makes the administrative support required for the service delivery function far more cost-effective. We are also looking at other costs, such as property costs, to see how we can get better value for money out of the allocation.

Senator ALLISON—Why is it dependent on corporatisation, if this what you have achieved so far?

Mr Law—We have been able to go only so far with those changes. Corporatisation gives us greater flexibility in terms of how we might move forward in some of those further efficiency gains. However, corporatisation also gives us the opportunity very much to focus from probably a market driven point of view, in terms of ensuring that our services improve in effectiveness and that we do provide the services that are required—by the Commonwealth purchaser, in particular. We can focus more clearly on that.

Senator ALLISON—We heard earlier today that the CRS actually had some difficulty in measuring its success—and I am interested in your giving it a figure of 10 per cent—and that perhaps this bill should include some measures of success. How do you respond to that suggestion?

Mr Law—The responsibility for the Commonwealth's rehabilitation program rests with the purchaser, and the purchaser will be the one who defines in contract the specific outcomes and requirements of quality, et cetera. Our role, as provider, is to deliver against those provisions of quality, number of outcomes, et cetera. I understand that a whole framework of quality assurance will be gradually put in place over the coming period of time. But the question is one for the purchaser: they are making decisions about the quality of services, who gets service and how much service, and the associated quality measures with that.

Within CRS, clearly we have a responsibility to ensure not only that we meet the requirements of the purchaser but also that we do that in such a way that we provide the highest level of service to individual clients within that framework. But that framework is one that will be set in contract by the purchaser.

Senator ALLISON—Can you understand the concern that outcomes might be seen as placements rather than as a matter of whether the needs of the more severely disabled are met? Do you accept that that is a challenge under the new arrangement, given the tendency to worry more about efficiencies than perhaps about the needs of individual clients?

Mr Law—No. I do not see that as a difficulty at all. Again, that can be provided for in the arrangements between the purchaser and ourselves.

Senator ALLISON—Do you see yourselves setting up something similar to the case classifications system that was introduced a couple of years ago but has since been abandoned? How would this work? Have you got a model for it yet?

Mr Law—Senator, the case classification system that was referred to has not been abandoned; in fact, work still continues within CRS in terms of identifying approaches that will help some level of classification with clients, such that it can better inform the types of interventions and the level of service required in particular cases. That work continues. I will leave it at that.

Senator ALLISON—With this repeal of part III re the AAT appeal, I note the measures that the government intends to put in place; but still the challenge is for those processes to be really independent. From what I can see, they are still dependent on a department or a government agency. Is there no way that we can overcome the technicality that says that, because this corporate structure is not a statutory body, it cannot appeal to the AAT? Is there no other way?

Mr Blazow—We can provide for independent appeals. The AAT's own act refers to its ability to review decisions that are referred to it in other legislation; and there is a reference there to powers and functions exercised under that other legislation. The problem in relation to the AAT is inherent in the AAT act itself, and there is not much we can do about that.

The issue about independent appeals or an independent complaints process is one that can be addressed. In relation to a situation where you have got a split of purchaser and provider, for example, ultimately the corporatised CRS will be accountable to the department as purchaser, funder and contractor of those services. The department in itself will be responsible to the parliament, of course, in terms of the administration of those funds.

Senator ALLISON—But with respect, Mr Blazow, the department itself cannot be independent if it is the one that is purchasing the services, it seems to me.

Mr Blazow—No; but I was going to say that, for example, if a client has a particular complaint in relation to CRS, there will be an internal complaints process within the CRS to deal with that situation. Ultimately, if they are still not happy with the service provided by CRS, they can come to the department, as the purchaser, in relation to that issue. As the purchaser is the contractor and controls and administers the contract, and that contract provides for a complaints process, that provides the complainant with someone other than CRS that they can actually appeal their case to.

Senator ALLISON—If the parliament were to decide that there needed to be an independent arbiter at such disputes—and I gather there have not been any so far, so perhaps it is not such a major issue—what would be an appropriate model?

Ms Blazow—I could speak about that. The department has contracts already with a large number of non-government organisations providing disability services. All of those agencies are subject to a scheme involving the disability services standards. They must comply with the disability services standards. As part of the reform of the CRS, we are moving towards bringing the CRS under the same arrangements that the non-government providers are currently subject to.

