

# CORRECTED VERSION

## ECONOMIC DEVELOPMENT COMMITTEE

### Inquiry into Workcover premiums for 2000–01

Mildura – 29 January 2001

#### Members

Mr R. A. Best  
Mrs A. Coote  
Mr G. R. Craige  
Ms K. Darveniza

Mr N. B. Lucas  
Mr J. M. McQuilten  
Mr T. C. Theophanous

Chairman: Mr N. B. Lucas  
Deputy Chairman: Mr T. C. Theophanous

#### Staff

Executive Officer: Mr R. Willis

#### Witness

Mr K. MacLeod, Managing Director, Strap Engineering.

**The CHAIRMAN** — The Economic Development Committee is an all-party committee inquiring into two separate areas: the impact of the GST on the competitiveness of small and medium-sized businesses in Victoria; and Workcover premiums for 2000–01. I advise all present that all evidence taken by the committee, including submissions, is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act.

I welcome Mr Ken MacLeod from Strap Engineering. Mr MacLeod, I understand you wish to talk to the committee about Workcover and not GST. Will you tell the committee your position with Strap Engineering, then present your submission, after which committee members may ask you some questions.

**Mr MacLEOD** — Three and a half years ago Strap Engineering employed six employees. At that time it got the opportunity to go into partnership with a New South Wales company, ANG Engineering, and from that stage it has grown from employing 6 workers to 50 workers. Our mainstay business is the wine industry. We supply tanks and services for the fabrication and construction of wineries. Over the past three years we have seen our premiums jump as our work force has increased. In the past 12 months we have been pretty stable and our Workcover premium has gone up by 50 per cent.

**The CHAIRMAN** — Your Workcover premium has gone up 50 per cent.

**Mr MacLEOD** — In one year. ANG has been involved in the wine industry for 30-odd years and is viewed probably as one of the leaders in wine industry technology and fabrication. It has just branched out into South Australia, so the group has workshops in New South Wales, Victoria and South Australia. In the past it was very smart and elected to put workshops at the centre of its business focus, and that may be where it got the best incentives and help along the way. Early on when we started at Strap Engineering, from when I went into business by myself and then went into partnership, we got a government grant to help us set up in Victoria. At that stage it was pretty lucrative to be in Victoria and work here.

As the committee knows, Workcover premiums are going up. Ten years ago the company decided to pull out of South Australia because the Workcover premiums made it pretty difficult to function. It was easier to put things on trucks and transport them than employ people. That is the way we have looked at it. I hope it does not get to that stage again because people are a commodity that we need. The wine industry fluctuates in its demand and if you have not got people there to meet the demand, I suppose we cannot meet what happens. In the past we were not able to meet some of the shortfall, not only in Victoria but all other states.

**The CHAIRMAN** — Has the premium increase had an effect on reducing the potential to expand your business, or on dampening your desire to put on more employees? What is the real effect on the business?

**Mr MacLEOD** — At the end of the day the customer is the person who pays the premium, doesn't he, or we have to wear it in our margins. I daresay if the premium keeps going up, our company will then look at technology to perhaps replace people working for us. I assume there is technology out there. It might mean we have to go to Europe to find the technology we need to maintain that profitability. One way of doing it is to replace people with machines, which is not always the best way to go.

**The CHAIRMAN** — In the short term would you say the increase has affected the profitability of your company, or are you able to pass on the increase?

**Mr MacLEOD** — At this stage, with the buoyant nature of the wine industry, some of that has been passed on. In the past couple of years it has got a little more competitive out there. As you all well know, when things are good people out there are seeing everyone else making a quid, so they want to do the same thing. They all want to hop on the bandwagon. When things slow down it will be pretty competitive out there and I daresay a company such as ours will have to wear some of the margins if Workcover keeps going up.

**Mr McQUILTEN** — You are aware that the industry will slow down. A wine lake has been predicted around the world. Presumably there will be lots of competitors, as you are saying, so there will be some tough times ahead. Of your two operations, presumably you have one in Victoria?

**Mr MacLEOD** — Yes.

**Mr McQUILTEN** — And one in New South Wales.

**Mr MacLEOD** — Yes, and one just started in South Australia.

**Mr McQUILTEN** — Have you looked at the difference in cost of the two premiums; the premium in Victoria against the premium in New South Wales? I understand in Victoria the cost is 2.86 per cent and in New South Wales it is 3.2 per cent. Have you noticed that difference?

**Mr MacLEOD** — I am probably not the best person to answer that. This morning I rang the accountant in Griffith and he said if it was more profitable to employ more people in Victoria we would be aiming that way. It is comparable. I am not sure about South Australia. It has only been running for a month and a half.

**Mr McQUILTEN** — I may have those figures wrong.

**Mr BEST** — What has your claims experience been like? Have you had many claims on Workcover?

**Mr MacLEOD** — It all depends on what you call a claim. I do not call a cut finger a claim but our track record at Strap Engineering has been pretty good. We have had a couple of claims but that is the nature of the engineering business.

**Mr BEST** — However, they have been small claims and not major settlements where court action has been taken?

**Mr MacLEOD** — No, and I hope it never happens that way.

**Mr BEST** — With the increase in your employee levels from 6 in 1997 to 50 now, have there been sudden bursts of employment increases, or has it been incremental?

**Mr MacLEOD** — We went from 6 to 25 in one hit, and then basically we have grown up to be — I think it is 47 at the moment. For the past 12 months we have been pretty stable at 40 to 50, but we grew from 25 to 50 once we moved to our facility at Irymple. There was a steady growth in that year from 25 to 40.

**Mr BEST** — Have you been given any explanation on why your premium has increased the way it has?

**Mr MacLEOD** — Not really. My job is to manage the production facility. Our accountant looks after that sort of stuff. I assume laws have changed where legislation is probably making it easier for people to claim against us, and things such as that. I daresay somebody has to pay for it, and it is us as employers, I suppose.

**Mr CRAIGE** — Is there a specialist category for stainless steel workers or are you grouped in engineering?

**Mr MacLEOD** — We are grouped on the engineering side of it.

**Mr CRAIGE** — Do you think Workcover understands the difference between working with stainless steel and the work involved in a normal engineering operation, because it is entirely different from working in a foundry and working with a different product?

**Mr MacLEOD** — I think the potential hazards are the same, yes.

**Mr CRAIGE** — When you said stainless steel workers are a specialist group, can you replace them with technology?

**Mr MacLEOD** — In my workshop environment probably 5 per cent of my workers could be replaced with some form of technology. It is very expensive technology, that is all.

**Mr CRAIGE** — Has the company looked at it?

**Mr MacLEOD** — Yes. I hope to go to Europe in September to look at some of the possibilities, which I hope will not cost us workers but will mean we can put more workers on because we are more cost effective with our end product. That is part of that competitiveness when things quieten down.

**Mrs COOTE** — During the last election, as part of its policy the ALP said it would increase the Workcover premiums. Were you aware they were to be increased and, if so, what were you expecting? It was obviously not 50 per cent.

**Mr MacLEOD** — It is pretty hard for me to answer that because the financial control of the company is based in Griffith. We were expecting it to go up, and I daresay you could not expect it to stay as low as it was. I can

remember when it was as 10 per cent for our trade in the old days. We have done fairly well but it is now creeping up again.

**Mrs COOTE** — What if there were to be increases next year? You have already explained about technology and that you would use technology to reduce workers. What other impact would a hefty increase such as this have on you next year, if there were to be another?

