

**STANDING COMMITTEE ON
ESTIMATES AND FINANCIAL OPERATIONS**

**INQUIRY INTO THE MEMORANDUM OF UNDERSTANDING BETWEEN
BALGA SENIOR HIGH SCHOOL AND MANUFACTURING INDUSTRY TRAINING
SERVICES PTY LTD**

**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
THURSDAY, 4 OCTOBER 2007**

CLOSED SESSION – SESSION THREE

Members

**Hon Giz Watson (Chairperson)
Hon Ken Travers (Deputy Chairman)
Hon Sheila Mills
Hon Helen Morton**

**Hon Peter Collier
(Substitute member for Hon Anthony Fels)**

[11.30 am]

Hearing commenced at 11.37 am

[The committee took evidence in closed session]

HODGE, MR GARY

The CHAIRPERSON: On behalf of the committee I would like to welcome you to the meeting. To begin with, please state your full name, your contact address and the capacity in which you appear before the committee.

Mr Hodge: Gary Edward Hodge. My address is 5A/46 Mount Street, West Perth, 6005. I appear both as the author of a report into the Balga Works program and as former chair of the state's Community Safety and Crime Prevention Council.

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

Mr Hodge: Yes, I have.

The CHAIRPERSON: These proceedings are being recorded by Hansard. A transcript of your evidence will be provided to you. To assist the committee and to assist Hansard, if you could please quote the full title of any document you might refer to during the course of the hearing for the record. Please speak directly into the microphone. Even though this is a private hearing, you should note that the committee retains the power to publish any private evidence. The Legislative Council may also authorise publication. This means that your private evidence may become public. Please note that you should not publish or disclose any private evidence to any other person at any time unless the committee or the Legislative Council has already publicly released the evidence. I advise you the premature publication of private evidence may constitute a contempt of Parliament and may mean that the material published or disclosed is not subject to parliamentary privilege. Would you like to make an opening statement?

Mr Hodge: Yes, if I could. I would like to thank the committee for the opportunity to appear before you today. You understand the capacity in which I do appear - I have mentioned that.

By way of brief background, I am now working totally in the private sector since May 2003. But prior to that, I have held senior government positions in Queensland and Western Australia in the public service. I was assistant director general of education in Queensland in 2002-03 and had oversight of the implementation of that state's education training reforms. Prior to that, I was acting director general of transport in Western Australia, executive director of the transport infrastructure project and executive director of the Office of Road Safety. All these positions required considerable oversighting of public expenditure particularly and good governance around public expenditure.

Since then, since returning to Western Australia, in addition to the consultancy work which I have done for the Department of Environment and Conservation and also the Department of Education and Training, I chaired two cabinet-appointed committees, one the Community Safety and Crime Prevention Council and the other the Environmental Education Advisory Committee. At the moment I have no - I am not working with government at all.

I want to cover three areas today if I could in my opening comments. The first is my involvement with and knowledge of the Balga Works program. Second, directly related to the Balga Works

program, I want to correct the public record on the statements made about me in the Legislative Council and recorded in *Hansard* on various dates, and I will refer to those. The third area I would like to address is what we as a community can learn from this experience, if I may, is if that is in order, and would like to put a very positive way forward to address some of the state's continuing and most pressing needs for youth at risk.

In relation to the chair of the Community Safety and Crime Prevention Council, I was appointed in December 2003. Early in 2004 I was approached by Merv Hammond, the principal of Balga Senior High School and with whom I have had a very long professional relationship to discuss a Victoria-based program which was having great success in working with youth as risk. As chair, I was naturally very interested in any programs that reduce the risk of early school leaving and other risk factors associated with that. I was on private sector business in Melbourne regularly during that period, and during one of those trips Merv coincided that meeting so I could attend and invited me to attend a meeting on the Manufacturing Industry Training Services campus in Knox City. I was there already in Melbourne. Implications were - statements were made in Parliament that I had somehow flew to Melbourne to accompany and, in fact, I did not, I was there. The only reason I did attend was that there was also a senior education department and training representative there as well, Mr Rob Somerville, who was the then director of Aboriginal education at the time. That was omitted from *Hansard* and that is an important point, because there was senior departmental representation at that particular meeting. Now, over the course of the day, we met young people involved with the program - we spoke directly to those.

That evening a reception was organised with about 30 employer groups who were employing the young graduates who came out with a cert 1 up to a cert 3 in the manufacturing industries area. They were mainly managing directors of companies and they got up and spoke about the program and the quality of the graduates coming out of MITS. They were from leading aeronautical manufacturers, leading engineering companies and so on and they spoke in very glowing terms about the program - how it operated and the quality of these young graduates coming out of the program. Robert Somerville took that on board and took it back to the education department. I do not know what discussions he had. When I did get back to Perth I was approached, in light of my experience in Queensland, to see if I would do a report on the research and policy parameters around such a program in Western Australia.

[11.45 am]

The CHAIRPERSON: Who approached you?

Mr Hodge: I was approached by the Department of Education and Training.

The CHAIRPERSON: By a particular person?

Mr Hodge: By Robert Somerville.

The work I had done in Queensland specifically targeted the 10 000 young people every year who disappear totally from the education and training system - the ones most at risk. Along the way, with the white paper which I did produce eventually - I signed off in cabinet so I was responsible for that particular policy framework - we also did a major reform of the risks to the system as well. Early childhood, middle schooling and the TAFE system were part of a white paper that subsequently went to cabinet and is now being implemented and has seen a significant retention rate increase in Queensland, up to about 88 per cent now, to year 12. It included raising the school leaving age to 17 - graduation with either a cert 3 or a high school certificate before they could leave school, or turn 17. It was a very significant reform for Australia in that sense. It was a leader. That was driven very much by the Premier at the time and also the minister, Anna Bligh, and it was seen as integral to the Smart State strategy.

In light of that experience I was asked to present a project proposal, which I did, and that document is entitled "Process of Environmental Scan Project Development: Balga Senior High School Youth

at Risk Education and Training Employment Project - Manufacturing and Mining Industries”, and that is item 1 in your notes. I put them together earlier to save time. That was in response to a request, as you can see. Subsequently, I was contracted and asked to present a tax invoice, which is presented there, and also attachment 1 of that document gives some detail around the environment scan. That is on page 4 of attachment 1. Those elements are reflected in the final report, which I delivered in November 2004 to the Director General of Education.

What emerged from that environmental scan was a very disturbing picture of what was happening to young people in the Swan education district. I refer you to annotations 2 and 3, which are under the same title, “Balga Senior High School: Youth at Risk Education and Training Employment Project - Manufacturing and Mining Industries” and this is the actual report notated November 2004. The response really to the Balga program was to address the needs of those young people in that district, but to link it, like we did in Queensland, more into the local industrial and environmental profiles so that there would be pathways to real jobs at the end of the young people’s training. We have done that very successfully in Queensland through proper environmental scans and then having a district youth achievement plan that links into the local environmental profile. It was a more coordinated approach to post-compulsory schooling.

The figures revealed that in this state the retention rate in year 12 was lower in 2003 than in 1992. There were some very disturbing trends in view of the enormous amount of investment being made in post-compulsory education - particularly, Indigenous youth were over-represented in unemployment. The retention rate in three of the high schools was less than 45 per cent, which was below the state average. There were some very significant issues that I tried to address in a more integrated way with across-government coordination and policy.

The research evidence, which I also quoted in the report, around the importance of completing 12 years of schooling both from Australia, King research and also the OECD indicated that, on all indicators - health, employment and involvement in crime - there was a reduction as a result of finishing 12 years of schooling. It was on that policy basis that I tried to put this into a research framework.