The minister has given a reference to a working group to develop a quality assurance system that would be appropriate across both sectors: non-government and CRS, the government provider. As part of that term of reference, there is a requirement for them to develop an independent complaints and appeals mechanism about the quality of service provided by

contracted providers. So there will actually be an independent mechanism so that, when services are not complying with the standards and are not providing a good quality of service to the clients the department is funding—because we are purchasing that service—there will be an independent complaints and appeals mechanism, under that accreditation system.

Senator ALLISON—Who will be on that panel?

Ms Blazow—They are still developing that. The stage that they are at the moment is looking at the standards in terms of the performance indicators that we will need in order to measure performance against those standards. There is a consultancy going in to the community at the moment to develop those performance indicators in consultation with the industry.

The time frame is that it will be about a year before we actually have an accreditation scheme, with performance indicators and independent complaints and appeals mechanisms, and start moving to accredit providers, including the CRS as the government provider. So the non-government sector—whom you heard from earlier this morning, represented by ACROD—and the government provider, the CRS, will all be subject to the same standards and the same accreditation and quality assurance arrangements, involving an appeals mechanism as part of that.

Senator ALLISON—If that takes a year, what is the time frame for going into full competitive service provision?

Ms Blazow—We will be consulting on the competition contestability type of issues during that year as well. This is a reform strategy that has a number of components, and it is not all coming together under this bill. This bill is simply about a very early stage of corporatising the government provider.

Senator ALLISON—So it is 12 months from now for consultation. Then what is it?

Ms Blazow—The government is saying that at the earliest we could not move to contestability for rehabilitation services until late 1999.

Mr Blazow—That would be the earliest that it could be introduced.

Senator GIBBS—How much funding has been cut from the CRS in the last two budgets?

Mr Law—I indicated in an answer to an earlier question that the outcomes of CRS have increased by 10 per cent over the last three years. In that period of time, the increased efficiencies and effectiveness of CRS have allowed a reduction in the appropriation of about 15 per cent. The number of outcomes today is higher than they were two years ago when the appropriation was higher.

Senator GIBBS—Are you saying that there has not been any money cut from CRS in the last two budgets?

Mr Law—No, I am saying that there has been no reduction in level of outcomes and level of service. In fact, there has been an increase, whilst there has been a reduction in the appropriation over that period of time.

Senator GIBBS—Even though there has been an increase, there has been a reduction of money, hasn't there?

Mr Law—Yes, and they have been in the main efficiency dividends related to improved effectiveness of CRS.

Ms Blazow—I just add that there have been some transfers of functions as part of the whole reform agenda from the CRS. That used to be part of the division and is now a separate division. When CRS left the disability programs division and became its own structure, some

functions remained with the disability programs division. One was the supported wages system. That used to be located with the CRS and is now part of the general disability program. Some of the money that used to be in the rehabilitation program appropriation transferred at that time to the general disability appropriation. So there have been transfers, which appear in the appropriation lines, but they are not losses of revenue. They are actually moneys being rationalised into the broader program rather than staying with one entity within the department.

Senator GIBBS—Thank you. How will the CRS being opened up to competition impact on the number and the location of agencies?

Mr Blazow—I come back to the earlier point. This bill does not open this area up to competition. This bill is really only about the corporatisation of the CRS and the separation of purchaser and provider. The whole issue of competition, how it should be introduced and in what way and the safeguards that should be provided and all those sorts of things will be the subject of consultations over the period of time that Judy mentioned. It is a bit speculative to talk about the impact of competition at this point in time because competition will not occur with just corporatisation of CRS. You have to take other measures to introduce competition as well.

CHAIR—Competition is not part of this bill.

Mr Blazow—It is not part of this bill.

Senator GIBBS—So can you guarantee that the CRS agencies, wherever they are, will not close as in the rural regional areas? Will there still be the same services there for everybody as there are now?

Mr Law—Senator, the clear intention is to continue to provide the same level and quality of service in the whole of Australia that CRS does now. The intention is that that will continue. Within that framework, there has been some amalgamation of sites in metropolitan areas to create better utilisation of our property costs. However, there has been no change, and no intention to change, any of our locations and service delivery points in rural, remote areas. They have continued.

The only change to date has been a rationalisation and amalgamation in some metropolitan areas where some permanent outlets were in very close proximity. It was felt to be far more efficient—as well as having no reduction in client service and client access—from reducing and amalgamating those sites.