**Mr MacLEOD** — As I said, we would try to pass it on to the customer, or try to wear it within our overheads. John said that it will slow down somewhere, but nobody knows when. The aim of the company is to try to get it well established so that when the slowdown comes we do not have to put workers off. We are currently working 50 to 55 hours a week. When the slowdown comes, we will go back to a normal working week to try to keep all our workers employed for when that next rush happens. You said we are creating a lake.

**Mr McQUILTEN** — It is a world lake, that is the problem.

**Mrs COOTE** — Do you have a health and safety education program in place?

**Mr MacLEOD** — Yes.

**Mrs COOTE** — If incentive bonuses were offered, would that help increase the work safety, or would it be some measure to address the high premium? Would that make a difference to you?

**Mr MacLEOD** — Yes. Accidents will always happen no matter what you do. We try to train employees by using induction programs, but unfortunately the accidents still happen. If there is an incentive there, we could employ somebody part time or a consultant to help employers such as us train more people in occupational health and safety, which theoretically should reduce our premium. It is an interesting question.

**Mr CRAIGE** — Do you know what your premium rate was in money terms, and what it has gone to?

**Mr MacLEOD** — Do you mean proportionate with our wages?

**Mr CRAIGE** — No. What was it and what is it now? Can you give the committee some detail?

**Mr MacLEOD** — In the past 12 months it has gone from \$42 242 to \$60 836 with basically no — —

**Mr CRAIGE** — Increase in salary?

**Mr MacLEOD** — The salary would have increased but it is due to pay rises, not to personnel. We have been pretty stable over the past 12 months with our personnel numbers.

**Mr CRAIGE** — You said you have had some minor claims in the last financial year?

**Mr MacLEOD** — Yes.

**Mr CRAIGE** — And you have not had any huge salary increases.

**Mr MacLEOD** — No.

**Mr CRAIGE** — You said you thought it would go up but do you know why? Have you any idea why it has gone up?

**Mr MacLEOD** — I assume that the past system was not functioning very well financially.

**Mr CRAIGE** — And it needed more money.

**Mr MacLEOD** — That is normally what happens. If I cannot build a tank for the right price I have to charge more. People sell insurance and that is basically what Workcover premiums are — an insurance policy.

**Mr CRAIGE** — Were you aware of the reintroduction of common law?

**Mr MacLEOD** — I know as an employer that it is becoming frightening.

**Mr CRAIGE** — With respect to your obligations?

**Mr MacLEOD** — Yes. You may find that various employers will elect not to employ for that very reason of common law. I am not saying an employer should not be responsible, but we do our utmost to provide a safe working environment and you cannot help it if a bloke comes in and turns his brain off. That might get back to training.

**Mr CRAIGE** — Do you know what your industry rate is, what classification your business is on, what percentage?

**Mr MacLEOD** — Personally, no.

**The CHAIRMAN** — Mr MacLeod, thank you for coming along today. The committee knows that you have come along in a busy time in your industry and appreciates that. A copy of the transcript of our discussions will be sent to you to make any suggested corrections.

**Witness withdrew.**

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#### Witness

Mr G. Burrows, Graeme Burrows Jewellers.

**The CHAIRMAN** — I welcome Mr Burrows to the committee's inquiries into the GST and Workcover. Do you wish to speak about both, Mr Burrows?

**Mr BURROWS** — Mainly about Workcover. Previously I had a wholesale company and retail business interposed, so I know something about what is happening. I am finding it harder now with GST than when I operated both companies. I could answer questions on both references.

**The CHAIRMAN** — I indicated earlier that because the committee needs to have separate transcripts it will deal with one set of questions first and go to the second matter later.

All evidence taken by the committee is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act. Mr Burrows, would you like to make an opening statement? I presume you are the owner or proprietor of Burrows Jewellers?

**Mr BURROWS** — I am a watchmaker. Several years ago I started a retail business and now run about four different retail shops. I have been in the trade for about 20 years. I find it difficult to understand Workcover as I am not like a lot of people in that I am not highly educated. It is difficult to handle matters since the system has changed; the new system is more complicated. I liked Workcover the way it used to be rather than the way it is now. We have been allocated several different insurance companies and we find it hard to work out our premiums. More often than not we end up ringing them and saying, 'How much do we owe you?'. I do not know the rating for my industry, but I know that last year my main store — Graeme Burrows Jewellers — paid HIH Insurance \$1200. This year our premium is \$3587. That is a large increase.

**Ms DARVENIZA** — In one year?

**Mr BURROWS** — Yes.

**Mrs COOTE** — For one shop?

**Mr CRAIGE** — With no increase in the number of employees?

**Mr BURROWS** — One employee. Previously we used to get a discount for no claims made by us on the system, but now no-claim discounts are not available, so far as I am aware.

**Mr THEOPHANOUS** — When you say 'before', are you talking years ago, under Workcare?

**Mr BURROWS** — When one insurance company was taken over we got a discount from the company we were with — I think it was Mercantile Mutual. It dropped out and changed industries. I am covered by the shop assistants and watchmakers category. Watchmakers come under the metal trades, but in our game it is hard to make a claim for sticking a screwdriver into your finger as it is not a dangerous industry.

The categories are specific — that is, if you are in the metal trades you are classified as being in the metal trades. It is hard to find out whether a welder is on the same rate as a watchmaker. You ring them but it is difficult to find out, so you pay your bill and keep quiet.

Our Workcover premium has doubled, but I cannot pass that cost on; it has to be absorbed. More and more of these things need to be absorbed so that our net profit has dropped a fair bit through some of the extra costs, not only Workcover. That affects us to a degree. We have never had a claim on Workcare or Workcover in 20 years.

**Mr CRAIGE** — You have never had a claim?

**Mr BURROWS** — No, I believe it depends on how you look after your staff. From my understanding of the system you could have a claim if an employee wanted to lodge a claim. When I was asked to appear today I took it upon myself to speak first to a few people about their premiums; most have increased by 80 to 100 per cent.

The biggest concern of most people is the reinstatement of common law. I am frightened of it, as are others. I asked HIH, my insurance company, how I stand so far as common law is concerned. They could not tell me. I do not know to what extent I am liable under common law, but the people here I spoke to say the insurance companies appear keen to pass claims on to common law rather than pay them out. I spoke to a woman who had damaged her foot in the supermarket. Because she supplied goods to the supermarket it advised her to put it through her own company, but her company said, 'We will pay you out but now you need to sue the supermarket, Woolworths, because you can get something out of it under common law'. It is too easy for them to pass it over.

**Mr THEOPHANOUS** — Whether it is common law or weekly benefits it is still paid by the insurance company. I do not understand your point.

**Mr BURROWS** — Common law goes through the solicitor, doesn't it?

**Mr THEOPHANOUS** — It is still paid by the insurance company. The insurance company covers wages and common-law claims; it is not passed on to somebody else.

**Mr BURROWS** — That is not the impression I have been given by people.

**Mr THEOPHANOUS** — Somebody is giving you misinformation.

**Mr BURROWS** — They have been told they have to go to a solicitor and then claim through common law. I have never had a claim, but people say they are concerned about that.

If I were asked how I would change the system I would say we should reintroduce the discount system. It is encouraging not to have a claim if you know your premiums will be better. That completes my summary.

**Mrs COOTE** — Did you expect to have such a high premium increase?

**Mr BURROWS** — No, we were told the industry rate would probably go up by about 17 to 20 per cent. I was surprised.

**Mrs COOTE** — You gave us one example; what about the other shops?

**Mr BURROWS** — It was basically the same.

**Mrs COOTE** — Is your understanding from other people in similar sorts of industries in this town that they were surprised, that they were not expecting premiums to increase to that extent?

