Aeromedical Services WA Inquiry – Formal Hearing Transcription
Inquirer: Dr Marcus Kennedy
Organisation: Department of Finance – Ms N Godecke, Ms K Ingram, Mr B Achard
Date: 11 February 2022, Time: 1530 – 1600

KENNEDY, DR: Good afternoon.

GODECKE, MS: Afternoon.

KENNEDY, DR: Thank you for your interest in the Inquiry and for making yourself available to attend the hearing this afternoon, it's appreciated.

The purpose of this hearing is to assist me in gathering evidence for the Inquiry into Aeromedical Services in Western Australia. I'll begin by introducing myself, my name's Marcus Kennedy, and I've been appointed by the Chief Health Officer, to undertake the Inquiry. Beside me is Mr Jonathan Clayson, the Inquiry's Project Director.

We need to remind you to please be aware that the use of mobile phones and other recording devices is not permitted in this room, and also, please make sure that your phone is silent or switched off. This hearing is a formal procedure convened under part 15 of the Public Health Act 2016 WA, and while you are not being asked to give evidence under oath or affirmation, it's important that you understand that you must answer all questions and that there are penalties under the Act for knowingly providing a response or information that is false or misleading.

This is a public hearing and a transcript of your evidence will be made for the record - public record. If you wish to make a confidential statement during today's proceedings, you should request that that part of your evidence may be taken in private. You will have received the Inquiry's terms of reference, the Inquiry's current state considerations paper, a focused list of relevant considerations and information on giving evidence to the Inquiry.

So before we begin, do you have any questions about today's hearing?

GODECKE, MS: No.

KENNEDY, DR: So for the transcript, could I ask each of you to state your name and the capacity in which you are here today?

GODECKE, MS: Nicki Godecke, I'm the Director-General of the Department of Finance.

KENNEDY, DR: Thank you.

INGHAM, MS: Kate Ingham, the Deputy Director-General, Department of Finance.

KENNEDY, DR: Thank you.

ACHARD, MR: And Brendan Achard, General Manager from Buildings and Contracts, looking after the Health customer team.

KENNEDY, DR: Thank you.

Feel free to relax in relation to the environments. They're very - the microphones, they're very sensitive.

INGHAM, MS: I was just thinking that, I don't normally need a microphone, so - - -

ACHARD, MR: Yes, okay.

INGHAM, MS: - - - I was - I got a bit close and probably blew your eardrums.

KENNEDY, DR: So relax. You are now going to be invited to address the focused consideration list that's been provided to you, and you may speak to these matters for around 15 minutes, 20 minutes, if you require that time, and after your address, I may ask specific questions in the remaining time available, or we may have other matters to discuss.

I will try and allow you to present the - your material to the Inquiry, rather than interrupting, but I may interrupt at times to clarify things that I don't understand. You are also welcome to take your mask off, if that makes it easier for you to see, read, speak and - - -

GODECKE, MS: Stop my glasses - - -

KENNEDY, DR: - - - be understood - - -

GODECKE, MS: - - - fogging.

KENNEDY, DR: - - - and the rest of us will keep them on at the same time, just in case.

GODECKE, MS: All right. I - there's a couple of things in the nature of the questions that I just wanted to clarify upfront, and we often encounter this in relation to the responsibilities across government in relation to funding. So, one of the considerations are probably things where I think there may have been a misunderstanding about the responsibilities between the Department of Finance and the Department of Treasury.

So, I thought it would just be useful to have a - our responsibilities generally occur in the procurement side of things across - - -

KENNEDY, DR: Yes.

GODECKE, MS: - - - government and particularly, following the recent legislation with the Procurement Act. So there's also, I think - - -

KENNEDY, DR: Yes.

GODECKE, MS: - - - probably some value that we - - -

KENNEDY, DR: Okay.

GODECKE, MS: - - - can add - - -

KENNEDY, DR: Great.

GODECKE, MS: - - - about how the new Act works.

KENNEDY, DR: Feel completely free to be as critical or constructive as you - - -

GODECKE, MS: Yes.

KENNEDY, DR: - - - need to with the considerations. They are very raw statements coming from many, many sources and opinions, so - - -

GODECKE, MS: Yes.

KENNEDY, DR: - - - they are not recommendations of the Inquiry, and they're very much a formative component of - - -

GODECKE, MS: Yes.

KENNEDY, DR: - - - what we're doing.

GODECKE, MS: Well, I think we can probably add some value where - - -

KENNEDY, DR: Excellent.