Annotation 4, which appears on page 4 of that project, is my letter of transmission to the Director General of Education at the time. I said that out of all these policy issues the most significant of these issues is the flexible use of school resources arising from the enrolment of school-age youth in the program. I also said that it is essential this flexibility and resource use meets both State Supply requirements and departmental reporting and accountability lines should form part of the evaluation of the project so it is open and transparent. That was my strong recommendation to the department at the time. I was very concerned that whatever occurred, whether they went for state self-supply sourcing, through the State Supply commissioner; that is, if they wanted Balga MITS there or MITS to be the training provider, either they get self-supply sourcing sanction or go to full tender. Those were the choices that were facing the department.

The flexible use of school resources was very important. There is a lot of misunderstanding in the Parliament. I read the latest *Hansard* of what was said in Parliament. This whole project was never contingent on ministerial departmental approval. That is a very important thing for the committee to understand. The department has an enrolment-driven funding model. If the young people turned up to the program on census day, on day one, then the program would be funded. It was a delegated authority to the director general to fund the program. That is what happened. It is as simple as that. There is no mystery about the funding of this program.

I will get onto the briefing note of the minister at that very important meeting I had with the minister. It is a very significant document that you need to get hold of to find out what is in it. I spent a lot of time prior to that meeting working with senior departmental officers on getting that briefing right. I have not seen the briefing note. I will let you know what I think was in there, because of the minister’s comments on the day, and I will leave it to the committee to decide

whether the minister was given the best advice on that day. I will certainly provide a framework of what I would have provided to a minister under those circumstances.

I refer you to No 5, attachment 3, on page 32 of the same report that states that individual organisations, public and private, consulted on the Balga Senior High School vocational education and training partnership. There is a full list of all senior officers across the department and across all government agencies that were briefed directly by me on the policy implications of this initiative going ahead. In all cases people knew it was an enrolment-funded driven model. The funding would flow if 400 young people turned up and were eligible for school age, post-compulsory or even compulsory schooling funding. The resourcing components would be assured as long as it met that departmental criterion for staffing. The critical issue, and this happened in meetings with Paul Albert, particularly - I have listed all the meetings I had with him - was the convention of just cashing in one FTE was only a convention; it was not a policy of the department. They could cash in any number of FTEs if they wanted flexible use of resources. That was directly relayed to Merv Hammond. My immediate concern was that if that was to occur the department had to ensure that the proper governance arrangements were put in place to oversight the expenditure of that fund or else the principle would be exposed, the whole system would be exposed and the minister would, ultimately, be exposed as well. I did not want any of those things to occur. This is why I was very strong on making sure that they understood the policy implications and that the government's arrangements were correct.

I went then to an added step in the report of actually suggesting the oversighting of governance arrangements, and I refer you to item 8 on page 30 of the report. I suggested in the report that before any funding flowed into the program an across-government steering group be set up of all parties that have a vested interest or governance component, that there be a community chair oversighting it, who would be the Balga P&C and, because of the importance of this project as the first time in Western Australia, that very senior representation. I went to the unusual step of nominating individuals because they had a real vested interest. At the time Jane Sampson, who was the Director of Juvenile Justice, Custodial, was in the Department of Justice; the Assistant Commissioner of Police for the metropolitan north was Wayne Gregson at the time; the DCD statewide community services person, Sue Osich; the Director of Aboriginal Education; the director of schools to ensure that the accountability lines were in place for the expenditure of funds; the General Manager of Swan TAFE; and a Centrelink representative. I suggested the terms of reference to that group - particularly (3), which was to address the across-government policy and other information sharing and privacy issues that are associated with this project. Policy covers reasonable skill and that group would have formed almost as a board to oversight - to make sure where the funds were going, that they were employed and there was some reporting mechanism back and, particularly, it had departmental representation and senior department representation on that committee.

It was in November that I made those recommendations. In September I also sent a memo to the Director General of Education, reference No 9. I prepared this memo for the Director of Aboriginal Education to send to the Director General of Education saying that this would eventually emerge in the report - you can see that the funding was already assured because they would meet their targets. They had done some scanning of local schools and worked out that they would have enough to start the program in 2005. It was the start of a special funding program and this was the terms of reference; this was to be the suggested across-government representation; the government's arrangement of the project was to be noted; and also approve the terms of reference and the composition of the project steering group. I do not know what happened once it got inside the department.

I would like to refer back to that critical meeting with the minister in August when this report was in formulation.

Hon PETER COLLIER: With regard to your letter you sent to Mr Omodei you said there was a need for compliance with State Supply requirements. Is that in the report?

Mr Hodge: Yes, both in the letter of transmission and the body of the report.

Hon KEN TRAVERS: It was in item 4 that you mentioned earlier.

Mr Hodge: Yes, it was.

Hon KEN TRAVERS: You read out the paragraph.

Mr Hodge: I read out the paragraph about State Supply requirements.

Hon KEN TRAVERS: Both State Supply requirements and departmental reporting.

[12.00 noon]

Mr Hodge: It is very important to understand what went wrong. As a community we need to know what went wrong because it is very important. In August 2004 I was asked to attend a meeting and briefing of the minister, who was Alan Carpenter at the time, on this program in his office.

I was in the middle of a report on that extensive consultation phase. I had a draft report ready for the minister to look at in that meeting. Robert Somerville was also present at that meeting. Again, that is not represented in *Hansard*. There was a senior departmental rep and the meeting was organised through the Director General of Education. It was not a lobbying meeting; I was never a lobbyist for MITS. I was a report writer and I would have advised the minister on governance arrangements around the project because of the unusual nature of the policy in having a private provider. When we turned up on that morning, the department had failed to attach my report to the briefing note. You may not know that. The reason I know that is because the minister said, "I've got the briefing note but I don't have your report." My immediate instinct was to pull back and say, "Let's not have the meeting" but I thought that was rude because it was not my call. I was there just as an observer.

Hon PETER COLLIER: The Premier actually tabled a correction to an answer on 14 August of this year with the briefing note and the report. Was the Premier's response wrong in that instance?

Mr Hodge: I do not know; I have not read the *Hansard*. That is only what I was told, and I am sure the other people who were present at that meeting would corroborate with that.

Hon PETER COLLIER: I am not disputing that but in the tabled response, the Premier tabled both the report and the briefing note, which states -

Background

Attached is a project proposal prepared on behalf of Balga Senior High School and Manufacturing Industry Training Services (MITS), a company which provides training services in Victoria. The document has been prepared by Mr Gary Hodge in his capacity as a private consultant.

It has a copy of the report.

Mr Hodge: Either the department has somehow found it later - unfortunately, I cannot say. At the time the Premier did not have the report in his hand. He only had a single briefing note. I had not seen the briefing note. I had met, prior to that meeting, to discuss the funding arrangements for this program with both Greg Robson, who is the executive director who is mentioned in my consultation, and with Kevin O'Keefe, the executive director senior to Robert Somerville. I said that it is not my role to recommend the funding. I was there to do the policy. It is up to the department to do the costing and the funding and do all the projected models on assumptions that 200, 300, 400 young people would eventually enrol in this program. That is what I thought would go through to the minister. We spoke for about five minutes. Then the minister stopped us and said, "Excuse me, don't go any further. I know you're here to raise \$7 million." I was

flabbergasted because that was not the briefing that I had had with the senior departmental officers. The briefing I had with the senior departmental officers - if I refer to item 6 in my report, starting from the middle of page 7, I had identified all the relative government policies around youth advantage, plus building prosperity, the Gordon inquiry into family violence, child abuse, etc. But more significantly over the page, towards the bottom on page 8, "Resourcing", these were all the available sourcing funds that I knew of that the department should have given in that analysis to the minister in that briefing note. If they are not there in that briefing note that was provided by the department, at worst, it is gross incompetence but I will leave it up to you. These were the funding sources that could be accessed by the program if these kids turned up.

Hon PETER COLLIER: Could I just clarify something. Is this report that you are referring to, Mr Hodge, your final report?