**Mr BURROWS** — Nobody expected it to increase as much as it did. If I add up my stores the turnover would be more than \$1 million. You may say that \$3500 is not much, but when you add it up it eats into profits. In the past few years we have gone from a net profit of 20 per cent to 8 per cent or 10 per cent. It has been continually eroded by things like this that you cannot pass on.

The reason I favour insurance premium discounts is that in the jewellery trade you are prone to losing windows, but half the time I do not claim because I know my premiums would be affected if I put in claims. You have to weigh up whether it is advisable.

**Mr THEOPHANOUS** — Returning to what you said about the bonus scheme, under the old scheme — that is, before the Kennett government changed it — there used to be a bonus and penalties scheme for small businesses like yours. Is that what you are referring to?

**Mr BURROWS** — Yes.

**Mr THEOPHANOUS** — Did your premium go up after the change to the new scheme introduced by the Kennett government?

**Mr BURROWS** — I don't think it varied much; I was not aware of any major increases.

**Mr THEOPHANOUS** — But you prefer the old scheme whereby if you do not have accidents, you can get a bonus?

**Mr BURROWS** — You should be rewarded, yes.

**Mr THEOPHANOUS** — What percentage of your premium increase has there been across the whole business from the previous year?

**Mr BURROWS** — I only went back through last year's computer figures for my store in town, which was \$1200; this year it is \$3587.

**Mr THEOPHANOUS** — I find that surprising, unless you have had an increase in the payroll. Has there been an increase?



**Mr McQUILTEN** — What was the payroll the year before?

**Mr BURROWS** — I do not have the figures. That approximate \$3500 is based on \$171 000 and I do not believe my payroll would have been much different in the previous year, but I could be wrong. The only variation could be in that I used to run a wholesale company in conjunction with the retail business. I used to move two wages from the jewellery shop into that because the office was at the back of the shop. At the most it would be \$40 000.

**Mr THEOPHANOUS** — I find it difficult to understand. You should not be faced with more than a 17 per cent increase as a maximum because 17 per cent takes account of common law and the GST. Small business has had a 20 per cent cap placed on it, anyway. Would you have a problem with the committee looking at your Workcover file to try to figure it out?

**Mr BURROWS** — I don't mind at all. My employee number is 1694237. When you run a business and are faced all the time with these small problems, half the time it is easier to pay them rather than argue because I do not fully understand the system.

**Mr BEST** — What was the process by which you sought an explanation? You said you changed insurance companies. Can you tell us the way in which you queried the increase in your premium, which looks to be about a 200 per cent increase?

**Mr BURROWS** — We had a lot of problems. Because I have run the wholesale company and a retail company, and then expanded, at one stage we had problems with our figures. I went to Melbourne to try to sort it out. The government changed the system and went into the private insurance companies. I do not know whether the first company we were with mucked it up or we mucked it up. In the end they changed direction and we were put with another insurance company at the suggestion of the first company we were with. We are now with HIH Insurance. They seem to be handling it differently. It has gone up, but I do not know whether we were handled incorrectly at first.

**Mr BEST** — What is HIH's explanation about the increase from \$1200 to \$3500?

**Mr BURROWS** — They send you a form in which they ask you to estimate your wages for the next 12 months; we did that. If it was not right at the end of the 12 months you would send in your actuals and they would send you a bill for the difference. Perhaps when you look at my file there may be reasons for it, but we find it hard to get a reason for the increase.

**Mr BEST** — The support and information you get from the insurance companies is less than adequate for you to competently run your businesses?

**Mr BURROWS** — For \$200 it is just not worth mucking around with.

**Mr BEST** — Your attitude is that your time is far too valuable to be mucking around with this. It must be right and you will put up with it?

**Mr BURROWS** — I have enough customers giving me trouble, so why worry about one insurance company that will give me a little bit of trouble but I can pay it and get it off the road. I know it is not the right attitude but it is true.

**Mr BEST** — Your time is money.

**Mr BURROWS** — And I am sitting on the phone, on a Melbourne phone call, and half the time someone from the office will ask me where I am from. When I say I am from Mildura they ask what suburb it is. They do not realise you are sitting on a phone.

**Mr BEST** — So far as a business operating in country Victoria, you face severe disadvantages in dealing with metropolitan insurance companies.

**Mr BURROWS** — I believe those companies should have regional offices, or they could call me back.

**Mr BEST** — Or provide an 1800 number so there is not a disadvantage in the STD charges you are forced to pay.

**Mr BURROWS** — Eighteen hundred numbers do not work. There are never enough lines. You can never get through. It is very difficult to get a response from 90 per cent of the people who use 1800 numbers.

**Mr BEST** — It is again that isolation, dislocation and remoteness that causes you difficulty?

**Mr BURROWS** — Yes. Normally if we have too many problems I wait until I go to Melbourne to sort the issues out unless we have to sort something out earlier.

**Ms DARVENIZA** — Do you support an experience rating system where employers who experience more accidents in their workplace pay more and those who have fewer accidents pay less?

**Mr BURROWS** — Very strongly.

**Ms DARVENIZA** — You made a couple of comments — once when you were giving your submission and once when you were answering a question — about a range of other costs that were affecting your business apart from Workcover, and affecting your ability to maintain your profits. Can you tell the committee about what some of those other costs are?

**Mr BURROWS** — We have our local rates, and that controls our costs a bit, but there is also a city heart levy that has been put on the business and that is about \$1000 a year on each of the businesses. Then there is an economic and tourism levy that is put in. When you start adding them all up they run away with a fair bit of money. They are the types of things I am talking about.

**Ms DARVENIZA** — Most of those are council charges that are set by the council.

**Mr BURROWS** — Yes.

**Mr CRAIGE** — You were aware, because the Bracks government made it clear, that common law would be reintroduced. Were you aware of the size of the increase that would occur as a result of the reintroduction of common law? It is 17 per cent for common law and GST.

**Mr BURROWS** — No, I honestly did not fully understand it. I have a doctor friend and he was the only person I spoke to when it first came in who was concerned about it, because he was worried about his estate. I do not know whether doctors are different from me. What concerned me is that I am working all this time to set up a family trust and someone can tap into that family trust for some mistake someone made on my behalf. I could be totally wrong. From my way of thinking I cannot understand why my estate would be tapped into if someone who was working for me made a mistake. It is a roundabout way of putting it.

**Mr CRAIGE** — Obviously there is some concern about common law. I was interested to hear that when we went from the previous system of Workcare and the incentive scheme was removed that there was no real hike in your premiums, but clearly with the introduction of common law there has been a significant hike.

**Mr BURROWS** — Yes.

**Mr CRAIGE** — Are you aware of the industry rate? Do you know what rate you are in? Are you aware of whether your classification has changed or not?

**Mr BURROWS** — No, I do not think it would because I think I am under retail traders for the shop assistants, and I am not one of those borderline applications.

**Mr McQUILTEN** — It has gone up one level. You are not under jewellers and watches because you have gone up if you are under that category.

**Mr CRAIGE** — Nobody really knew about it, but in the dead of night the Labor government snuck up behind you. Were you aware as an employer that there had been and would be changes to your industry classification rate?

**Mr BURROWS** — No, but I have never been really aware of it. I have been in the metal trades and the retail area, that is about all I know. It is one of those things I knew I had to pay, so I paid it.