Ms Blazow—It is the division that is developing a contract for the newly corporatised CRS. One of the issues that we will include in that contract is that it continues to be a national organisation with national coverage. We will leave some scope for the CRS to work out how they do that: whether they do it through a physical location or through outreach services, travelling services and so forth. But our objective is for national coverage the same as it has now because that is the current policy.

Senator GIBBS—Are you saying that rural and regional areas can be affected?

Ms Blazow—No, Alan will have the scope to work out how he does that, but the contract will specify that we are expecting the same national coverage that there is now.

Senator GIBBS—Thank you very much. Can you give an ironclad guarantee that there will not be a charge for non-compensatable clients in the future?

Ms Blazow—I can give that guarantee because that is the policy. That policy will be captured in the contract, so that CRS will not be able to charge for clients eligible for what is called budget funding, which is the Commonwealth funding to the CRS for rehabilitation.

Senator GIBBS—You are basically saying that now, when it is corporatised, everything is going to be exactly the same—no loss of services, people with disabilities are still going to be serviced in exactly the same way, free of charge. So why are we corporatising? How is it going to save money?

Mr Blazow—The reason for corporatisation is really about the separation of the purchaser provider functions and the improvements in accountability, and those sorts of things that that provides. I probably could not put it much better than what was covered in the Parliamentary Library summary of the bill on the benefits of separation.

I might just pick a few of those. Policy priorities will be better specified and clearer. Conflicts of interest can be minimised because providers are not the sole source of advice on targets, evaluations and standards, and the balance of power is not weighed in favour of the provider. Contestability can be enhanced or introduced. Accountability can be heightened because the purchaser may specify what performance information is expected from the provider. Managerial autonomy can be increased because relevant roles and structures can be clarified. Responsiveness to clients can be improved because purchase agreements require the provider to meet client needs. They are the benefits that we would see from the actual achieving of the purchaser-provider split.

Senator GIBBS—Okay, let us move onto the staff. Is it true that between 30 per cent and 40 per cent of current staff of CRS will lose their jobs over the next two years?

Mr Law—No, that is not true, and I do not know where that information arose from. Clearly, as CRS becomes more efficient and more productive, there will be adjustments to the number of staff, both in staff supporting the process and possibly some change in those staff providing services. As productivity improves, depending on the level of work we are required to do, those staff will be adjusted. To date, that adjustment has been done on a voluntary redundancy basis and the intention, in the future, is that any adjustments which are required will either be done by natural attrition process or continue on a voluntary redundancy basis. I see no need to change that.

Senator GIBBS—We heard earlier that people were given a choice to either move over to the corporatised CRS or take a voluntary redundancy.

Mr Law—The issue of voluntary redundancies, in the final analysis, is a choice of management. People can express a view for voluntary redundancies. That decision process has had as one of its elements, where we have moved from being both the purchaser and the provider in the past, the question of whether this particular person is likely to have difficulty in the new provider organisation? Some people have expressed a view that by being service providers in just a provider organisation, without the ability to make the decisions themselves as to what level of service they provide but having that decision made by an external purchaser, they felt some lack of comfort. They have decided to seek their careers in other avenues.

That has been done through a process of discussion and negotiation. Those people have clearly expressed their view. Following the expression of that view, management made a decision as to whether they would be offered a voluntary redundancy or not.

Senator GIBBS—Okay. Thanks. We all—

Mr Blazow—If I could just add to that, any that would go through that process in a corporatised CRS would also have rights to return to the APS in that situation.

Senator GIBBS—They can go back?

Mr Blazow—Yes.

Senator GIBBS—Okay, good. Thanks. We also heard that with the changeover staff are going to lose certain current conditions—not all conditions.

Mr Law—A transfer under section 81C of the Public Service Act is really focused on retaining those conditions and transferring those conditions. At the same time, CRS has been negotiating with its staff for some time a new certified agreement which sets out those conditions of employment in the future. In fact, the final date of voting on that agreement was today. I expect a significant majority of staff will support that agreement. That agreement has been supported by both the CPSU representative and the consultative group within the organisation.

There have been changes to some aspects of employment conditions. It now includes significant improvements in some areas of employment conditions. On balance, I expect the staff of the organisation to support that. Any change in the future to employment conditions will be as a result of any amendments of that certified agreement—and I use the word ‘agreement’—with staff, and will not be dictated by management.