Mr Hodge: It is the final report but I was already in the process of consultation. I could identify the funding sources.

Hon PETER COLLIER: I understand that but that is not the same report that was given with the attached briefing note.

Mr Hodge: It was an earlier draft.

Hon PETER COLLIER: That is right. The earlier draft is not the same as the report you are referring to.

Mr Hodge: But my conversation with Kevin O'Keefe and Greg Robson was around these funding programs. I knew they existed. What eventually ended up in my report was just a consolidation of those discussions.

Hon PETER COLLIER: It does actually not state "Projected government funding required, \$8.2 million". This is in the report.

Mr Hodge: That is the wrong report. That is not the correct report that the minister has tabled, or the final report.

Hon PETER COLLIER: According to the briefing note, this is the report that was given to the -

Mr Hodge: I can clarify that for you.

Hon PETER COLLIER: It does actually state in your letter to the Leader of the Opposition that you attach a draft copy of your report.

Mr Hodge: Yes, but my final report is this one. That was early modelling done by Ernst & Young, independent modelling, on certain assumptions, which I was asked to include in the earlier draft. In the final draft, it dropped out because it was not relevant.

Hon PETER COLLIER: I understand that but you were making comment that you were surprised the education minister was talking about these figures etc, but he would have been going by the figures that were in that draft report.

Mr Hodge: Those figures are probably accurate but they do not identify the funding sources where the \$8.2 million was coming from. My assumption from the conversation of the minister on the day was "You were here to ask me for \$8.2 million." That was never the case. We were not there to ask for \$8.2 million. The analysis should have been by the department that these funding sources, based on the assumptions of one teacher every 16 students or the assumptions in the Ernst & Young report, because of the special needs of these kids, one teacher per eight students. All that is in that report, which was accurate at the time, is some early modelling done around what this program would cost given these certain assumptions.

Hon PETER COLLIER: All I am saying is given this, you can understand why the minister for education may have had reservations.

Mr Hodge: No, I cannot because if we had had the conversation, it would have been very different. The conversation never got that far. The meeting was short-circuited very, very rapidly before I could talk about governance, before I could talk about the fact that these funding sources here may have added up to \$8.2 million but it was not contingent on ministerial approval.

Hon PETER COLLIER: I understand that. All I am saying is what you are doing now is going through the final report. In fact, the minister had already made his mind up before he received the final report. It might have been good if the minister had received this report, the November 2004 report, before he made any decision with regard to the progress or otherwise of the program. What he got was a draft report.

Hon KEN TRAVERS: Can I just ask a question to clarify something in my mind? Would the draft report that was provided and attached to the briefing note have included the issues at that stage about resourcing? I do not have it with me.

Mr Hodge: That was left up to the department to look at the funding arrangements.

Hon KEN TRAVERS: But the points you are making here about the options for resourcing, would they have been included in that draft report at that stage?

Mr Hodge: If I could just clarify that. I had a meeting with Kevin O’Keefe and Greg Robson where we went through these areas of funding that were available. They should have gone through the briefing note. The department of education was providing that side of the briefing. I provided the policy and research. They were to provide where the funding sources were and whether or not it ended up at \$8.2 million or whatever. Does that clarify it?

Hon KEN TRAVERS: It was not in the draft report but you had had conversations with the bureaucrats preparing the briefing note prior to that meeting on where some of those options for finding that \$8 million might be?

Mr Hodge: That is right. Getting back to your point, I was still surprised that the minister thought - despite what was in the report about the \$8.2 million, because of the accompanying notes that should have come to the department - we were there to ask him for \$8.2 million. I was very surprised because that was not the case.

Hon PETER COLLIER: It is quite a good report. I am not criticising the report. It is quite a comprehensive report. As an educator, I think this program has real merit. If you do see it and the recommendations of the briefing note, this has been tabled in the Parliament, so it is a public document. It states -

- note the initiative; and
- refer the proposal to the Department of Education and Training for further analysis and evaluation. In particular, the initiative needs to be considered as part of a District Education and Training Plan.

The actual recommendation does not seem to say “knock it on the head”. This is the briefing note. The report itself is quite a comprehensive program. It is pretty much aligned with the final report, but it does specifically outline the \$8.2 million costing. I am sure that is what took the attraction of the minister.

Mr Hodge: Exactly. My understanding when I left the meeting with Kevin O’Keefe and Greg Robson was that there was going to be an analysis of these programs here which never required ministerial approval. Out of the enrolment-driven model, the CAT funding and all the rest of it, those collectively would have ended up to a certain figure and that is what I thought was going to be in the analysis, not that this group was here to ask for \$8 million. This was never the intention. What minister wants to be saddled to go back into cabinet and ask for an additional \$8 million? I was sensitive to that. I knew how it operated. I tried to say to the minister, “That is not the case” but by that stage he said, “You meet with my advisers later.” I subsequently met with one of his

advisers and I told his adviser at the time, “This program will go ahead. It is not contingent on the minister’s approval” and he told me that that is not the way things are done. I said that is the current policy of the education department.

Hon PETER COLLIER: That is fine. The minister has obviously received that because he tabled it in the Parliament and signed off on it. If that is the case, are you saying that there should have been another briefing note from the department?

Mr Hodge: It should have been incorporated with those figures from the department.

Hon PETER COLLIER: In addition to your draft policy?

Mr Hodge: Yes. When I left that meeting - it was a week or so before I met with the minister to make sure they got the notes in time - my understanding was that they were going to add the analysis of all these programs and the recommendations that I imagined were going to go ahead. What I would have expected from the minister on that day would have been that the minister notes that this program would go ahead contingent upon enrolment being reached, the numbers being reached in the enrolment arrangements, so that the funds would flow but, secondly, that he would request that expenditure for that fund be put in place and be assured that those government arrangements be put in place. That is what I thought the recommendations would be in that briefing note.

Hon HELEN MORTON: I am just a tiny bit puzzled as to why this issue is so important to you.

Mr Hodge: Because it fills so much *Hansard*. Over and over again, people are saying, “Why was this program funded? Why did the minister approve it? Why did he not approve it when it went ahead?” There are pages and pages of *Hansard*. I read it again this morning. It seems to be occupying a lot of time in Parliament when, to me, the issue is very simple. It was never contingent on ministerial approval. That is why I am putting that forward.

Hon HELEN MORTON: But you are not that involved in it. You have not been involved in it since the very early stage.

Mr Hodge: Once I handed the report over. I did run a major leadership program out at Balga, which was self-funded, which I will talk about, “The Final Way Forward”, a little later. I am still very passionate about the fact that we have young people at risk across the state and that it is a whole community problem. It is not just a schools problem or education problem; it is a problem for the community itself. I work in the area of leadership now and I wanted to apply some of those skills to try to bring to people across the state, which I will talk about later. It may clarify why I wanted to clarify this point with the committee.

Hon HELEN MORTON: If the minister wanted to say “don’t do this” or “do this”, even though the minister’s approval or whatever you are saying was not required for that to happen, if the minister had a view on it and wanted to pursue his view on it and wanted to interpret the project in a particular way, apart from your own reputation at the time of that meeting, why is that important to you down the track if you have no further involvement in this or this particular project?

Mr Hodge: I am a taxpayer for a start. I wanted to make sure the funds were expended properly. To me it was very important that whatever funds flowed - just in response to your question, I think it is very important that it is clarified. People do not understand why the program proceeded for two years. I am trying to clarify why it did proceed for two years, because of the fact that it was not contingent on ministerial approval. It was contingent on enrolments. That will demystify a lot of what has been said in Parliament at the moment. I have been affected directly by those statements in Parliament, and I will talk about that in a minute. Whether I like it or not, my name has been constantly associated with this program, well beyond when I handed the report over. I think it is important that it is clarified.

The CHAIRPERSON: Please continue.