**Mr CRAIGE** — You accept the fact that you just pay the bill at the end of the day and that is it.

**Mr BURROWS** — Yes, but it is no different from you. You are in the Parliament. You were in government and now you are on the back bench and you have carried on, so we do the same.

**Mr CRAIGE** — We keep fighting; do you?

**Mr BURROWS** — Of course I do, but I have a number of other fights so you lay over for a few.

**Witness withdrew.**

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#### Witness

Mr R. Lake, Tasco Inland Australia.

**The CHAIRMAN** — I welcome Mr Ross Lake from Tasco Inland Australia. All evidence taken by the committee, including submissions, is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act.

I understand you wish to address the committee on both Workcover and the GST, Mr Lake. We need to separate our discussions on those topics so we can have separate transcripts. We will deal with Workcover initially. Would you like to make an opening statement about Workcover?

**Mr LAKE** — I had intended to talk briefly about Workcover and then at length about the GST. I will restrict my problems to dot points after I have explained who and what I am. I am the managing director of Tasco Inland Australia, which is an equity company whose other partner is Exxon Mobil Australia. It is a wholesale and retail fuel distribution business. It distributes fuel in and around Broken Hill, Mildura, Swan Hill and Bendigo — an area about the size of Victoria — and all points in between.

It turns over about \$150 million a year and has a staff of 110 comprised of 60 effective full-time and 50 casual staff. The casuals are employed primarily in the retail arm of the business. We own 28 service stations and lease a further 10. Our head office in Mildura employs 14 people.

I make that latter point because if you understand economic development you will understand that having a head office in a town like Mildura means that the nature of the jobs is important. Most of the jobs in our head office attract packages of between \$40 000 and \$80 000 a year; in regional Victoria they are reasonable wages. That compares with our district average wage of \$26 000. Most jobs here are based on information technology or management. In the past two years five of my staff have bought houses in the town. That is particularly important because as a friend of mine often points out, economic and social development of rural and regional towns is not about the size of the pie or increasing its size but about monitoring the number and size of the spoons, and acknowledging that it will trickle down if your particular economic philosophy is about either getting the crumbs or getting up onto the table.

Having spent every day of my life in the industry, as the business originally belonged to my father — an industry much maligned and much misunderstood — I am aware of how the bureaucracy or the public sector and the political sector misunderstands or struggles with its complexities and often forms views based on perception or general ill will.

That has led to particular ill-conceived legislation over the years and particularly ill-conceived regulatory responses that have been industry specific. I am a fuel distributor and, therefore, not the most popular person in rural Victoria at any given point in time.

Also, I have spent 18 years being involved in Mallee Family Care — I am now the vice-president — which is the largest human services provider in this community. For the past 10 years I have been treasurer of the Christie Centre, the centre for intellectually disabled persons in Mildura. Also, I have been chairman of Sunrise 21, the economic development unit based around a partnership with the Department of Natural Resources and Environment and networks of community-based organisations. I am the chairman of the Mildura–Wentworth Arts Festival that this year will bring 43 performances in 20 days of March and has a budget of more than \$300 000. I am also on the board of Mildura–Murray Outback Tourism.

I list those activities so you can see I can know something about the impact on the community of government legislation. My views are not particularly restricted to my position as managing director of a fuel distributorship. I hope that somehow tempers your opinion of who or what I may be.

At the outset, having spent 20 years as a businessman — I have also been a lawyer and a school teacher — I have never felt the degree of animosity I now feel towards the net taxpayer-funded political and public sector. It is important for me to put on record that I have never felt so disappointed and angry about what is being imposed on me as a small businessman in a rural community.

If I may stick to the terms of reference about Workcover and particularly the premiums for 2000–01, I am tempted to make broader comments about Workcover in Victoria generally and particularly the role of doctors in that process. The premium message is simply this: in 1999–2000 my premium was \$40 882, with no claims made, yet in 2000–01 it is \$69 768.41 off a similar payroll configuration — that is, an increase with the GST of 72.5 per cent, and an increase without GST of 64.5 per cent.

As to the insurer's reasons behind the increases, the pamphlet they circulated to me and which was clearly the basis on which most of the political press releases were made, said the increases were to cover the reintroduction of common law and the GST, the changes in benefits and compensation levels, the full funding commitment made by the new government to be attained over the next three years, my own claims, my industry's claims, and the extra legal services that may have been provided by the Workcover insurers.

The impact is simply that it is a tax, nothing more or nothing less, and the tax has been increased. It is a fixed-cost, non-discretionary cost in my business and is difficult to recover. It has been particularly difficult to recover given the peculiar industry specific pressures that were exacerbated and caused by the federal government's and the Australian Competition and Consumer Commission's dollar margin rules, the introduction of the GST and the ongoing competitive pressures in my industry. In terms of the future, I do not want to say a lot about Workcover. It is clearly a damaging expense within our business. If I had \$29 000 I would rather employ one more kid than send the money to Melbourne. It would be far more valuable for the community. In terms of the future, the capping of claims and the capping of premiums need to be examined, and the capping of premiums needs to be attached to some consumer price index (CPI) or something. The deductible payroll levies need to be increased. Greater rewards or greater discounts are needed for individual businesses on the basis of their claim histories, and rates should not be industry wide but should be workplace based where possible, or a combination of that. That is what I wanted to say about Workcover.

**Mr McQUILTEN** — Under the old scheme if you filled in the form where you predicted your next year's wage bill that was fine, but if you did not fill it in they would put on CPI of 3 per cent. Under the new changes they add 20 per cent to your bill. Do you agree with that?

**Mr LAKE** — It is done by my administrative staff and not by me personally, of course. It is always predicted on the basis of the previous year's history and whether you have added or subtracted any staff or you are planning to add or subtract any. There are actually 42 profit centres in our business. That means there are 42 separate businesses that make up the whole. Predicting within 2 per cent or 3 per cent — I guess my payroll tax is the best gauge about how accurately I predict between years. My payroll tax is around about \$128 000 a year and last year was \$133 000. I do not know how anybody else feels about it but I find it absolutely obscene that a small business in a rural community pays \$133 000 for the privilege of employing people and then pays a further \$63 000. That is almost \$200 000 worth of fixed costs in Workcover tax and payroll tax. I do not think I got those wrong because the reconciliation against total payroll is your payroll tax bill. That is not an issue; the form would have been sent in.

**Mr McQUILTEN** — Are you sure of that?

**Mr LAKE** — I am absolutely positive. By now I would have had a reconciliation. Remember that both those are discrete years that have already finished, so both are end of financial year figures because we are in 2001 and 2002 now.

**Mrs COOTE** — You mentioned common law and its reintroduction. In your industry, which I guess has some concerns, will the common law be a problem, looking back retrospectively? The second part of my question relates to the community groups that you are with. Those groups are quite diversified and it is interesting to see all the things you are on. Is common law looming as a major concern for those community areas as well?

**Mr LAKE** — I will deal with the first part of your question first. The reintroduction of the common-law right can be looked at in two ways: from the employee's point of view, he or she has a genuine claim, and I guess those sorts of genuine claims are those that we see highlighted in the *Herald Sun*; or you can look at it from the point of view of someone who is a former lawyer. Quite frankly, all you did was press the cash button on the till and it opened. I think the reintroduction of common law is ill conceived in terms of its generic introduction. Probably it should have been thought about in terms of creating a discretion for those serious injuries specifically created by the terms of employment or in employment compared with those ambit claims that we will inevitably get now because everyone will want a double dip. It is just ill conceived. I realise it is a soft tool. I am not declaring in any way the nature of my political beliefs, but I realise it was an agreement with the unions and it was inevitable.