Senator GIBBS—Okay, fair enough. That is fine if they vote on it, and the majority rules, of course. What about new people coming in? What about future staff? Will they work under the same certified agreement or will there be a new certified agreement for a number of people, and will they have different pay and conditions?

Mr Law—The certified agreement currently under consideration makes provisions for both ongoing employees, as employees transferred under section 81C, and employees who are engaged post corporatisation. With the arrangements, certainly for new employees post corporatisation, there is greater flexibility of employment conditions. In fact, the new employee can negotiate a balance between cash remuneration and other benefits a little bit more freely than people transferring because of the SEP provisions that have been agreed in terms of the transfer.

With some conditions for ongoing employees—and I think it was mentioned this morning—there have been changed arrangements for paid maternity leave, although not maternity leave itself. It is up to new employees to negotiate offsets for that at the time of their employment, and clearly they would not come and work for CRS unless we were able to offer a remuneration package they were more than satisfied with.

Senator GIBBS—Thanks very much.

Senator EGGLESTON—Ms Blazow, earlier today there was a suggestion that CRS could be compared to Employment National. Is there any question that CRS will be able to charge employers or referring bodies in the way Employment National does?

Ms Blazow—No, there is no question of that. It will be a condition of the contract that the department will enter into with the newly corporatised CRS that they are not able to charge either the eligible clients that are eligible under the Commonwealth’s rehabilitation scheme or the employers that are providing employment opportunities for those clients.

Senator EGGLESTON—Another point that was made earlier by other witnesses was that the interests of clients—the client they assess that exists now on referral from the Department of Social Security and medical professionals and so on who act as medical officers for the department—would be overridden or subsumed by commercial considerations in the future under these new arrangements. Would you like to comment on that?

Ms Blazow—That will not happen. In fact, one of the benefits of separating the purchaser and provider functions is that the purchaser will have greater influence over which clients CRS is servicing because the individual CRS structures will not be making those decisions but the purchaser will be making those decisions.

There was some talk earlier about the new Centrelink arrangements coming into that. Centrelink will be acting on behalf of the Department of Health and Family Services to identify people with disabilities who would warrant a rehabilitation program and then referring those clients to the CRS, and we will be paying for that. So there is likely to be greater focus on those high need clients on pensions and benefits than there has been in the past.

Senator EGGLESTON—Related to that answer you have just given, it was suggested earlier that the disability review panels have been abolished. Would you like to comment on that? I think you have covered part of the answer by referring to Centrelink.

Ms Blazow—They do not exist any more with that title on them.

Senator EGGLESTON—No.

Ms Blazow—But Centrelink has taken over, because officers from the CES and officers from DSS were amalgamated into the Centrelink structure, so the Department of Health and Family Services is now working with Centrelink to do the same function that the panels used to do—that is, identify clients on pensions and benefits who can benefit from a rehabilitation or other disability employment program.

Senator EGGLESTON—How will they identify those clients? That was an issue that was raised earlier. It was suggested that staff in Centrelink were not suitably qualified to identify people who would need rehabilitation services. Will they be doing that on the basis of advice from a suitable professional assessor?

Ms Blazow—Yes. There is information being gathered that will feed in to an assessment process involving a tool called the WAT score. There is some controversy around the WAT score and the minister has established an industry reference group to have a close look at that over coming months. But, yes, there will be information gathered from professionals as part of that process. It can be either from a treating doctor report, which is often used by people who have applied for the disability support pension, or, if the person is not comfortable with a doctor's report, they also have the opportunity to gather information from other professionals, such as psychiatric rehabilitation counsellors or their teachers, or advocates or carers may also input to that process.

Senator EGGLESTON—Thank you. There is one other question which Senator Gibbs has raised but which I would like to have absolutely totally clarified and put on record, since I come from a remote area, and that is the issue of the closure of CRS offices in remote areas. For example, there is a CRS office in Karratha which services the Pilbara. Will that service be retained?

Mr Law—Senator, we will continue to service the Pilbara. We have, in terms of our service delivery models, ascertained that the best way of servicing the Pilbara is in fact to provide those services from Karratha. I do not foresee any change in the future in that arrangement. Certainly we will continue to provide services in that area as we have traditionally done.

Senator EGGLESTON—So there will be no change?

Mr Law—At this point of time there is no intention of changing that arrangement.

Senator EGGLESTON—Thank you.