[12.15 pm]

Mr Hodge: In terms of that particular meeting, I think it is important that you look at that briefing note to see whether there was that proper analysis and the government's arrangements were put in place.

After that, I do not know what arrangements were put in place. I still had a very strong involvement with the Balga program, the whole of the school, not just the Balga Works program. It is one of 14 or 15 major programs up there. We were very innovative, and from a leadership point of view I was particularly interested and volunteered around 600 to 800 hours of my time to run that program with the Balga Works program itself. So, I think, Chair, I have covered most of those key issues in the first area about my involvement. So I handed the report over in November and that is the final report; okay?

The second point I want to address was the statements made about me in Parliament. I have given an additional document over this morning, which I have just tabled this morning, which is a copy of the letter to Mr Omodei about the statements made about me in Parliament. I do not need to go into a lot of detail here; it is quite clear. I have made statements that I have never been a lobbyist; that I funded all of the trips to Melbourne myself; that I have made statements to the police investigation, a sworn statement; that I have never received any funds from Balga Senior High School, from Balga parents and citizens; I have never been a lobbyist for the program. But three things happened in very quick succession: statements made about me in the Parliament, then there was a full-page article in *The West* naming me, which was almost quoted verbatim. I am not sure what came first, whether it was the Jessica Strutt article or me being mentioned in Parliament. Whatever order that occurred, it seemed to be very close misrepresentations in both. It was a full-page article and it was only just this year. Then straight after that full-page article in *The West*, a note went around to all director generals asking whether or not I was providing services to government, and what were they. Any reasonable person seeing me mentioned in the Parliament, mentioned in the paper and then in a further parliamentary question could assume that I was somehow involved in some corrupt activity. So in response to that, I wrote to the crime prevention, the CCC, outlining my involvement. I gave a sworn statement and I also wrote to Mr Omodei pointing out the facts; okay, you have got the facts in front of you there.

At the moment we provide leadership services around the world. I work in a lot of places but in Australia I no longer put my name to any government tender document. That is one of the implications of all this. Because of those three events coming together, I have voluntarily withdrawn from providing any coaching services, as I do not want to reduce the chances of my private-sector colleagues not winning tenders because I am part of that tender arrangement; and so it does affect me still right to today, and that has impacted directly on my earning capacity in this state. So my point in writing to Mr Omodei was nothing to do with the circumstances surrounding Balga Works. It was when you mention people in Parliament, make sure of your facts because a quick telephone call would have clarified all of that and I would not have had to have gone through weeks and weeks of work preparing these sorts of documents to three different audiences, the police, the corruption commission and the Ombudsman, trying to correct the public record, because for a private citizen it is very difficult. How do you respond? Your reputation is tarnished and it is ongoing, and it is a very serious matter. So, again, I hope we learn from this. I would like some sort of public apology eventually, as I requested, that I was only there as a consultant. I was not a lobbyist, but I thought they maybe thought I was rich pickings as I was another Brian Burke, that I was somehow manipulating behind the scenes the funding arrangements. But more importantly, in that was reference to me influencing incorrectly the decision of the Office of Crime Prevention submission for \$40 000, which is still ongoing; they are still part of the current discussion. I certainly helped the Balga P&C put together a research proposal, and I was very open about that and would help any community group that was looking to get funds. I received no fee for that; that was totally voluntary. But there is no way that I attempted then to influence the decision of the

Office of Crime Prevention to grant \$40 000 to contribute to this project. I was more concerned about this program becoming an action research program that could inform the system on how better across-government coordination and policy resourcing could better meet the needs of these young people. That is my real concern. So, Giz - sorry, Chair - I think I have said enough on that, but I do want that to be recorded, and that has been very damaging, and the damage is still ongoing.

The CHAIRPERSON: I do not know whether you can provide any further information regarding the process that the Office of Crime Prevention went through, or would go through, for any application for funding. Is there any more information you can provide?

Mr Hodge: I set up the road trauma trust fund guideline, the new one, when I was executive director of the Office of Road Safety and so I was very familiar with the grant process. The two offices worked differently in the sense that the Office of Road Safety receives public submissions and the Road Safety Council recommends on those. In the case of the Crime Prevention Council, it had no role at all, even in making a recommendation; so there is no conflict of interest; because once the submission was done and presented to the office, they made no reference back to the Crime Prevention Council for comment on whether those funds should be granted. It was based on internal criteria that had to be applied to meet the requirements for the funds before the funds were granted. So after I had helped the Balga P&C, it was up to them whether they wanted to accept my advice or not, as it was free, and then after it went into the office I had nothing to do any further with that. But certainly in the *Hansard*, it insinuates through emphasis that I was the very same person who met with the minister some weeks before when this money was granted, which was a strong implication that I had somehow tried to influence the decision of the Office of Crime Prevention, and there is no way I even spoke to them about the submission; it was their decision entirely; I had nothing to do with it whatsoever, and I would not try to interfere as it is inappropriate, very inappropriate.

Hon SHEILA MILLS: You have just mentioned that you were approached by Merv Hammond early in 2004; do you have an exact or a pretty approximate date on that?

Mr Hodge: I did not get back to Western Australia until late 2003. I had not seen Merv up to that point. It was after it was announced in the paper that I was appointed chair of the Crime Prevention Council that he got in touch with me. It would have been probably January-February. I do not see Merv socially, so it was only purely at a professional level.

Hon SHEILA MILLS: And it was January-February of 2004.

Mr Hodge: Of 2004, and he was talking about this program.

Hon SHEILA MILLS: He was talking about it then.

Mr Hodge: Mmm.

Hon SHEILA MILLS: Were you aware at that stage whether Michael Carton had spoken to him?

Mr Hodge: I had never met Michael. I do not think I met Michael in Western Australia. I think I met him for the first time when I went to Victoria but I cannot recall; it was some time ago.

Hon SHEILA MILLS: Did Merv Hammond mention Michael Carton at all?

Mr Hodge: Yes, he said that this fellow was running a private sector provider organisation for the manufacturing industries in Victoria, and if I could visit with him at some point in the future just to have a look at the operation; and I agreed and I coincided with one of my trips to be there at the same time.

Hon SHEILA MILLS: How did Merv know about it? Did somebody put him onto it? Did Carton? Do you have any idea about that?

Mr Hodge: Well, look, I do not because I imagine - it was much later that I found that Michael's brother worked at Balga Senior High School - but at that point I had made no connection that there

was. So his brother may have - but, again, that is purely surmising on my part. I have no knowledge of that really. But I did not realise at the time until some months later that Michael's brother was on the Balga Senior High School campus.

Hon SHEILA MILLS: And you are pretty well sure it was January-February 2004?

Mr Hodge: It must have been because I would have organised a trip to Melbourne. I was doing some work with Melbourne colleagues at that stage, so I just coincided with one of the times I was in Melbourne; and that also, obviously, Merv coordinated because Bob Somerville was there as well - Rob Somerville was there as well.

Hon PETER COLLIER: After the August 2004 meeting, you mentioned that you did have some communication with Paul Albert; is that right?

Mr Hodge: Yes.

Hon PETER COLLIER: Could you just take us through that again, or your connection with DET following that meeting?

Mr Hodge: I had very intensive consultations with - if I refer you back to, I think it was item number 9, is it? I will just double check. No, it was earlier than that. The consultation, which must be number 5, sorry, they are the dates that I met with all of the senior departmental reps and government representations. So that is number 5. And I met then with Paul in September, 20 September, 29 September and then in October; three or four meetings with either briefing notes or meetings. They are all tabled there, all the times I met with him.

Hon PETER COLLIER: Did you have much communication with Michael Carton at this stage?

