



UNRAVELLING THE AMALGAMATION

A discussion paper on the Tasmanian Liberal plan to merge the Department of Economic Development, Tourism & the Arts with the Department of Infrastructure, Energy & Resources.

THE TASMANIAN Liberals have released a policy based on creating a Department of State Growth by merging the Departments of Economic Development, Tourism & the Arts and Infrastructure, Energy & Resources.

To ensure Members are fully aware of the potential impact of such a policy the CPSU has collated the publically available information and used this plus knowledge of the structure of the existing Departments to try and predict what areas are most likely to be impacted by the merger.

What is being proposed?

The Liberal policy is to merge DEDTA with DIER to create the new Department and it intends to establish a new Office of the Coordinator-General to be based in Launceston. Detail is scant but the following is available:

The 2013-14 Liberal alternate budget says:

'This new Department will be focussed on aggressively attracting and increasing investment, creating jobs and growing our economy, investing in infrastructure and supporting the key drivers of economic growth – resources, agriculture and fisheries, tourism and energy – and supporting our vital small businesses – the engine-room of our economy.'

'The Coordinator-General will be the point of access to government for investors and will be empowered to deregulate the Tasmanian business environment, promote competitiveness and facilitate the assessment and approval of investment opportunities.'

In correspondence with the CPSU the Liberal leader Will Hodgman has indicated:

'The Departmental merger will see a reduction of approximately 90 FTE from removal of duplicated functions'. He goes on to say, 'this will be achieved by inter-agency transfer to vacant positions, external placements and targeted voluntary redundancies.'

In the Financial Statements attached to the alternate budget the Liberals indicate an annual saving of \$5M per annum from amalgamating the two Departments. In the same document they say the cost associated with the establishment of the Office of Coordinator-General is \$2M per annum, which puts the net saving from the merger at \$3M per annum.

What does that mean for jobs?

Most questions Members have raised with the union have been in regard to the impact of the merger on jobs.

The government generally uses a divisor of \$90,000 per FTE when converting dollar savings into jobs. In this case the saving of \$5M per annum from merging the Departments would equate to around 50 FTE jobs.

The Office of the Coordinator-General is set to employ 10 FTE staff³ excluding the Coordinator-General, which presumably would take the net job loss to 40 FTE.

As the role of the Office of the Coordinator-General remains

vague it's not clear whether existing staff could perform those roles or whether Hobart-based staff would relocate.

It's not clear from available information where the 90 FTE job losses Will Hodgman refers to would come from but we'll rely on it for the purposes of this paper. A quick assessment of current positions in each Agency can be seen below:

Table 1 – DEDTA Headcount by Unit⁴

Unit	Positions
Corporate Support	83
Culture, Recreation & Sport	151
Investment, Trade and Sectors	46
Office of the Chief Executive Officer	3
Strategy, Enterprise & Regions	47
Tourism Tasmania	58
TOTAL	388

Table 2 – DIER Headcount by Unit

Unit	Positions
Corporate Services	127
Forest Practices Authority	15
Infrastructure Strategy	14
Land Transport Safety	163
Mineral Resources Tasmania	49
Office of Energy Planning & Conservation	10
Office of the Secretary	8
Passenger Transport	28
Private Forests Tasmania	10
Racing Services Tasmania	14
Strategy & Policy	6
Transport Infrastructure Services	148
TOTAL	592

A number of points arise from this information:

1. There are very few areas of duplication. Apart from Corporate Services/Support the only other possible areas would appear to be in Strategy/Policy but the two policy areas are actually quite different: In DIER the employees are specialists in areas such as transport, energy and forestry, while in DEDTA they are focused on developing whole-of-economy policies.

2. Sometimes when Agencies are merged savings can be made by reducing the number of divisions, but as the responsibilities of these two Departments are so different there'll be little opportunity for such reductions.

3. Most units in DIER are relatively small with very specific responsibilities, and making any cuts in these units would effectively mean shutting them down.

4. *Tourism Tasmania - As the Liberals are proposing a stand-alone entity that will 'separate Tourism Tasmania from the bureaucracy'⁵ it's reasonable to assume this will require more rather than fewer staff so saving can't be made here.*

5. *The 151 FTE in DEDTA Culture, Recreation and Sport is made up of 72 in TMAG, 22 in Arts Tasmania, 42 in Sport and Rec, 7 in Screen Tasmania, 5 in Events Tasmania and 3 in administration. As TMAG actually needs more staff to use available exhibition space the Liberals proposal to relocate Arts and Sport to DPAC and cutting the other units would equate to closing them, so there's little capacity to make savings here.*

6. *The remaining units in DEDTA are relatively small for the areas of responsibility they have, 46 in Investment Trade & Sectors and 47 in Strategy, Enterprise and Regions, and so would have little capacity to shed positions without abandoning the important work they deliver. Employees in the units are highly specialised, often with industry specific skills, so couldn't simply be transferred to another business unit. The Strategy, Enterprise and Regions unit needs to have employees with specialised local knowledge based in the regions, which makes it difficult to transfer them to other units.*

If, as the Liberals have stated, the reduction of 90 FTE jobs is to come from 'areas of duplication' between the two Departments then it's reasonable to assume the significant majority will need to come from Corporate Support/Services, and achieving this level of cuts would mean the combined staffing of Corporate Services/Support would need to be reduced from 210 to somewhere around 130 - a reduction of around 40%.

What exactly is Corporate Services?

The following tables show the breakdown of the Corporate Services/Support units of the two Departments.