GODECKE, MS: - - - it - giving some clarification about what Finance responsibilities generally are, but also, in the area of collaborative procurement and things that are now possible under the new procurement legislation that potentially weren't explicit under the old arrangements. And I guess, from a point of view of a lot of the problems that go wrong when there's multi agencies involved in service delivery and our governance and risk and procurement, potentially, it won't be solved by the new procurement legislation or indeed, somebody sitting over the top telling them what to do. To me, a lot of the problems we encounter in this area are about agencies understanding the engagement rule and being able to work out who's responsible for what and indeed, that comes across our - not just our procurement responsibilities, but also, our building responsibilities.

So between all of us, I think we can probably clarify that as we go through.

KENNEDY, DR: Great. Thank you.

GODECKE, MS: Do you want me to go through - - -

KENNEDY, DR: Yes.

GODECKE, MS: - - - in terms of the number? Okay.

So number 3 consideration, "Health service governance, including aeromedical services must be closely monitored and managed by a central coordinating authoritative agency". I guess, our involvement in the procurement sense, and our position to comment on that is - I feel like we're a little out of our depth, because it's not something we're generally invited to in relation to WA Health.

We, in accordance with the procurement framework, our role is actually to enable the agency to meet its intended procurement outcomes through facilitation services - rather than sitting over the top of it and telling people how to go about it, strategic advice on procurement strategy and promoting best practice across contract management requirements that the agency's considering adopting.

So we will generally get involved in procurement activities that are over $250,000, and provide services that suggest, as part of project management strategy, broader representations of WACHS, RFDS steering committee and helping form the development of particular procurement processes, and we - I guess, in that - in the context of this consideration, there's probably a benefit from a wider series of representatives that also include Treasury and the State Solicitor's Office. So it's very much about how you pull together all of the government agencies, not just having somebody sit over the top of it.

KENNEDY, DR: Thank you.

GODECKE, MS: Number 43, "Whole system contracts incorporating capital requirements". Again, this is kind of an area that's probably not Finance's position to respond. The funding model, at a State level, is not a responsibility of Finance, and the capital costs in the project and maintenance and replacement contracts and how that actually works.

We - in terms of our advice, seek to manage this based on a sustainable cost model, rather than leaving capital requirements unresolved. We would be advising around assurances of Royal Flying Doctors Service that it's got its asset replacement strategy in place as part of formalising new contracts and things like that. But we don't generally get involved in, you know, a requirement that specifies it should be done one way or another. It's a facilitation service.

KENNEDY, DR: So you're - the preference, though, you know, in a pure sense, would not be to have ad hoc bids for large chunks of capital, it would be to incorporate that into a plan and, as you say, replacement strategies, if necessary and so on?

INGHAM, MS: Yes, so when we start talking about what would be considered best practice procurement, or even good practice procurement, it is to think about the whole life cycle - - -

KENNEDY, DR: Yes.

INGHAM, MS: - - - of the thing that you're buying and all the associated costs.

KENNEDY, DR: Yes.

INGHAM, MS: It's not uncommon, sometimes, for people to buy an item and not think about the ongoing costs, but it's certainly not what we would call best practice. So I guess, in terms of your finding here, we would agree with the sentiment of it, and it's definitely something that should be being - - -

KENNEDY, DR: It's not - - -

INGHAM, MS: - - - aimed to be achieved.

KENNEDY, DR: - - - my finding, it's just the consideration.

GODECKE, MS: Consideration.

INGHAM, MS: Okay, sorry, consideration.

KENNEDY, DR: Okay. Thank you.

GODECKE, MS: 67, the funding model and the airstrip, this is something that's very squarely in the bailiwick of Treasury.

KENNEDY, DR: Yes.

GODECKE, MS: So I'll just move on through - - -

KENNEDY, DR: Okay.

GODECKE, MS: - - - that.

KENNEDY, DR: Fine.

GODECKE, MS: 185 - and again, funding, it's something Treasury would definitely have a comment on, and I'm not sure if they're actually appearing, but it might be worth considering whether they can provide the necessary input.

KENNEDY, DR: If we - - -

CLAYSON, MR: Not at this stage, the initial advice was to - just on requirements in the initial instance.

KENNEDY, DR: I think the engagement - I mean, I'll take your advice on this.

But their engagement in regard to these matters would be most specifically related to that particular consideration, or are there others that you feel are - - -

GODECKE, MS: We've kind of marked, as we've gone through, the things that I think Treasury can provide comment on, and they will generally have a broad budgeting view around how funding models work, what - you know, what's in place, but - at both a specific and a more general level.