To answer the second part of the question, clearly any fixed cost in a community organisation that depends on either fixed grant income or income on the basis of donation will trouble it. In terms of those individual groups, the main concern about employing people in volunteer organisations is the administrative burden, and then the cash-flow burden if you get a Workcover claim. The established groups — for example, large groups such as Mallee Family Care or the Christie Centre, which have been around a long time — have administrative staff and it

is not an issue. The smaller community groups, such as my arts festival, will not employ anyone directly. Everyone is employed on contract and they contract their services through another entity to us. We refuse to have people on direct employment.

I have had a recent issue with Sunrise 21 where a seconded staff member who returned to work duties from another organisation had to be placed or was requested to be placed in our organisation, and I refused that request until I had been provided with an indemnity from the initial employer.

**Mr THEOPHANOUS** — I am a bit surprised at the level of increase because the GST and common law should have been 17 per cent.

**Mr LAKE** — I am happy to fax you a copy of the invoice.

**Mr THEOPHANOUS** — Are you happy for us to have a look at your return?

**Mr LAKE** — Yes.

**Mr THEOPHANOUS** — Do you support the experience rating system whereby if an employer has more accidents it pays more in premiums and if it has fewer accidents it pays less? Do you support that scheme?

**Mr LAKE** — I don't think it is as black and white as that. There are clearly some industries — I refer to Exxon that says we should have zero accidents, end of story, and I have to report instances down to the spilling of 5 litres of fuel, for example, and that report has to go all the way back to Singapore. We report perhaps three incidents a week. Within that climate, you have to have a blend of reward and discount down to the workplace level so that within industry categories people can be re-categorised. We have been in business for 45 years and I think we would have had five claims in those 45 years.

**Mr THEOPHANOUS** — Your industry rate went up last year?

**Mr LAKE** — Yes.

**Mr THEOPHANOUS** — That is because of accidents in the industry?

**Mr LAKE** — That is because of other people's accidents.

**Mr THEOPHANOUS** — That is right, but you have to have some benchmark to use. Does not the whole industry have to look at its safety record?

**Mr LAKE** — I am saying it should be a blend. I do not know that I should be penalised for other people's poor performance.

**Mr THEOPHANOUS** — You keep referring to Workcover as a tax. Would you refer to the insurance on your car as a tax?

**Mr LAKE** — Yes.

**Mr THEOPHANOUS** — So you consider any form of insurance to be a tax?

**Mr LAKE** — Not any form of insurance. Workcover for me is a tax; it is an administrative burden; it is a fixed cost.

**Mr THEOPHANOUS** — It is a cost.

**Mr LAKE** — It is a tax against employment and it should be shared.

**Mr THEOPHANOUS** — That is a strange definition of tax.

**Mr LAKE** — That is the way I see it.

**Witness withdrew.**

# CORRECTED VERSION

## ECONOMIC DEVELOPMENT COMMITTEE

### Inquiry into Workcover premiums for 2000–01

Mildura – 29 January 2001

#### Members

Mr R. A. Best  
Mrs A. Coote  
Mr G. R. Craige  
Ms K. Darveniza

Mr N. B. Lucas  
Mr J. M. McQuilten  
Mr T. C. Theophanous

Chairman: Mr N. B. Lucas  
Deputy Chairman: Mr T. C. Theophanous

#### Staff

Executive Officer: Mr R. Willis

#### Witnesses

Mr J. Judd;  
Ms H. Munro; and  
Ms D. Brown, United Panel Works and John Judd Industries.



**The CHAIRMAN** — Would you make a statement to the committee on Workcover.

**Ms MUNRO** — By way of explanation, John has been in New South Wales until prior to Christmas so he is running a New South Wales business and had New South Wales workers compensation. He will experience Victorian workers compensation soon. Donna Brown subcontracts painters and they have experienced Workcover increases as well. I can give the committee the figures and I can tell it how much it has gone up, but the committee probably knows that anyway.

**Ms DARVENIZA** — Can you give the committee your premiums?

**Ms MUNRO** — For the 1999–2000 year we had a wage figure of \$132 506 and our premium was \$2927. Our estimate naturally for this year was a little bit higher at \$155 000 and it went up to, excluding GST of course, \$4838.37. I may be wrong in working this out but I figure our estimate is that wages increased 17 per cent and Workcover went up by 65 per cent. That is how our estimate was worked out. In our business it is difficult to find people. We fluctuate between apprentices, full-time workers and casuals. Workcover has gone up and we have no way at all of passing this cost on to our customers because we cannot put up our rates.

**Mr JUDD** — We had a meeting with Marsha Thomson and a few ministers that came up a few months ago and we brought it to her attention then. We asked if there could be an incentive if businesses do not claim, an incentive rate. A lot of small businesses have probably never used their workers compensation or their Workcover and they are still paying the maximum premiums. Maybe there should be something in the system whereby if businesses do not use it for a number of years they should be on a discounted rate, or have levels 1, 2 and 3, as with the insurance companies.

**Mr THEOPHANOUS** — That used to be the old system but it was changed by the Kennett government.

**Mr CRAIGE** — The Bracks government introduced the new scheme of common law.

**Ms MUNRO** — So, we cannot win. The other thing that really annoyed me — and this did not affect John — was that we had to include superannuation in the calculation of our wages. I really felt that was a little harsh on us, because after all do they get paid superannuation when they are on Workcover?

**Mrs COOTE** — What sorts of claims have you had?

**Ms MUNRO** — We have not had any.

**Mrs COOTE** — Over the past five years.

**Ms MUNRO** — We have been in business for 18 years.

**Mrs COOTE** — Has the industry payments rate gone up?

**Ms MUNRO** — We find it difficult to get that sort of information. They do not want to give us a percentage.

**Ms DARVENIZA** — What industry are you in?

**Ms MUNRO** — We would call it the body repair industry, I suppose.

**Ms DARVENIZA** — Do you have any understanding of why the premiums have increased, apart from the 17 per cent increase in wages?

**Ms MUNRO** — Yes. I knew common law was being introduced again and I knew it would do nasty things to our premiums for sure, because when it was deleted as a business person I honestly thought, ‘Thank goodness someone has seen reason because there is no way it needs to be in when there is compensation available’.

**Ms DARVENIZA** — Do you have any difficulties with the committee getting some information from Workcover about why your premiums have gone up that much?

**Ms MUNRO** — No, that is fine.

**Mr BEST** — In dealing with your insurance company has it been forthcoming with help, assistance, information and explanations on what has happened to your premiums?

**Ms MUNRO** — Not a lot. We contacted our local member, Russell Savage, and spoke to him about it. We knew what was happening. In part of my address I was going to say that small business operators are too busy trying to run their businesses, keeping their customers satisfied and keeping their staff employed and happy, and do not have time to be writing letters. I have a folder of letters I have written here to the ACCC. I have probably wasted much time over the past six months.

**Mr BEST** — My concern is about the lack of service the insurance industry is giving clients for whom they act. I was interested to know about your insurance company. Is it in Mildura?

**Ms MUNRO** — No, Mercantile Mutual used to have a local office here but are now in Bendigo.

**Mrs COOTE** — Do you find that being in Mildura or regional Victoria has caused even more problems?

**Ms MUNRO** — Being in small business is the trick. I do not know that being in a rural area makes much difference. I doubt it would be any different even if you were in Melbourne, went to the office, knocked on the door and said, 'I've got a problem'. I knew the premium was to increase because of the reintroduction of common law. So, what do we do? We have written letters, but they said, 'Sorry, there is nothing we can do'. That's the end of the story, how far do we go? We do not have time to be spending hours on the computer when we have other day-to-day problems to be solved.

