

CHIEF EXECUTIVE OFFICER'S REPORT

*Annual General Meeting of Members
Friday, 22 October 2010*

The 2009/10 year has been both one of industrial transition and governance consolidation. Transition in the sense that we are moving from the seemingly endless out workings of the 2007/08 round to the preparatory stages of the 2011 EBA round. Consolidation in the sense that the work associated with strengthening VHIA governance arrangements, financial stability, the settlement of the Strategic Plan and strengthening of member relations is well underway.

On the enterprise bargaining front, the major discussion point is whether the prescribed EBA process has any real prospect of bringing about workforce and workplace reform. In the face of considerable evidence that the EBA process fails to deliver such reforms, the fear is that because of the wages policy settings of the State Government, we are likely to be required to tread the well worn EBA path that yields wages and conditions increases but yields little or no meaningful workforce reform. The capacity to elicit strong government support for workforce reform is heavily contingent upon demonstrating that the absence of such reform will, inexorably, lead to tangible service derogation - in volume and/or quality. Whether there is a strong consensus on this point among employers at this stage is a moot point but there is no denying the "elephant in the room". It is inescapable that only the imminence of "crisis" brings with it the prospect of meaningful reform.

Such imperatives or ambitions will need to contend with significant union claims in 2011 for wages and conditions improvements that are likely to well exceed the annual funding for wage costs – currently 2.5%. The capacity to generate realistic savings through efficiency and productivity measures is at best questionable, even in the face of major industrial disruption across the health sector.

The development of the VHIA Strategic Plan 2010-2013 is leading to a more structured, systemised approach to the pursuit and achievement of defined objectives. The broad objectives are essentially defined as positioning VHIA as the pre-eminent industrial provider and a voice of influence regarding industrial policies with a renewed focus on workplace and workforce reform.

The emphasis on workforce reform is crucial to the interests of members, and indeed the wider public interest. This means that workforce reform, be it fundamental or modest, should not be placed at risk in the EBA process given its importance transcends the cyclical rituals of wages and conditions negotiations.

The 2009-10 "industrial year" has stretched the resources of VHIA, notwithstanding the year is often characterised as an "EBA gap year". It is apparent that the current industrial instruments each contain areas of imprecision and provide scope for interpretive differences which often lead to disputation and arbitral processes to achieve a resolution. This is a growing area of concern and points to the need for recasting the settlement and drafting processes associated with EBAs.

The financial performance of VHIA for 2009/10 was a further improvement on the previous year by a significant margin. This was essentially based on rigorous cost control, improved consulting/fee for service revenue, revaluation of original VHIA premises – and still owned- at 150 Albert Road, South Melbourne, and the continual retention of a 100% member base. This, coupled with dividends from Health Legal and settlement of loans to our associated entities, has markedly strengthened our financial position and eliminated any real risks. Future business development, particularly in the context of opportunities emanating from the National Health Reform COAG Agreement, and a possible linkage with AHHA will be explored in the latter half of 2010.

Finally, as always, I record my appreciation for the support and direction provided by the Board of VHIA in this past year. My management team and staff have pitched in as always and the results of the year are testimony to their commitment and contribution.



Alec Djoneff
Chief Executive Officer
Victorian Hospitals' Industrial Association