Mr Hodge: He sat on the steering group that oversighted the development of the report; so, yes, I did have consultation. My concern, though, always was that if state supply requirements were followed, that there was really no conflict of interest there because either the department had to make a decision: were they going to go for source or supply or were they going to go to open tender? That had to be the critical issue. The nub of the policy issue really is having a private sector provider provide services on a school campus. The department had 30 years' experience of doing this through the gifted and talented program. All of the musicians, arts people - I used to head up the arts department so I was used to contracting private sector individuals to come in to deliver services in the arts area in particular; so the department had a lot of experience in dealing with it at a policy level. That should have been part of the policy that went up to the minister for that August meeting. Had the department the experience, it would have been yes. The same principle should have applied to - all it was was this private sector provider coming in to provide, instead of arts services and music and so on, they were going to provide manufacturing training services. So there is no difference in principle. The real issue was: how was that going to be oversighted?

Hon PETER COLLIER: Do you know why the department was adverse to MITS being involved?

Mr Hodge: Look, I can only go back. I must say that writing the report was a very unpleasant experience working, dealing, with the department because I would get decisions from the director general over, for example the September meeting, I think it was, when we made recommendations around the flexible use of resources. I met with - Merv Hammond was present at that meeting with Paul Albert and Paul said, "Look, this is the way the whole system has got to go for these kids at risk." So you can cash in all of the money and then use the money and employ the sort of profile of staff that you require rather than the traditional profile, which would have been a number of FTE teachers, a district office and so on; the way that the money is devolved down, eventually with a few hundred left to spend on the child. That is all that is left in tailoring a program. So at that meeting Paul said, "Look, there is no policy to restrict the number of - you can cash the whole lot in and get the profile of the staff you want that is going to best meet the needs of these young people." But you got that agreement and then you would put the discussion paper to another member further

down the hierarchy in the department and you would get resistance. So there were decisions, so it seemed to be an organisation that was -

Hon KEN TRAVERS: It is called a bureaucracy, is it not?

Mr Hodge: Yes, I know, but you would think that this has got the imprimatur and the reality - but the danger then of course in that situation is that the funds flow but then the government has other arrangements put in place. So that to me was the danger, and I was very concerned. I used to keep asking Merv, when I was putting on the youth-at-risk forum on the campus, part of the reason why - and that leads naturally, Chair, into the final part of my presentation to you - I was constantly saying to Merv, "Have you set up this governance structure yet to oversight this expenditure?" and he said, "No, it hasn't been done yet." I said, "Well, Merv, you must get it done. It's very important that these funds, because there's a huge amount of money that's flowing to the school." I did not know how much because I was not involved with the funding decisions, but I was aware that there were funds flowing in because the program was running; it was up and going, and anybody could walk onto the campus and see it. It had staff everywhere and programs, accommodation. I have been up to a number of dinners with the magistrate Sue Gordon and various other magistrates to meet with the young people in that residential component.

Hon PETER COLLIER: So this was at the end of 2004, was it?

Mr Hodge: Yes. I was around the school.

[12.30 pm]

Hon PETER COLLIER: Sorry, you went up to Joondalup, was it, at the end of 2004?

Mr Hodge: Yes. I went up there for a couple of times for dinner with magistrates and various other people who were invited up to meet the young people in the accommodation.

Hon PETER COLLIER: Were students involved at that stage?

Mr Hodge: Not in 2004 but in 2005.

Hon PETER COLLIER: That is fine - 2005. When you went to Joondalup etc, you went there in early 2005?

Mr Hodge: It would have been later. The program was well and truly running.

Hon PETER COLLIER: Okay. It was after the establishment.

Mr Hodge: After the establishment and after the funds obviously had flowed through to the program. That was probably towards the middle of 2005 or towards the end of 2005.

Hon PETER COLLIER: The \$40 000 for the liaison officer - do you know whether the liaison officer was employed?

Mr Hodge: I understand that the person was employed. The recommendation that I certainly made to the Balga people at the time was that if you employ this person, they must also track the young people. I do not know. I think the program was properly acquitted and that a report was provided to the Office of Crime Prevention. Again, you would need to get back to the Balga P&C. They were the signatories to that. I am an outside observer in that regard.

Hon SHEILA MILLS: Mr Hodge, as an outside observer with your extensive experience, did you do any checking on Michael Carton? Was he qualified?

Mr Hodge: That was the school's decision and a departmental decision. I had nothing to do with whether he was qualified or what his background was. If the due diligence had happened - this is getting back to the importance of observing state supply procedures - if they had gone to sole-source supply, there would have been background checks that would have automatically been put in. If he had have gone through open tender, the same sorts of background checks would have taken place. Again, it gets back to a systemic issue; that is, what did the system do about the

appointment and suitability of this person within the system? No, I did not have the resources or even inclination to check. All I knew was that when we were in Melbourne and we had met all those heads of the private sector organisations, there was a high degree of credibility coming from these managing directors over a period of time. The context in which I saw Michael Carton was this very successful, beautifully run workshop with a lot of young people who were at risk who were being picked up by local industry. That was my impression at the time. Finally, Chair -

Hon HELEN MORTON: I just wanted to follow up on a few questions but you might just want to finish your final thing first.

Mr Hodge: I would like to finish on a positive note if I could because it has been a pretty awful affair all round for everybody. This is the item number 11. There are a couple of things why I decided to donate all that time to run a major forum on leadership. When I was the chair of the Community Safety and Crime Prevention Council, there was a long delay in actually establishing the council. I was there getting a sitting fee for doing nothing. It concerned me enormously that I was being paid on a monthly basis and I was really not chairing anything. That did concern me. So what I did was I suggested applying the leadership work that I had done and that we identify across the state the best leaders from every district in Western Australia who were doing really good things on the ground with young people so that we could learn from a statewide perspective of these people across the state, not only Merv Hammond, but people in the Kimberley, the wheatbelt and other outer metropolitan areas, to find out what they were doing that was working and whether they were private sector people, government, local government and so on. I suggested that we run a forum at the Balga Senior High School campus that would bring together these leaders from right across the state, and present to a broad audience.

This is the report that has emerged from that forum. This was mentioned in Parliament the other day. Can I just say that this forum was run totally from registrations - people had to register to attend the forum - and I also secured private sector sponsorship from Apple, which funded Geraldine Doogue to host a major panel as part of the day's proceedings. No government funds whatsoever went into this and all the expenditure was received and collected through the schools' registrars and was properly acquitted and so on. All the funds were totally accounted for for the running of that program. It made a small profit, which went back to the Balga P&C for hosting it. In all, there were some 31 leaders who presented papers at that particular forum and the summaries are all there in the report. It includes NGOs such as The Smith Family, Aboriginal women from the Kimberley and principals from the wheatbelt who reported on what they were doing. We ran some 32 break-out sessions over the course of the day, which ran series of panels. As I said, Geraldine Doogue flew over for the day and she was funded by Apple to do so, to lead a panel on what as a community we should do to address the needs of young people at risk. It was attended by around 180 people, and all those people are listed in the attendees as part of the report.

The reason why I put that forward is I do not think it is too late to salvage components of that learning. I think we need to learn from what has happened at Balga in terms of the systemic support we give to principals and other bureaucrats who have to administer and sometimes take risks around this. I was very aware in Queensland, when we did the policy framework, that there were a whole range of principals who, while innovative, had to work outside quite often departmental guidelines to get things done. What we did is we closed off all those danger spots which exposed those people and the minister and the system. I was aware when I went to meet with the minister at that meeting that if this program proceeded, the risks had to be minimised both to the principal and to the minister, and to the system. Unfortunately that did not occur. I think this is something that I am still passionately involved in, in terms of providing that level of leadership. I have still been working with the Aboriginal community in a private capacity in assisting them to look at how they develop leadership centres because I see that as the key way forward. There is a lot of collective wisdom in this report. It would be great to somehow pick up some of the key outcomes of the recommendation of this committee on what we should be doing with young people at risk. Chair, I

think I have said enough. Hopefully that gives some insight, from my perspective anyway, into the workings of this whole program.

The CHAIRPERSON: I will see if members have questions.