**Mr THEOPHANOUS** — You realise that common law should not be a concern for you if you run a safe workplace?

**Ms MUNRO** — That is right.

**Mr THEOPHANOUS** — You would not have to worry about it because so long as you, as an employer, do not cause an accident you would never have a common-law claim made against you.

**Ms MUNRO** — But we are now paying for that.

**Mr JUDD** — We have just shifted into a new shop. The rules and regulations for our ovens and paint rooms are unbelievable. I made sure the place was certified. I repeat: shouldn't the shops that have all that in place be rewarded?

**Mr THEOPHANOUS** — I remember you saying you were in business in New South Wales and had come to Victoria?

**Mr JUDD** — Just over the river.

**Mr THEOPHANOUS** — Did you notice any difference? The average for Workcover in Victoria is still around 2.2 per cent and the average in New South Wales is 3.5 or 3.6 per cent. Have you noticed a reduction since you came over the border?

**Mr JUDD** — We have not received anything yet so I cannot comment.

**Ms BROWN** — From 1996 to 1999 our premiums have changed, and in 2000 they increased to \$4300.

**Mr BEST** — From what?

**Ms BROWN** — From between \$2200 and \$2700 in the previous four years. We had it amended to \$3800 but it is still significant.

**The CHAIRMAN** — Is that the figure for 1998–99?

**Ms BROWN** — From 1996 to 1999.

**The CHAIRMAN** — Do you have specific figures for 1998–99?

**Ms BROWN** — Yes, it was increased to \$3846 after it was amended from \$4300. We had a change in employment circumstances.

**Ms DARVENIZA** — With an increase in staff?

**Ms BROWN** — No, a decrease to bring it down.

**Mr BEST** — Did you put somebody off?

**Ms BROWN** — He was a casual employee who found full-time work elsewhere.

**Mrs COOTE** — Would a premiums increase of the same rate put pressure on your employing people next year?

**Ms BROWN** — I would have to say yes.

**Mrs COOTE** — That applies to all of you, so if the premiums increase next year at the same rate they did this year you would have to look at putting people off?

**Ms BROWN** — Not putting them off but not being able to expand.

**Ms MUNRO** — We have been in the happy situation of having three apprentices and the Workcover aspect did not apply. Now one has finished and we are employing more trained staff because of the situation. The Workcover rates are higher.

**The CHAIRMAN** — Thank you for your evidence. We will send you copies of the transcript to which you may suggest minor alterations only.

**Witnesses withdrew.**

# CORRECTED VERSION

## ECONOMIC DEVELOPMENT COMMITTEE

### Inquiry into Workcover premiums for 2000–01

Mildura – 29 January 2001

#### Members

Mr R. A. Best  
Mrs A. Coote  
Mr G. R. Craige  
Ms K. Darveniza

Mr N. B. Lucas  
Mr J. M. McQuilten  
Mr T. C. Theophanous

Chairman: Mr N. B. Lucas  
Deputy Chairman: Mr T. C. Theophanous

#### Staff

Executive Officer: Mr R. Willis

#### Witness

Mr G. Martin, Martin Petroleum.

**The CHAIRMAN** — I welcome Graeme Martin. All evidence taken by the committee, including submissions, is subject to parliamentary privilege and is granted immunity from judicial review under the provisions of the Constitution Act and the Parliamentary Committees Act. I understand you wish to talk to the committee about Workcover and the GST?

**Mr MARTIN** — Yes.

**The CHAIRMAN** — So that we will have two separate transcripts we will deal with each separately. Initially we will deal with Workcover.

**Mr MARTIN** — I am the managing director and operator of the wholesale division of Martin Petroleum, a fuel and oil distributorship based in Mildura but servicing the Riverland and South Australia, the south-west of New South Wales and down as far as Ouyen in north-west Victoria. We are a relatively small player in the game through distributing about 40 million litres, which is probably well below most that will be regarded as economic units in the future.

We employ 18 full-time people in the wholesale division and operate 5 retail outlets where we employ 5 full-time people and 35 casual staff. The business was commenced in 1963 by my father. My brother, who looks after the retail side of the business, and I, are the principals of the business.

I have copies of your Workcover terms of reference. I understand paragraph A concerned the reason for the level of premiums. In 1999–2000, based on a wages estimate of \$370 000, our premium was \$6224. We received notification from Mercantile Mutual as the administrator via, I think, QBE Insurance that the premium for the 2000–01 financial year, based on a \$381 000 wages estimate, was to be increased to close to \$11 000. The correspondence mentioned the average rate of increase was 2.2 per cent but our increase is far higher than that.

**Mr THEOPHANOUS** — What was the exact amount?

**Mr MARTIN** — It was approximately \$10 700, but I could furnish that later.

**Mr THEOPHANOUS** — Do you mind if we ask Workcover to give us that information?

**Mr MARTIN** — Sure, I have no problem with that. As a matter of background, I did not necessarily have any problem with increasing premiums if that was the judgment of the government of the day due to changes. My major concern for our business was that the increase was a cost imposition that we were unable to recover in the marketplace largely due to political and media pressure in our game. That was our single biggest beef: how do we recover the increase without drawing massive attention to ourselves through our fuel prices? At the same time we were faced with an extreme press campaign over the new tax system and the unfortunate world impact on prices, with fuel pricing appearing to be the economic issue of the day. I can understand that, but it made it very difficult to recover those costs.

Paragraph B concerned the manner in which the premiums were determined. I do not wish to comment on that. If there was a method by which Workcover decided to change industry premiums, so be it. We have little power to change that. The impact was an approximate 40 per cent increase on the cost basis of that item, with little chance of recovery. That comment relates to paragraph C of the terms of reference.

Paragraph D concerned the impact those premiums have had and can be expected to have on the state budget in the provision of services by government departments. I may be straying from the terms of your inquiry, but I have a real concern about the level of government services in the city of Mildura. I would rate them as fair to poor. The decentralisation campaign seems to lump together the north-west of Victoria, from Ballarat and Bendigo, depending on where you change it. On the face of it, that may seem to be a reasonable compromise in Melbourne, but it is a difficult option. It is easier to fly, go by bus and rail or drive to Melbourne than it is to get to Ballarat or Bendigo because you must drive: there is no option other than to go to Melbourne and return to either city, which is a massive waste. Sometimes it seems easier to go to Adelaide and travel from there. When people think about the decentralisation issue they need think about the accessibility of those cities for the market area they attract. Ballarat and Bendigo do not work for Mildura.

Paragraph E refers to whether the government can or should take action to reduce or compensate for any such adverse impacts. If you were to adopt a user-pays principle — and I will get onto the GST although I realise you want to keep the subjects separate — at the moment the administrative burden on small business is almost at overkill without increasing the resources to deal with it. I would agree if you were looking to compensate or

subsidise the employment of somebody to deal with that function. Failing that, transferring that burden to small business means that under the user-pays system small business needs to be somehow compensated because it is performing the task of the tax collector and the government administrator.

Paragraph F refers to what changes should be made to the manner in which Workcover premiums are determined in the future. Since 1990, according to our records, we have had one claim which was a knee operation on a driver last year. I do not see much benefit in our being proactive on workplace safety, although the oil industry by its nature is very proactive on workplace safety. The one accident that does happen may unfortunately lead to massive tragedy as witnessed by the tragic tanker road accident the other day. We are somewhat luckier in that we receive our fuel by rail, which I advocate should be maintained.