So our responsibilities, even though we are the Department of Finance, tend to - our finance responsibilities are more in the area of revenue collection and through the procurement and infrastructure space, rather than - - -

KENNEDY, DR: Okay. If you - - -

GODECKE, MS: - - - getting specifically involved in funding or - - -

KENNEDY, DR: - - - can make those clear as we go through, then we're happy to follow those up with Treasury.

GODECKE, MS: Yes. Sorry, I'm just working my way - 186 - - -

KENNEDY, DR: It's the same for 186 and 187.

GODECKE, MS: Yes, so the income stream, we, again, aren't involved in administration of grants that - and they don't fall under the scope of the Procurement Act. So State agencies have - generally have autonomy and accountability for the allocation of grants in accordance with their own governance requirements.

We are actually working with WACHS to develop a new contract with WACHS and RFDS, and looking at greater transparency of the contractors operating in capital costs and how they're structured over the longer term of the contract, and through that process, assisting both parties to strategically plan the capital expenses and asset replacement requirements. And that obviously leads to a more sustainable operations over the longer term of the contract.

KENNEDY, DR: Which would be challenging in the absence of a strategic plan or strategic framework for aeromedical services?

GODECKE, MS: Absolutely, yes.

187, again, that's funding matters relating to Treasury and the Commonwealth.

188, systems quality governance, the bureaucratic grey zone. Are you - - -

INGHAM, MS: Yes - - -

GODECKE, MS: - - - happy to - - -

INGHAM, MS: - - - so I mean, this isn't uncommon when we start to see services that are dual funded - and you've mentioned in here, it's not just the State and the Commonwealth, they've got other funding sources, which is actually fairly consistent with a number of what we call, "Community services", which are dual funded and it can create these sorts of grey zones. Our recommendation, generally, when that funding is sitting more at that sort of 50/50 mark or it's a bit more even, in terms of between the Commonwealth and the State, is that the State gets really clear about what it's responsible for achieving through that funding.

Where it starts to look like - and you've made a recommendation in here about - which I would be quite curious to hear Treasury's thoughts on 187, I think it is, moving all the funding into the State and away from the Feds, which is also not an uncommon move, we've seen that happen in other community services, for example aged care and things like that. We'd agree that having it dual funded does create complexities around the governance structure, and some of that is also unavoidable, because obviously, as a State government, we're only responsible for the things which we can control, and unfortunately, that's not the Commonwealth.

KENNEDY, DR: So by saying that it creates complexities, can you expand on what those complexities may look like?

INGHAM, MS: It depends on what the two funding streams are designed to achieve. So if the Commonwealth has a number of reporting requirements associated to their funding that's different to what the State wants, which is fairly common, then you start having dual reporting and issues around how do I make sure I've got an ongoing funding stream.

The other one that becomes quite a challenge - when you start talking about these sorts of issues, is when those two funding streams need to be renewed. So you might have a situation where the State would like to go out and refresh their arrangement, but the Commonwealth funding still has another two years on it, that can create challenges about when to do certain things. Again, that would be a really curious conversation with Treasury, because they have an intergovernmental unit that actually looks at these sorts of arrangements.

KENNEDY, DR: I guess, in that kind of complex environment, where both State and Federal bodies believe or have, through their contracts, the need for a deliverable, how do you deal with that at a contract level - or a contract management level, to ensure that the funds that are expended - or the funds that you expend, are being directed towards the deliverable that you are purchasing?

INGHAM, MS: Yes, so that's about becoming really clear about what the State's trying to achieve with the State's funding that it's putting into that arrangement. Some of the governance solutions that we've seen that are somewhat successful - although, I do couch that - I mean, it's going to go on the public record, so that's good, would be things in the homelessness space. We've seen arrangements there where they're dual funded, but the Commonwealth funding will go through a State agency through to the service providers. So it's still Commonwealth funding, but it's got some governance particulars around a join agreement between the State and the Feds, that tries to mitigate some of those challenges.

KENNEDY, DR: Do you perceive that there would be any downside to amalgamating those fundings - so if the funds all came from the Commonwealth to the State and then were administered by the State, given that they are services that are provided within the State, and in the vast majority of times, articulate with State-delivered services, can you see any problem, from the provider's perspective, in that?

INGHAM, MS: I think to answer that question in a meaningful and useful way, I'd need to be a subject matter expert in the way that the RFDS service actually works, and I certainly am not that, sorry.

KENNEDY, DR: Okay. Thank you.

GODECKE, MS: Okay. 189, again, I think that's a matter for Treasury input.