Units - DIER	Positions
Corporate Affairs including communications, marketing and Ministerial liaison	20
Executive Services	7
Financial Services including expenditure and revenue	9
Human Resources including HR Operations, Organisational Development, Relationship Management, OH&S and Health and Wellbeing	24
Information Management including application, information services, help desk, IT support, Unix support, Windows support, Library services, Spatial Unit	61
Resource Management	8
Total	129
Units - DEDTA	Positions
Corporate Information including business information centre, records management and secretariat	23
Finance including accounting and budget, financial systems and transaction processing	11
Human Resources including organisational development and relationship management	15
ICT Services including business systems, IT desktop support, IT Infrastructure and Web services	22
Property & Compliance including business finance and compliance, legal and procurement; and property and facilities	12
Total	83

There is considerable overlap between the functions of the two Corporate Services areas but the focus of all of the sub-units is transaction-based, so the number of positions required to do the work is dependent on the number of transactions, and the number of transactions is entirely based on the number of staff. So doubling the number of staff supported by a single IT help desk would require a doubling in the number of help desk staff.

Merging the two Departments may remove the need for two Executives, equating to just 4-5 fewer positions, but there's no way 80-90 positions could be cut from the two existing Corporate Services areas and leave in place viable Corporate Service functions for the new amalgamated Department.

Impact of other policies

There are a number of other policies detailed in the Liberals 2013-14 Budget response that will impact on DEDTA and DIER and make achieving the savings identified through the merger even more difficult.

1. More efficient public service

This policy involves cutting Agency budgets by \$155M across the forward estimates period, which would equate to cutting a further 500 FTE jobs, and DEDTA and DIER would be expected to contribute to these reductions in addition to the 90 FTE to be shed through the merger.

While these two Departments represent only around 4% of the total State Service, the Liberals have indicated cuts will exclude frontline health, education, police and public safety⁶, so the proportion borne by these Departments will be considerably higher. The CPSU estimates this policy would equate to an annual saving of around \$3M or a further 34 FTE jobs.

2. Reduce SES

This policy involves cutting the number of Senior Executive Service positions by around 10 in order to save \$2M per annum. It's reasonable to assume some of these will need to come from DEDTA and DIER which will make the task of achieving the merger savings even more difficult.

3. Reduce supplies and consumables including consultants

The Liberals budget to save \$18.5M annually by reducing supplies and consumables including consultants. A proportion of these savings will need to come from the DEDTA and DIER budgets which will reduce the capacity Agency managers have to save jobs by making cuts to non-staffing budgets.

While these two Departments represent only around 4% of the total State Service, the Liberals have indicated the cuts will exclude frontline health, education, police and public safety so the proportion borne by these Departments will be considerably higher. The CPSU estimates this policy would equate to an annual saving of around \$1.5M or a further 17 FTE jobs.

4. Centralise government property management

The Liberals plan to save \$7M across the forward estimates by centralising management of government property. Both Departments have staff dedicated to property and facility management and it's reasonable to assume these resources would need to be transferred to the 'central' management unit in order for the unit to perform the required functions and for the savings to be made.

This means any savings that could be made by the merged Departments in this area would not count towards the 90 FTE jobs to be cut as these savings would have already been counted towards the \$7M required to achieve this policy.

CONCLUSION

Full implementation of the Liberals saving plans would see the number of full time equivalent jobs in a merged Department of Economic Development, Tourism & the Arts and Department of Infrastructure, Energy & Resources reduced from 876.73⁷ to approximately 735 – a total reduction of 142 FTE or 16.2%.

Such a reduction cannot be achieved solely through elimination of 'duplicated functions' - it would require a significant number of existing programs and functions to be wound up.

The Liberals policy documents give no indication of which programs or functions they would target to achieve their savings, but there are a number of new programs or functions they intend to initiate.

These include a New Market Expansion program for small businesses, a Think Local First campaign and a Mentoring, Training and Support program for small businesses, and the small amount of funding in the alternate budget for these programs is short term and wouldn't meet the real costs such as staff time.

The Liberals also have a focus on deregulation and this will require more, not fewer, policy specialists and other employees involved in researching the impact of removing regulations, providing instructions to the Office of Parliamentary Counsel for the drafting of legislative changes and the development and implementation of new systems.

It should be noted that under the Liberals plan savings from the amalgamation are forecast to begin immediately, yet history shows merging the two departments is likely to cause considerable short-term disruption to services due to relocation, and this transition phase will in fact require greater support and focus.

There are likely to be upfront costs and the time needed for restructuring must not be underestimated, so the budgeted savings are unlikely to be achieved in the first couple of years.

ACTIONS

The CPSU wants to ensure that any policies put to the Tasmanian people are practical and realistic to avoid either services or public sector workers being negatively impacted by poor decisions.

To address the policy flaws identified in this discussion paper the CPSU will:

1. *Seek further clarification from the Tasmanian Liberals and provide their response to Members;*
2. *Arrange meetings with members in DIER and DEDTA to discuss the policies and suitable alternatives.*

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REFERENCES

¹ Plan for a Brighter Future - Budget 2013-14, Tasmanian Liberals Policy Paper

² Correspondence from Will Hodgman to CPSU dated 12/12/2012

³ Establishing the Office of the Coordinator-General in Launceston, Tasmanian Liberal Policy Paper

⁴ Headcount from Government Directory Service

⁵ Correspondence from Will Hodgman dated 12/12/2012

⁶ Plan for a Brighter Future - Budget 2013-14, Tasmanian Liberals Policy Paper (page 30)

⁷ Tasmanian State Service Annual Report 3012-13 - Table 8/5 Paid full-time equivalent by employment category