There does not seem to be a lot of incentive for us to be proactive when we cop a 40 per cent increase. It has clearly been done on an industry basis and not on a separate business basis. I am not sure how to manage the administration of ascertaining what each separate business's premium might be. I repeat my point: I see a great difficulty in that there does not seem to be a lot of incentive for us to be proactive about it.

In terms of Workcover, obviously the premiums are related to claims. I will relate a story of a second prospective claim on us which was subsequently knocked back this year. It is a bit disconcerting, and I am not sure how one resolves this. We had a driver who injured his back at home during a home task, and he freely admitted that. He took time off from work, returned to work and had been working some months when the injury recurred. He had to spend significant time off work in this case. He sought some Workcover intervention by making a Workcover claim.

We subsequently had an interview at our workplace in Mildura with a Workcover investigatory officer, to whom we spoke at length. The process is that they speak to the employee and then to the employer. Both the employee and the employer in this case did not have the expertise to judge whether the employee's workplace activities had aggravated that injury or not, and we said we would defer to Workcover or medical opinion on this point. The employee was of the same opinion because he could not categorically say this had occurred because of work activity or had just flared up when he walked around his bed at home.

The Workcover investigatory officer drove to Mildura, and during that drive I think he had two other cases — I believe one was in Horsham and one in Swan Hill, but I would not want to be quoted on that. At the end of the day the guy complimented us in that we were trying to ascertain the truth. We were both genuine parties looking for a solution and trying to see whether Workcover should or should not be involved. He mentioned his two previous investigations — without naming names, which he would not do, of course — and he explained that they were conducted in a climate of outright hostility. He was absolutely certain that in both those cases one or the other party was trying to basically pull a swiftie on the other and that they were not legitimate claims, yet he has guidelines to follow and cannot call someone an outright liar. However, that was his opinion. Our case was knocked back, and one could argue whether that decision was fair or unfair. Certainly the employee feels a little aggrieved. His words to me were, 'What is the point of being truthful? The next time it happens I will lie'.

Notwithstanding that, and I do not want to dwell on our particular case, I am concerned about the number of potential shonky claims that are out there at the moment by people with back injuries, strains and stress. The Workcover officer also related a story to me about one of his colleagues who specialises in stress-related claim investigations. The colleague is at the point where he says if he ever had to claim for himself he could put it through in 5 minutes; he knows exactly what is true and whether it is justified or not. He was not saying he would do that, but was saying how simple the system was to do it.

**Mr BEST** — Do you think the return of common-law rights will create a Tattsлото-type mentality within certain sections of the work force?

**Mr MARTIN** — Yes, very much so.

**Mr BEST** — Which will adversely impact on business.

**Mr MARTIN** — It has to. At the end of the day, there is a bucket of money going out there. It will increase the cost.

**Mr BEST** — Highlighting the point you made earlier about remoteness and isolation, I am interested in the performance of Mercantile Mutual or GBE and the level of service provided to you by your insurance

company; the way in which it did business with you or you did business with it. Are you satisfied with the explanation and the information given to you so far as your premiums and claims are concerned?

**Mr MARTIN** — There is a level of satisfaction; it is not dissatisfaction. I would not say that it is the greatest service in the world. I rate it as what we would expect. It has not fallen below expectation, so in that sense I guess I have to say we are reasonably satisfied.

I got a bit caught out after agreeing to speak to the committee in that I was in Melbourne for the week and I have been rushing around all morning trying to get some research done, which is why I could not get the exact number, but a budgetary figure we used. We have an internal accountant and I was going through some of the records to try to ascertain some exact numbers. We uncovered a statement from the insurer at the end of a reconciliation period to say we had not put a reconciled statement to them — this is 1997 or 1998 — and therefore some bonuses did not materialise. It was our failing. We have always done that and had submitted, so that was an incorrect statement. We could have gone back to prove that, and did not do that. In terms of oversight, it was one of those admin things where we did not read it carefully enough. What I am trying to illustrate is that we are finding — I must admit this is even with our supplier, Shell — we have to double-check and check again and reconcile every little piece of material we are receiving from outside bodies. The administrative burden is just unbelievable, and we missed something there.

**Mr THEOPHANOUS** — You have had an increase in your Workcover premiums. There are a number of possible reasons. There has been an increase of 15 per cent for the reintroduction of common-law rights and an increase for the GST. The rest of the increase is either because of your own company's accident record or because of your business's accident record. Do you support the idea that industries and companies that have poorer accident records should pay more and those that do not should pay less?

**Mr MARTIN** — I support companies paying more or less according to their record. Unfortunately, as you can see in our case where we have had one claim in 10 years, we have been penalised by the poor performance of other players in the industry.

**Mr THEOPHANOUS** — That may well be true, but your company is a relatively small company with a payroll of \$370 000.

**Mr MARTIN** — That is the premium for our head company called Martin Petroleum. We operate several other companies linked into this, so the payroll is significantly more. I am relating premiums to the payroll of that company and not the other ones.

**Mr THEOPHANOUS** — Why is that? Did the others go up or down?

**Mr MARTIN** — They went up as well.

**Mr THEOPHANOUS** — The point I am making is that there is a loading for small businesses. The industry counts more than the experience of the company, that is true, but the alternative to that is that if it related entirely to the experience of the company, would your company be able to sustain an increase in premium of \$4 million if it had a claim that cost that much, or should that more rightly be spread out across the industry?

**Mr MARTIN** — Yes, I agree with your point, but if there is a \$4 million claim, we are back into the common-law lottery, are we not?

**Mr THEOPHANOUS** — You can get claims of that magnitude whether or not there are common-law rights. If a young person is injured at work and becomes a paraplegic you might have to pay for him for life. That is the reason you have an experience rating that is based on the industry. Thirty-five per cent of businesses had reductions in their premiums because of better industry ratings and personal ratings of the companies. You are not suggesting that those companies should pay for your industry?

**Mr MARTIN** — No, I am not. I just hark back to the point of the industry-versus-company operation. I see us as being reasonably good, with little claim experience, and proactive in it, and we have been penalised because we happen to be in the industry. I do not have an issue with the philosophy of Workcover at all. My main beef, quite frankly — and again, I am not necessarily taking issue with the 40 per cent increase — is that in the climate we are in, in the industry we are in, we were given little chance of recovering that cost.

**Witness withdrew.**

# CORRECTED VERSION

## ECONOMIC DEVELOPMENT COMMITTEE

### Inquiry into Workcover premiums for 2000–01

Mildura – 29 January 2001

#### Members

Mr R. A. Best  
Mrs A. Coote  
Mr G. R. Craige  
Ms K. Darveniza

Mr N. B. Lucas  
Mr J. M. McQuilten  
Mr T. C. Theophanous

Chairman: Mr N. B. Lucas  
Deputy Chairman: Mr T. C. Theophanous

#### Staff

Executive Officer: Mr R. Willis

#### Witness

Mr G. Stone, G. D. and S. I. Stone Pty Ltd.



**The CHAIRMAN** — All evidence taken by the committee, including submissions, is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act.

Mr Stone, will you make a brief statement about your business detailing things such as its size, and then any comments you wish to make about Workcover. The committee members may then ask you some questions.