190, I think this is an area that we come across where you have no single point of government control or responsibility, and it's something that, being able to have clearer controls and understanding of roles and responsibilities actually then helps the arrangement. And I think it's up to the agencies themselves to be able to provide that and be able to articulate that.

We find this in some of our project responsibilities in the infrastructure area, where a lot of the confusion and the issues around administration actually all come back to your basic governance and not understanding those roles and responsibilities. And there's no easy way to get around that, it's fundamental to be able to have your operation working properly.

Anything else, Kate, you want to - - -

INGHAM, MS: No, I mean, in terms of 189, again, that's not dissimilar to see those other funding streams for services that are stood up - where they were initially stood up to be basically quasi government services, and they are delivering an outsource service on behalf of a government agency. So then, it's kind of finding funding streams from wherever it can to make it sustainable and as it grows, it gets quite clear about what it's trying to achieve.

You often find, with these services, they start to try and achieve additional things to what the State might be thinking it'd like to do, which is where these other funding streams start coming in. So I think that's a - it's not a unique challenge to this particular arrangement. I think you'd find those sorts of challenges exist in a lot of community services arrangements.

KENNEDY, DR: Thank you.

GODECKE, MS: And just the other thing that I think Brendan can probably add to the process is just an understanding of how the new collaborative procurement arrangements operate under the procurement legislation.

ACHARD, MR: Thank you, Nicki.

We, at Finance, provide the tools to undertake best practice procurement. What we can't do is drive agencies' behaviour to undertake those opportunities with collaborative procurement. So what we've done under the new legislation is, we're enabling agencies to work better with each other through common procurement requirements, so services, goods - whatever that might be.

We also have opened the door for agencies to collaborate across jurisdictions, and also, with local governments. So this is an opportunity for, I guess, agencies to work not with each other, but also broaden that opportunity. So for something like this, in terms of emergency services, for instance, there's a chance for your Fire and Emergency Services, WAPOL, to work with their partners in other jurisdictions for common service, common goods requirements. That's what we've tried to do as part of implementing this new Procurement Act and that legislation.

KENNEDY, DR: Okay. So I mean, one of the proposals in the considerations - which you may have been aware of, is that the EHRS helicopters, which currently sit in DFES, in terms of their management and organisation, which is a non-health environment, is, to a degree, incongruous, and that, in many systems, they would site within a health environment. Would

there be, in what you've just described, the potential for cooperation between the existing - if that movement were to occur, in terms of the line management et cetera and governance, would those relationships across government departments be able to facilitate ongoing support - - -

ACHARD, MR: Yes.

KENNEDY, DR: - - - or - - -

ACHARD, MR: So where we would struggle is that facilitation of bringing together those different departments, because if there's systematic relationship issues between the different agencies, that's something the Procurement Act or Finance can't resolve. We can try to coordinate and bring together these agencies, in terms of having the discussion, but in terms of whether you move a particular service to a new department or a new agency, that's something, yes, we would - we can facilitate, but certainly, not have the power to make that determination.

KENNEDY, DR: No, so - but if you had a situation where there was a decision from a kind of operational or alignment perspective, that it made more sense that this particular service moved over to sit within this umbrella or area of responsibility, but the expertise for negotiation of infrastructure and provision of support sat in the former, is there a - the potential for cooperation across - and shared practice, across those government departments to make that work?

ACHARD, MR: There is, and we would encourage that to actually occur. We'd like to see that more, not just for emergency services or aeromedical services, but more commonly, in terms of goods and services that agencies buy.

KENNEDY, DR: Okay. Good. Thank you, that's helpful.

Got to the end of your list?

GODECKE, MS: I have.

KENNEDY, DR: Do you have anything further on your list? I guess, the - there are not a lot of questions around this area, because there aren't. There are a number of contracts involved in the aeromedical space, which are, you know, at the moment, between EHRS - or DFES, at least, and St John's, for the provision of crew and staff and clinical crew, and then, the aircraft providers et cetera for the provision of helicopters - and WACHS have contracts with RFDS, and presumably soon, the community ambulance services.

At an aeromedical level there, I guess, the complexity of that is notable, but not insurmountable. I really don't know what I'm saying, because it's 4 o'clock in the afternoon - and that's on the record. But I guess, having said that, it goes to the complexity of some of the contracts, and it is clear to me that the current contract with RFDS is a particularly - it's an old contract, and is an unusually structured contract, I guess I would say, in terms of lots of components of it. How do you see the progression of the new contract with RFDS resolving some of those complexities and inadequacies in the current contract?