Senator ALLISON—I would like to raise another matter that has not been addressed so far, relating to workers compensation. It was identified that workers compensation insurance for people placed in employment under this scheme would be diminished. You say that there is no workers compensation insurance provided for clients once the program closes with successful placement. If I can just draw your attention to the jobs—

Mr Blazow—But there is workers compensation provided as part of the work training scheme, and that will continue.

Senator ALLISON—Right. Can I ask you for a detailed response to the submission by Jobsupport Inc. I must say I do not understand all of the ins and outs of it, but there are suggestions made as to how coverage could be extended with the CRS work training scheme. I presume you have a copy of that submission. Could we have a response, firstly, to the identification of the problem and, secondly—because what you say does not make it clear to me—to what degree workers compensation provisions are reduced under this new bill and which, if any, of those ways of addressing the problem the parliament should be looking at.

Ms Blazow—There are two issues. One is that there is an arrangement that is currently in place between some non-government providers in the disability employment area and the government provider, the CRS, where there is a cross-referral of clients from one provider to the other specifically to access the work training scheme, which is something that is organised by the CRS. We are aware of that. There is lots of evidence that that is a very good scheme and people are getting good outcomes from that—good job outcomes—and it is a very important part of the total service provision. We will be requiring under the contract with CRS for them to continue to take those cross-referrals, where they are existing at the moment, from other agencies and to continue providing the range of benefits for those clients in the same way that they have been doing in the past.

There is a separate issue though of whether or not that scheme should be extended. That would involve additional money because that scheme is currently quite small and the cross-referrals from other agencies are quite small. The separate issue was whether or not there would be more money available for the CRS to extend that scheme for other non-government service providers to use. That would really have to be a matter for government as to whether there was additional money for that. In regard to the existing scheme, we will make sure that that continues following corporatisation.

Mr Blazow—If I could just add in relation to the options, the options presented are predicated on the scheme somehow being removed. We have made a number of assurances that there is no change in the scheme. The scheme will actually continue. If you look at option 1 for example of the ones presented it says:

. . . could be continued by the corporatised CRS with access available to other services . . .

That is the case and will continue to be the case after corporatisation of CRS.

Ms Blazow—Some of the other options could be longer term options, for example, either something that remains in the CRS budget or money that is taken out by the purchaser and identified quite separately and purchased separately. We will be looking at all of those things as the policy agenda unfolds.

Senator ALLISON—You say the scheme is very small. What sort of funds would it take to extend it across the board?

Ms Blazow—I have not done the figures on that. We have not looked at that.

Senator ALLISON—Could we put that on notice please?

CHAIR—It is a hypothetical. That is the problem.

Senator ALLISON—I do not think it is. We know the numbers.

Mr Law—Can I say, Senator, that the current scheme is meeting the demand with funded disability agencies who wish to access that scheme from CRS; CRS does provide that access. The demand from the non-government service providers is currently being met.

Senator ALLISON—What is the difference between the non-government service providers and those for whom CRS provides a service in terms of the need for this cover?

Ms Blazow—The need for the cover as I understand it is fairly peculiar to New South Wales. Many non-government service providers in other states actually take their own workers compensation policies when they place people in a work trial as part of their development program to make them employment ready—job ready. They will place them in a work trial situation and they have their own. The service provider that is supporting that person has their own cover for that to happen. That is my understanding. In New South Wales there is a peculiar arrangement where that is not happening at the moment, which has stimulated this arrangement between the non-government sector and the CRS so that non-government providers in New South Wales are using that scheme.

Senator ALLISON—New South Wales is the only state in which there is a problem?

Ms Blazow—I do not want to say it is the only state. We are trying to find out the extent of the issue at the moment.

Senator ALLISON—When do you find out the extent of the issue?

Ms Blazow—That is what we will be working on all through next year, as part of the contract arrangements for the CRS to actually find out the numbers involved in cross-referrals from the non-government sector to the CRS. The CRS will have to identify for the purchaser's benefit how many people they are taking on to their work training scheme that are cross-referrals from the other sector that we fund, which is the non-government sector.

CHAIR—May I just seek clarification on a number of issues that have been raised, particularly by the CPSU. CPSU claims that CRS members are deeply concerned at the potential loss of places in subsidised work training covered by workers compensation. Is there any loss of services in that area?

Mr Law—No, there is no change, no loss, so I am at a loss to explain this concern.