Hon HELEN MORTON: I have a couple of questions. The amount of investment that you have put into this time-wise and everything is quite impressive. All of the meetings that you have had prior to, I think, prior to that submission being -

Mr Hodge: Finally being put forward in November.

Hon HELEN MORTON: That is right. That was a huge investment there. When it did not get a good hearing because of the failure, as you said, by the document not being attached and the work that you would expect the department to have done in terms of the briefing note not being there etc, how did you deal with that? I am interpreting it as you having felt let down by that process.

Mr Hodge: Yes. It certainly has soured my relationship with the Premier. He still thinks I was a lobbyist, I think, for MITS. That is very unfortunate. Because there has been all this other activity, I have not tried to approach him. I did feel let down that day because it should have been a very different outcome. The outcome that I envisaged coming out of the meeting with the minister was that he noted the program would go ahead, contingent on enrolment, and what I would have said to him very directly, as somebody outside and as a consultant is, "Minister, you need to be very assured that the governance arrangements on this project are watertight." They are the things I would have seen coming out of the meeting on that day. It went totally off the rails and I never got it back on the rails, even though I met up with one of his senior advisers. It was a very heated meeting. I said, "This program will go ahead if the kids turn up." He said that that is not the way things are done.

The CHAIRPERSON: Who was that with? The senior adviser?

Mr Hodge: Matt Keogh.

Hon PETER COLLIER: He was at that meeting, wasn't he?

Mr Hodge: He was at that meeting and I met with him subsequent to try to put things back on track.

Hon HELEN MORTON: When the project did get underway in the form that it took eventually, it would appear to me that you had, whilst not an involvement in any formal way, that you were somehow or other -

Mr Hodge: I was around.

Hon HELEN MORTON: That is right. Other than saying to Merv, "You must put the governance thing in place," which you have mentioned, what did you do when you recognised or became aware of things going bad?

Mr Hodge: I was hearing things like staff were not being paid, which really concerned me. I said to Merv, "Look, this is serious. You cannot have people on a government school campus not being paid. It is not good." Part of my reason for running a big forum was that the eyes of the whole state were suddenly on the school. That was my subtext of what was going on; it was to get Merv to hurry along and get things organised because suddenly we were going to have 180 people from all over Australia on your school campus looking at not just Balga Works, but the whole 15 programs.

Hon HELEN MORTON: Were you able to talk to any other people in government departments, or anybody else, about your concerns about what you were observing? Were you able to talk to anybody about it?

Mr Hodge: No, not really. I was not involved in any decision making around how those funds were expended. I just thought at the time that I would have liked them to have all stepped back and done it on a very small scale first. I used to say to Merv, "Just do this on a very small scale. Don't

do all those other big things; it's too much to absorb, particularly when you're trying to get other government agencies on board and so on." The reason why I made the recommendations along the line I did in the report was to make sure at the time that all the senior decision makers around the funding, such as juvenile justice and DCD, were there to support the program but also they would be automatically concerned about the governance arrangements as well.

Hon HELEN MORTON: You had no further discussions with any of those people after that time?

Mr Hodge: No. Let me think. I did with Jackie Tang at the end of one meeting when I was chairing the crime prevention council, who expressed real concerns about what was going on.

Hon PETER COLLIER: Who's that, sorry?

Mr Hodge: Jackie Tang. She was a person I had met with earlier. That was an informal discussion about the - she was concerned about some of the backgrounds of some of the individuals who were employed in the program.

Hon HELEN MORTON: Do you know around about what month of which year that was?

Mr Hodge: It was after the council was formed, so it would have been in 2006 - probably already early 2006.

Hon SHEILA MILLS: You said she was concerned about some of the people who were employed in the program.

Mr Hodge: That is my recollection of the conversation.

Hon SHEILA MILLS: Was that the accommodation unit people?

Mr Hodge: I think it was. I think she was referring to the accommodation component. I said that if she has concerns, she really needs to take those up immediately through her department to the director general of education and training. That was my response to her at the time.

Hon HELEN MORTON: I have two more questions about earlier things. The meetings that you had with Michael Thorn, in the Office of Crime Prevention and the Department of the Premier and Cabinet in June, August and October 2004, can you say what those meetings were about?

Mr Hodge: One was when I introduced Michael Carton to Michael Thorn to talk about what he was doing in Victoria. That was the basic -

Hon HELEN MORTON: Was that the June one?

Mr Hodge: I think it was, yes. It is some time ago. In both cases it would have been around what he was doing and his eligibility for funding. Again, it was very open. I assumed that the department, before it made any decisions about whether Michael Carton would be the one, would go through the state supply processes, so I was not concerned about any conflicts at that stage.

Hon HELEN MORTON: And the other meetings? I notice that those other meetings occurred in and around times that the - that has nothing to do - his office, I understand the Office of Crime Prevention hasn't got anything to do with the council that you were chairing. Is that right?

Mr Hodge: Yes, his office provided the executive support to the council.

Hon HELEN MORTON: Okay. So he was aware of your involvement at that stage in assisting the P&C and the -

Mr Hodge: Yes.

Hon HELEN MORTON: And it was his department that was making the subsequent allocation of funding?

Mr Hodge: That's right. Again, I didn't lobby or suggest. All I was saying was that the funds were there; it is up to you to work out a way of making an application for them. Just like the road

trauma trust fund. The people know the money is there. The funds are put aside for community based projects.

[12.45 pm]

Hon HELEN MORTON: Who did you say you said that to? Who did you say, “It is up to you” to?

Mr Hodge: My concern as chair was that the Office of Crime Prevention did not have youth as a priority in its research. I had expressed that concern that youth was not a priority, yet that was where all the big problems in crime were occurring in the state. I introduced the two Michaels - Michael Carton to Michael Thorn - to talk about what he was doing in Victoria, the success rate he was having and what the principles were. Michael then spoke about some of the programs that were available that they could be eligible for. There was no commitment. He certainly spoke in broad terms about the sorts of funds that were available, and that was part of those discussions.

Hon HELEN MORTON: Okay. So the last meeting was on 7 October, which was obviously -

Mr Hodge: When I was finalising the report?

Hon HELEN MORTON: That is right.

Mr Hodge: Yes.

Hon HELEN MORTON: In that time frame - August - you were copied in on an email from Bob Somerville to Merv Hammond and Michael Carton stating that \$250 000 funding from Aboriginal education was confirmed.

Mr Hodge: That is right.

Hon HELEN MORTON: Do you recall that email?

Mr Hodge: Yes, I do.

Hon HELEN MORTON: Do you know why you were copied in on that?

Mr Hodge: No. That was the only insight I had ever had about the level of funds that were being committed.

Hon HELEN MORTON: Do you know whether that \$250 000 ever went there?

Mr Hodge: No. I do not know whether it did. At some point there was a directive to stop the funding. Again, it is something I just picked up. I was not privy to the decisions around that.

Hon PETER COLLIER: I am not sure whether you covered the 4 August meeting.

Hon HELEN MORTON: There were three of them.

Hon PETER COLLIER: That was the same day that you met the minister. Do you recall why you would have met with Michael Thorn then?

Mr Hodge: It could have been purely coincidental and the two were not related. Again, it is going back some time now - about three years. I do recall that we met with the minister first thing in the morning.

The CHAIRPERSON: According to the documentation we have the meeting with the minister was actually on the third.

Mr Hodge: On the third, was it?

The CHAIRPERSON: Yes.

Mr Hodge: Okay. The day after.

The CHAIRPERSON: So they were not the same day.

Mr Hodge: They were not the same day - okay.

The CHAIRPERSON: Unless your memory is different.

Mr Hodge: You would be right. The meeting on the fourth - I am not sure whether we discussed the outcomes. I was pretty devastated by that meeting, I must say, because of the way it went totally off the rails, so I just cannot recall. I think I may have been in a state of shock; I do not know.