**Mr STONE** — I am in the table grape business. We export all our fruit. We do not export the fruit ourselves, we go through exporters, and we are in the \$1.8 million gross bracket a year. We have around \$500 000 in wages every year. I have been in the business for 32 years. Before that I was a motor mechanic for 21 years. I have never had a Workcare or Workcover claim and, according to the papers I have here, in the three years from 1998 until now we have paid near enough to \$70 000 and have never had a claim. I queried the percentage once before and was told the reason was the business I am in, which has many claims. It does not matter that my company does not have any, we have to cover the others. That sort of sticks in my throat a bit.

**Mr BEST** — What is your premium increase from last year to this year?

**Mr STONE** — My daughter-in-law is the boss cocky of all this. In 1999 it was about \$20 000; this year it is about \$23 000. It may even be more than that — that was up to the 11th month.

**Mrs COOTE** — Did your daughter-in-law list the salaries for 1999?

**Mr STONE** — No, not the wages. It is normally between \$500 000 and \$520 000.

**Mrs COOTE** — Have you had any major change in numbers?

**Mr STONE** — There are no major changes in that. Our wages dropped a bit in the latter half of last year because we ran a refrigerated transport that we had taken off our hands. We own it now but we do not pay the wages for the drivers, so that saves us the wages.

**Mr BEST** — You put them on contract, did you?

**Mr STONE** — Yes.

**The CHAIRMAN** — I assume from what you just said that your premium has gone from approximately \$20 000 — —

**Mr STONE** — If you have a calculator you could add it up quickly. What hurts me is we have never had a claim. That is not to say I will not have one today.

**The CHAIRMAN** — The figure for 1998–99 works out to be about \$28 000 and for 1999–2000 it is a bit less than \$23 000, which means it has gone down.

**Mr STONE** — Getting rid of the truck drivers might have helped.

**The CHAIRMAN** — That is a reflection on the reduction in employees.

**Mr STONE** — Yes, because truck drivers cost a little bit of money.

**Mr THEOPHANOUS** — If your premiums have gone down, what are you concerned about?

**Mr STONE** — I am concerned about how much it has cost me when I have never had a claim.

**Mr THEOPHANOUS** — You are in an industry that does have claims.

**Mr STONE** — That is what they have told me.

**Mr THEOPHANOUS** — What would you prefer? Would you prefer a system where your premiums were lower than they are now, but if you had a claim — and claims can be up to \$3 million or \$4 million — could you afford \$3 million or \$4 million in a claim?

**Mr STONE** — I would be struggling.

**Mr THEOPHANOUS** — Is it not better to pay a bit more in the premium to protect yourself?

**Mr STONE** — Yes, possibly.

**Mr THEOPHANOUS** — It is either one or the other. You can have a system where everyone just pays for their own costs, but then that is not an insurance system. The reason you pay insurance is some people claim and others do not. You take the risk.

**Mr STONE** — This is an area where you have to have insurance. You do not need insurance for a lot of things if you have enough cover. But with this you do not know how much it will cost.

**Mrs COOTE** — Do you know whether other people in the same industry have made claims?

**Mr STONE** — I do not know. I am on the table grape committees but I have not heard of anybody having claims.

**Ms DARVENIZA** — Do you have any problem if the committee has a look at the information that Workcover has?

**Mr STONE** — The only problem is that it is in the hands of some people with whom we are doing a deal to get cheaper materials. They are going through all our books and they have everything.

**Ms DARVENIZA** — We do not need your books; all we need to do is contact Workcover.

**Mr STONE** — No, that is all right.

**Ms DARVENIZA** — Thank you, that might be helpful.

**Mr THEOPHANOUS** — You have had a reduction in premiums since the Bracks government came in?

**Mr STONE** — That had nothing to do with the Bracks government.

**Mr CRAIGE** — Can you expand a bit further on what you do and the industry in which you are classified?

**Mr STONE** — I am classified in the dried fruits industry and I have not grown dried fruits for 20 years.

**Mr CRAIGE** — That is the point I want you to make, because clearly what you do is different. Can you explain what you do with the grapes, the process?

**Mr STONE** — In winter time we prune. We are irrigating all the time and we spray all the time, but after pruning, when the vines get to a certain stage, we do a shoot pull along the vines and pull out the shoots we do not require. A few weeks later we go through and trim the bunches and pull the leaves off. Then we go through with hand sprays and spray every bunch on the block. With the varieties that burn, as soon as the berries start to soften we go through and pull the leaves off. Then everything is hanging lovely and if there is disease or rain, we put covers over the vines.

**Mr McQUILTEN** — What are the white plastic covers that I have seen over the vines?

**Mr STONE** — That is to stop the rain from splitting the grapes.

**Mr CRAIGE** — Everything is hand-picked; you have no machinery?

**Mr STONE** — We have 10 acres of wine grapes but they are only there as a stand-by.

**Mr CRAIGE** — They are hand-picked and brought into the shed.

**Mr STONE** — Then they are cooled to 5 degrees, packed on the tables by trimmers and packers, and they go into another coolroom to bring them down to zero. They are lidded and put into another coolroom for storage at zero. Then they are loaded into containers.

**Mr CRAIGE** — There is no similarity whatsoever in what you do with what they do in the dried fruits industry?

**Mr STONE** — Nothing at all.

**Mr McQUILTEN** — This is with green grapes.

**Mr STONE** — Table eating grapes.

**Mr CRAIGE** — Graeme has pointed out that he has been classified into an industry where there is a higher rate of injury. He is arguing, I think quite legitimately, that his industry is a totally different industry to the dried fruits industry. Are there more casuals?

**Mr STONE** — We have a lot more casual labour than the dried fruit industry.

**Mr THEOPHANOUS** — You have been in that classification for years, have you not?

**Mr STONE** — They have now changed it on our wages. We were with the dried fruit sector of the Australian Workers Union and now they have brought that in with the table grapes as well.

**Mr BEST** — Has it been a good season?

**Mr STONE** — We have only started and the first variety was very barren. It will be the same with the sultanas. Everything else looks pretty good.

**Mrs COOTE** — Where do your tables grapes end up?

**Mr STONE** — Mostly Hong Kong, China, Malaysia, Singapore, Vietnam, and some go to the Arab countries.

**Mr CRAIGE** — Is there a specific type of grape you grow for that market?

**Mr STONE** — Yes. The ones that we are packing now are for the supermarkets in Singapore and are called Ruby Seedless. It is a beautiful small eating grape. Red Globe is the main one and we grow what is called a Crimson Seedless which is a beautiful grape, and they just fight for that.

**Mr CRAIGE** — Only the red and not the green?

**Mr STONE** — They like the red. We have white ones. They do not like black; that is supposed to be bad luck. They will take some black and we grow some black grapes.

**Mrs COOTE** — Will they take more?

**Mr STONE** — I hope so. I am planting more.

**Mr THEOPHANOUS** — Do you sell any to the local market?

**Mr STONE** — The rubbish.

**Mr THEOPHANOUS** — We get the rubbish?

**Mr STONE** — Yes. If the money is not there you do not get it. We are sending some to the local markets. It is all to do with the price.

**The CHAIRMAN** — My understanding is that you are classified by Workcover under 'services to agriculture' at 5.78 per cent. The suggestion from the committee, following advice to it, is that if you write to Workcover and request a reclassification to 'grape growing', which is now your principal business, it is quite possible, although entirely up to Workcover, that your premium may be reduced from 5.78 per cent to 3.95 per cent, which would give you a considerable reduction in your premiums.

**Mr STONE** — It sounds like it has been worth my trip here. You are all welcome to look through my packing shed at any time.

**The CHAIRMAN** — Thank you for your evidence. We will send you a copy of the transcript to which you may make minor alterations only.

**Committee adjourned.**