GODECKE, MS: Kate?

INGHAM, MS: So I mean, this one's been an interesting arrangement over a number of years - which you've already said, and has traditionally been run under the banner of, "Community services", which, to be honest, has less rigor - and that's going to be on the record, associated to the way it is procured.

So one of the immediate fixes to this - and that's what Brendan's involved in - I'm sure he can talk to you more than me, but it's bringing it into that commercial procurement framework, which brings in much more commercial and strategic kind of initiatives and ways of thinking, more broadly, about KPIs etc. What's the whole service we're buying, what are the risks that can happen, both as we set the service up, or as it's in its existence, how long do we really need it for - all those sorts of things can be considered, whereas under the previous framework - which is not dissimilar, lots of things fitted under what was called, "Community services", before, there just wasn't enough rigor around those sorts of things. And that would be beneficial for both parties, both the State and also for RFDS, because it makes things a lot clearer around roles and responsibilities.

KENNEDY, DR: Okay. I guess, one of the assumptions that I made in reading that contract, is that it's construction may have occurred without subject matter expertise at a level that protected the contract from some of its inadequacies. Is - are you confident in the new contracting process, that the appropriate expertise will be there?

INGHAM, MS: It's interesting, because some of the challenges you found, in this particular arrangement, are not just about clinical issues, they're also about infrastructure and long - - -

KENNEDY, DR: Yes.

INGHAM, MS: - - - term planning of fleet. Do I feel confident, at this point in time, that the SMEs in that space are involved? I don't think that they are - I'll hand over to my colleague.

ACHARD, MR: Yes, so I don't think we can comment about the capital infrastructure component relating to the aeromedical services. So I'm talking about the actual, let's say, landing strips, the hangars, et cetera, relating to running the service.

What we focused on, as part of redeveloping the new contract, is what were the deficiencies from the current services, and there's a few that have been identified. And it's a case of how we can address that in the new contract.

The main issue we identified was the whole central coordination or the command centre role. So what we're trying to do under the new contract is - and I think it was mentioned earlier, whole of life cost. So what we're trying to do is focus on the service outcome, in terms of what's needed - from a clinical perspective, what's needed to have more robust contract management requirements in terms of KPIs and clinical outcomes, and also more financial transparency, in terms of the asset management and asset replacement strategy.

So we're trying to get all that established prior to entering into that new contract with RFDS. Now, I've got to be conscious with what I say any further, because this will involve negotiations with RFDS, WACHS and the State Solicitor's Office, but that's the approach we're taking.

KENNEDY, DR: Okay. I guess, the - I have two other questions in this space, and then we're probably done, but the first is, is there an opportunity consult with other jurisdictions and experts? Do you do that as a routine part of establishing a new contract in the aeromedical

space, given that your experience is your experience, you know what you've lived - but there are five other ways that this is being done around the country, do you draw on the experience of the industry to ensure that you - that the end result is the best possible contract for everybody?

ACHARD, MR: Yes, so as part of the procurement strategy for the new contract, WACHS have looked at what the other jurisdictions are doing, in terms of how to better model themselves, in terms of a clinical sense, a contract management sense, longevity of the contract.

I guess, where WA differentiates itself from the other states is that funding model, in terms of who provides the funding and how it works. With RFDS and WACHS, for instance, it's also related to the personnel that's required to undertake the contract. As I understand it, the other jurisdictions tend to have the personnel in-house - and I'm talking about clinical personnel, whereas with the RFDS contract, that tends to be provided through RFDS itself.

But to answer your question, in terms of market research, yes, WACHS has looked at what other jurisdictions are doing, and use the lessons learnt to help inform this new procurement.

KENNEDY, DR: Okay. I mean, I would suggest that there are pockets of Australia where the models are almost identical and that - yes, there obviously may be benefit in doing that, so - okay.

I think that will do, actually. Okay. Thank you very much for coming this afternoon, it has been useful, and we'll run off to Treasury and have a chat with them.

So again, thanks for attending this afternoon and for your input. A transcript of the hearing will be sent to you, so that you can correct any minor factual errors before it's placed on the public record. You need to return the transcript to us within 10 working days of the date of the covering letter or email, otherwise, it'll be deemed to be correct.

And while you cannot amend your evidence, if you would like to explain particular points in more detail or present further information to qualify your evidence, you can provide this as an additional to your submission to the Inquiry when you return the transcript.

So once again, thank you very much for coming in at the end of today, and for your input. Thank you.

GODECKE, MS: Thank you.