Hon PETER COLLIER: He would have had the application at that stage, would he not, from the P&C or he would have got it shortly after?

Mr Hodge: I do not know; I am not sure. We certainly would not have discussed the P&C application. I would not have allowed myself to discuss something like that. I would have told him that I would assist them with the proposal because I wanted to make sure that the funds were in line with the broad research parameters of the report, so there was an interest in terms of aggregating resources so that we could actually track these young people and make sure it was consistent from a policy perspective.

Hon KEN TRAVERS: I think you got interrupted a little bit. Although we have touched on it a couple of times, I want to be very clear about the meeting with the then Minister for Education and Training. What exactly happened? Can you quickly run through that again?

Mr Hodge: I had read the minister's comments in *Hansard* and I do not think the recollections are quite the same, because I do not think it went on for as long, quite frankly. Because I think in *Hansard* he mentions 45 minutes and I think it lasted about 10; it may have been a little longer. It was very short.

We met in the morning. Present was Robert Somerville, myself, Merv Hammond and Michael Carton. Basically, the minister asked us to open and we made the introductions and he asked Michael to speak. About five minutes into Michael speaking about what he was doing, he said, "Can I just stop you there". I think they were the words. He said, "You're here to ask me for a lot of money and I'm telling you I'm not giving it to you". I said, "No, minister; we are not here to ask for a lot of money." He said, "Well, there was supposed to be a report that you were writing attached to the briefing note. That didn't arrive." That is what he said at the time. That is only from what he said, so I assume it had not arrived. I was pretty devastated because I thought that overnight he would have had a chance to read through it and there would be that additional policy analysis, as I mentioned earlier, from the department around the available funding sources. I tried to say, "Look, this wasn't the case. We are not." But I did not get very far. At one point either myself or Bob Somerville said not to take on face value the briefings from the department - from your own department - and it was failing these young people. With that the minister got a bit shirty in saying, "Don't dare say my department is failing these young people." So it was not a very pleasant interchange. Given that I was hoping for just the minister to note - what I was prepared to say to the minister was that in spite of the economic modelling that had been done independently by Ernst and Young, you could probably get part of the way towards that level of assumption in the funding basis if all these things added up, but if you suddenly bring in DCD and other government agencies to provide a full circle service model around each individual, on a case-by-case basis you would probably start getting there without having to find any additional funds.

Hon KEN TRAVERS: You got to say that, or you wanted to say it?

Mr Hodge: That was what I was prepared to say, which I tried to say and I tried to say it then in the follow-up meeting with the senior adviser, but, again, I got nowhere. The walls came down and it became a bit heated. To give you a flavour of the meeting, the minister was not very happy and I do not blame him for not being very happy about this mob turning up and asking for \$8 million. I think he was certainly not given the best information. That was my impression anyway.

Hon KEN TRAVERS: The report you prepared that should have been attached to the briefing note was the report you were consulted to prepare on behalf of the Department of Education and Training?

Mr Hodge: That is right.

Hon KEN TRAVERS: Can I get the staff to provide you with copy of a briefing note that was tabled in Parliament -

The CHAIRPERSON: In answer to a parliamentary question.

Hon KEN TRAVERS: Yes. I assume it was the briefing note provided to the minister. If you take a quick minute to read it, I will ask you a couple of questions about it.

Mr Hodge: Yes; certainly. This is the one that would have been provided.

Hon KEN TRAVERS: It was provided prior to that.

Mr Hodge: Okay.

Hon KEN TRAVERS: The opening statement, “Attached is a proposal prepared on behalf of Balga Senior High School and MITS.” It goes on to talk about it being prepared by you in the capacity as private consultant. Is that an accurate statement?

Mr Hodge: No, it is not because it was commissioned by the education department not by Balga. There are a whole series of things that concern me in this briefing note, that as DG I would not have signed off to a minister. It is misleading.

Hon KEN TRAVERS: I know it is hard to take the hypothetical but, if you had received this briefing note without the attached proposal, can you understand why the minister thought you were there to seek up to \$8.5 million of new money?

Mr Hodge: Absolutely. I assumed from his comments that he had got something like this. It was an inadequate briefing that really canvassed all the funding options. In saying, “taking up to 35 per cent of available funds” they do not mention the major funding source, which would have been the enrolment-driven funds. I am not sure what the figure is now but about \$8 500 per head would have allocated for every young person who turned up. So, to say that it would absorb 35 per cent of the cap funds is misleading and is not accurate. The major funding components would have come from the enrolments at the time.

Hon KEN TRAVERS: More than \$1.1 million would have come from enrolment funds.

Mr Hodge: If you are looking at the 450 young people we asked the department to do the modelling on, even with the basic funding model, for every 100 students enrolled they would have got 16 FTEs alone. Once you get the loadings on the socioeconomic basis for the school because of its low socioeconomic profile, the loadings would have got bigger and bigger. In actual fact, at the end of the day, the modelling was never done by the department properly. I asked them to do that and the director general asked them to do that as well. If it had been done properly, it would have been closer on those assumptions to what the earlier Ernst and Young modelling was. There was not a problem about the total cost of the program; really, it was the way it was to be funded and structured, which was the issue. This briefing note does not reflect it at all.

Hon KEN TRAVERS: At the meeting, did the Minister for Education and Training give any instructions about what was to happen into the future regarding the program?

Mr Hodge: He asked me to meet with Matt Keogh. I assumed that Bob Somerville would have taken something about the meeting back to the director general as well. However, I do not know what conversations Bob had. I subsequently met, as you can see, a number of times with the director general and other senior people to say that the program was going ahead on the basis that the enrolments would be there. It was almost like dealing with a two-headed monster. On the one

hand you are saying it is not going to go ahead and on the other hand it does and suddenly: well, what are we dealing with here? It is very complex.

Hon KEN TRAVERS: You obviously met with the director general, based on the note you have given us that you have tagged as No 9. You were given instructions to go away and do further work. You make the statement that “Work is currently underway at your request on redrafting an earlier budget for the project which at the time presented a full cost model, but no analysis of how the enrolment driven resources and other available resources could be applied.” Who was doing that work?

Mr Hodge: That was Greg Robson and Kevin O’Keefe.

Hon KEN TRAVERS: Do you know whether that work was ever completed?

Mr Hodge: I do not think so. I do not know. That is where a lot of the resistance to this project was coming from. One of the members of the committee asked me that question earlier. There seemed to be an enormous amount of resistance around various parts of the department. You never knew what you were dealing with. In the end, I thought I would cut through and make very strong recommendations about state supply and governance because I thought that the safest thing was for everybody to go down that track rather than try to meet the competing requirements. Certainly, the director general, at the time, did request, I understand, that Kevin O’Keefe and the other gentleman, Greg Robson, provide that level of analysis. That is as far as it went. I assumed that something must have happened because the funds flowed in 2005.

Hon KEN TRAVERS: Do you know whether any of those instructions following the meeting were ever put in writing about those other actions that were to occur in terms of developing up this proposal?

Mr Hodge: I put another item in here: I was very disturbed in 2006 when I received information about an FOI request. This gets back to the department’s record keeping, but I think it is part of finding the difficulties of getting the paper trail for this. It is item No -

Hon KEN TRAVERS: I think it is No 10.

Mr Hodge: Yes, No 10. In 2006 I received a letter dated 21 December 2005, and I have quoted the departmental reference number for that. Because I was mentioned in the FOI request they had to show me the documentation. I was amazed when I received it just how inadequate the documentation from the department was, because my report was not there, for a start. This was 2006, about 18 months later.