CHAIR—So am I. That is why I am asking the question, because a number of these things have been stated as a case of fact. I just want to put on the record that there is no change. The same is the case in the regional and remote areas that Senator Gibbs and Senator Eggleston have covered. I want to come to flex services and I quote from the submission:

It seems that the maximum payment available per program or client under the 'flex services' scheme is less than has been available in the past.

Mr Blazow—That is in relation to the DEETYA program. It has got nothing to do with the bill or with this department's program.

CHAIR—It has nothing to do with this bill and that is why I cannot understand why it has been raised in here.

Mr Blazow—No, it has nothing to do with the bill.

CHAIR—The charging of fees to both employers and job seekers is likely to disadvantage people with disabilities. I have mentioned to other witnesses this morning and you have mentioned it here. There are no fees to these people, is that correct?

Mr Blazow—Anyone who is eligible for a free service will remain eligible for a free service. Any employer who is participating in work training arrangements will not be charged fees. There is no change in relation to those services or policies.

CHAIR—The submission goes on further to say:

It is quite clear that there is likely to be less accountability than in the past.

Mr Blazow—I do not believe that is the case. As we have discussed, there are actually increased levels of accountability. We certainly covered some of those in the submission, but the actual separation of purchaser and provider will itself improve accountability in terms of the services to be provided and the accountability of the provider for the delivery of those services.

CHAIR—What about the loss of independent living programs?

Mr Blazow—There is no loss of the independent living program; that program will continue.

CHAIR—There is a claim that the jobs are in jeopardy. It states:

The Disability Services Act, paragraph 18(a)(ii) now allows for the assistance of disabled people to retain unsupported paid employment. This opportunity is likely to be lost with the repeal of Part III, so that disabled people will be less likely to retain employment.

Ms Blazow—People with jobs in jeopardy will still be eligible to use CRS services under the new arrangements.

CHAIR—So there is no change in that as well. As for staff rights and protections, I know in your opening comments you have already made reference to some of the things that were said there. Is there anything that needs to be added to what you have already said?

I cannot find the relevance of the statement by the union who represent the staff in terms of the bill and the evidence that you have provided for those concerns. They say that the CPSU is concerned at the forced transfer of the CRS staff as they are effectively being forced to surrender positions with tenure in the APS and replace them with much less certainty in employment in a government corporation. You say in your submission that CRS staff are to be transferred to the new company, along with their entitlements, under the provisions of section 81C of the Public Service Act 1922, and that this will also provide them with rights of return to the Public Service. How can we have the union saying one thing so clearly different to the bill? Is there any area there for concern?

Mr Blazow—We do not believe so.

Mr Law—No, I do not believe there is any area for concern. People have the right of return under 81C and any changes in employment conditions have been made as a result of negotiated process and agreement under a certified agreement, on which the majority of staff have to agree. Any future changes will be along those lines.

CHAIR—The recommendation by the CPSU is as follows:

Amend the Commonwealth Rehabilitation Service Reform Bill 1998 to protect the existing entitlements, conditions of service and remuneration, immediately prior to transfer, for all staff transferring to the new CRS corporation.

That is superfluous.

Mr Blazow—Superfluous. A section 81C transfer will provide for exactly those sorts of things.

CHAIR—Any further questions?

Senator ALLISON—I just go back to the question of the work training scheme. The ACROD submission says, ‘If the work training scheme ceases with the introduction of competitive rehabilitation services’. I know that is not dealt with in this bill, but what is the department’s intention in terms of contracts for the corporatised CRS and further down the track, or do we not know whether the work training program is likely to cease?

Ms Blazow—There have been no decisions made in the long term about the future of the work training scheme—whether or not it stays with the CRS and we pay for it there as a community service obligation and specify access by clients that are not directly clients of the CRS. That is certainly one option.

Other options would involve taking the money out of the CRS budget and offering it as a separate budget to provide the money to other service providers who can then purchase it from the CRS. There are all sorts of various permutations, and we will be talking to people over the coming 12 months about which would be the best way to run that.

Senator ALLISON—But you are not saying there is any policy position regarding phasing that scheme out?

Ms Blazow—No, not at the moment. We are retaining the current arrangements with access as they currently stand while we are looking at the policies for the future.

Mr Blazow—And that is about how it should be done. There is no change in existing policies and the existing programs continue.

CHAIR—Thank you very much to the officers of the department. I declare the meeting closed.

Committee adjourned at 12.10 p.m.