[1.00 pm]

Mr Hodge: I said, “I have no concerns about the documentation, but there is a rag-bag of bits and pieces of emails.” There was no cohesion or story attached to it at all; I could not find a trail through the documentation. I wrote back and said, “If you are going to release this, you really need to have the report, the advice and the business case; basically, that was part of a draft, and these are the documents that really tell part of that story.” They then asked me to re-send them, which I did. I actually sent them all those documents again to put into their records. To me, as an outsider, in response to the committee’s question, I have no confidence that there would be a trail there that would follow that decision-making pathway that led to how those funds were to be released. That is my impression, and that was my concern when I wrote back to them that this was not telling the full story.

Hon KEN TRAVERS: My other concern - which was why I was asking the question - is whether or not, after meeting with Paul Albert, you were aware of instructions being passed down the line, because within a bureaucracy, that is the most appropriate thing, rather than relying on verbal messages; it needs to be passed down in writing. Are you aware of that ever occurring?

Mr Hodge: No.

Hon KEN TRAVERS: But there was clearly verbal advice to you from Paul Albert to continue to develop the project?

Mr Hodge: That is right.

Hon KEN TRAVERS: The next question I have, moving on from there, was: did MITS provide an accommodation service as part of the project in Victoria?

Mr Hodge: I was not aware of that. That was never mentioned during the briefing of the day and we did not visit any accommodation component.

Hon KEN TRAVERS: Do you know how the accommodation component of the project came about?

Mr Hodge: Basically, there was -

Hon KEN TRAVERS: Because it is not in any of your original - in fact, you just talk about bus links and transport.

Mr Hodge: That is right, because that is one of the most - it is like Che Guevara's gloss on revolution; if one does not include something as mundane as that, quite often - we could get the program up but it would not be feasible, because the kids could not get there. That is why I put that in; even though it is a very mundane component, it is very important.

Hon KEN TRAVERS: Jim Hacker would say it would become a very "efficient" program!

Mr Hodge: That is right. The accommodation component, when one looked at the level of risk as a continuum - I am conscious of time; if the committee is okay, I am happy to continue to talk.

The CHAIRPERSON: That is fine.

Mr Hodge: That is up to the committee. The most at-risk needed the full service model, and they are the ones who, obviously, the principal identified as needing accommodation because they were in unsafe environments and they needed to be in a place that was safe at the time. That was, I think, part of the thinking. It was one of the areas for which I had the gravest reservations, because of the sustainability of that. I expressed that concern to both Michael Carton and to Merv on a number of occasions - that this was a very difficult and very tricky thing to do, but, again, my formal involvement in the report -

Hon KEN TRAVERS: You do not know how it actually evolved? You are not aware?

Mr Hodge: No. I know Merv was very keen to have some sort of accommodation component as part of his school; as part of his innovation, so I imagine the thinking would have come from there. Again, I am only surmising, but I think that the thinking would have been in direct response to the needs of the most at-risk young people.

Hon KEN TRAVERS: In your report, the proposed government model did not include the principal. You included the district director but not the principal. Why was that?

Mr Hodge: Because I thought the principal should report independently to a board, almost like a chief executive officer, so that he was accounting for funds and so on.

Hon KEN TRAVERS: Right.

Mr Hodge: So the board was at arm's length in an oversighting arrangement, and the principal would then have to provide financial reports and various other reports back to it; it would almost act like a board, but I did not want it to be like the full board of a company -

Hon KEN TRAVERS: I think you mentioned earlier in your evidence that you had some discussions with Merv about putting those reporting mechanisms in place. Did you ever talk to anyone else about that issue - about the need for a reporting mechanism?

Mr Hodge: To Michael Carton I did.

Hon KEN TRAVERS: Anyone else within the department? I note that the district director was one of the people you had in your report.

Mr Hodge: I did not see the district director after those initial conversations. After the report, I do not think I met again with John Garnaut at that time. I saw him at the Balga forum; he attended that, but I do not think we discussed whether the committee - I understand that some form of committee was set up with Jon Cook at some later stage, but I do not know when that occurred. I just heard that Jon was chairing some sort of group.

Hon KEN TRAVERS: The clear impression you have left me with is that the minister, at the end of the meeting on 3 August, was saying, "This project is not going ahead." In fact, I think you also indicated that you had a subsequent meeting with one of his staff, who again reiterated, "This project is not going ahead; we're not funding it", but the department continued to develop it. Did that ever -

Mr Hodge: I thought it was strange, to say the least, but I knew that - because I think that some directive, at some point, had come from the director general, from Greg Robson, that the program was not to proceed, yet it still proceeded, so I thought, "What is going on?"

Hon KEN TRAVERS: You were still receiving instructions from the director general to continue?

Mr Hodge: No, that was subsequent to that. This was earlier; by the time I had handed my report over, that was my formal involvement. After that it was just hearsay and conversations that were going on around the place.

Hon KEN TRAVERS: So when do you think Greg Robson handed down the direction that it was not to go ahead?

Mr Hodge: I know that Merv got a stinging email at some point from Greg Robson. I am not sure if the committee has a record of that. It rebuked Merv. I never read the email; Merv just told me, and that was very early in the piece, I think, early in -

Hon KEN TRAVERS: After your report had been -

Mr Hodge: After my report, sort of early -

Hon KEN TRAVERS: Sometime in early January 2005?

Mr Hodge: Sometime around that. Merv just told me he had been chastised. That could be part of the departmental record somewhere, but an important one, I think, in knowing what the internal machinations were around how the funding was eventually released through the various gateways they had.

Hon KEN TRAVERS: After the meeting with the minister, where the minister had clearly indicated that he was not going to fund the program and that it should not go ahead, even though that was a clear misunderstanding, I think -

Mr Hodge: I tried to say to Matt Keogh, "This is going to go ahead regardless, because it's not contingent." I suppose if someone was to say, "It's not going to go ahead" - I do not think the minister - my recollection was that he was not to appear to fund that - that was the upshot, not that the program would not go ahead. In fact, I even tried to get the minister to do a joint launch of the program later on in the year, which fell on deaf ears; to say, "It's going ahead, minister, regardless." That is when I was put on from a great height again for suggesting that. But it would at least have been more open. I hope my story made some sort of coherent sense to the committee. There was a lot of stuff to go through, but hopefully that has clarified some of the key issues from my perspective.

Hon HELEN MORTON: Who do you think is responsible for it failing?

Mr Hodge: I think it is a systemic response. I think the Department of Education and Training should have ensured that the right government arrangements were in place around this program

from day one. As soon as the funds were agreed to be released to the program, it should have made sure that the proper government arrangements were in place.

The CHAIRPERSON: As a follow-on from that, it seems to me that a lot of people are saying that the concept was good, the plan was good and that if it had worked, it would have been great; so would that be the key thing to make something similar work in the future?

Mr Hodge: I think so, yes.

The CHAIRPERSON: The other elements were okay?

Mr Hodge: That is right. One of the positives to come out of it was to have that really full service model provided for young people at extreme risk, which included accommodation and an individually tailored program with mentoring into the workforce. That is why Argyle Diamonds and various other groups were involved at the forum, who pledged pathways for these young people given their very positive track record with Indigenous employment in particular. I think we could revive that. The total cost was around \$20 000 a year per student for that very full service model. To keep one person in Banksia Hill is around \$90 000 a year.

The CHAIRPERSON: It is probably more than that.

Mr Hodge: The King research was very interesting in the report. We were part of that commissioning with Dusseldorp Skills Forum in Queensland. The cost to Australia every year for every cohort of early school leavers is about \$2.6 billion. The reference is in the report. It costs Western Australia, if we look at it on a population basis, probably about \$260 million a year, in both individual and social costs, for every cohort of young school leavers, so as a community, and from a social justice point of view, I think these are the things we need to do as a community, and I think we need to look back to collective wisdom of the Balga Youth forum report. It is still there; it has not gone away. We could do it, if the right government arrangements were in place. That gives me a bit of hope for the future - that it has not all been a waste of time.

The CHAIRPERSON: Thank you.

Hearing concluded at 1.11 pm