

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Colac – 7 March 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

Mrs M. Neal, Neal's Transport.

The CHAIRMAN — 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. Mrs Neal, I ask you to make an opening statement and the committee might then ask some questions. The two topics of GST and Workcover have to be kept separate so we will start with Workcover.

Mrs NEAL — I am Mary Neal. My husband, Stuart and I, are the directors and owners of Neal's Transport at Colac. We commenced as a partnership in 1975 with only ourselves working for the company. As we began to grow, we registered as a company in October 1993. We then had a staff of one other family member. We have now a staff of 10, including Stuart, me, 1 other family member, and 7 others. We have eight prime mover trucks that travel locally and daily to Melbourne and all surrounding districts, and we also have two that service our needs interstate to Adelaide and Sydney.

We regard our staff as the most valuable asset to our company because without them we do not have a business at all. That is where I have very strong feelings about Workcover. In 1998 our wages were \$246 598.95, and our premium for that year was \$10 252.42. The next year we had a large increase in wages; it went up by half again to \$342 945.76, but our Workcover actually doubled in that time. Our premium went to \$20 076.22. We had really suffered a difficult year and to find that extra money at that time was very difficult. Then last year our wages actually dropped because of some financial problems that we had. A major contractor almost destroyed our whole business. Our premium, including a carryover of \$1500 from the previous year, escalated to \$28 292.09. The wages bill was \$339 784.93.

When I rang and asked what we could do about it, I was told there was nothing. I must also stress that up to that time we had had no claims at all during our whole time in business, neither while in partnership or as a company. Unfortunately, our first claim in October 2000 involved Frank, one of our drivers. His claim was assessed early in the piece by the Workcover people to be in excess of \$44 000. The total amount that has actually been paid to date on Frank's claim has been \$10 301.56. He was back at work full time after 13 weeks; he came back partially after 11 weeks.

My greatest concern with the huge increase in the premium that we have paid and the moneys we have paid previously concerns Frank. Frank had been grossing on average \$900 per week in his normal working week. The most pay that he could be covered for by Workcover was \$424.18 gross. He had to then be taxed on that. Fortunately, Frank is a man of 52 years, he owns his home, he owns his car, he has no children to maintain, he has no university fees to pay. I wonder how on earth one of our 24-year-old workers, with small children, house payments, car payments and whatever, would survive on that. By the 13th week Frank's pay was \$267.90 less tax. I want to know where the fairness is in the Workcover system.

Mr THEOPHANOUS — You think the workers should be paid more.

Mrs NEAL — I think the money that people pay should go back into better payments for the people who deserve it, not the people who suck the system or rip it off. There must surely be a better way of mandating some sort of guardianship to stop people who are rorting the system — and we have all seen it in the news and written up in papers: people rort systems all over the place and people rort Workcover. I feel so badly for our workers.

Mr THEOPHANOUS — But people from your business have not rorted the system.

Mrs NEAL — No, this was our first legitimate claim. We had never had a claim previous to this. I can honestly say that Frank had major surgery — he had bone grafts from his hip to his wrist. He had four or five trips down to Melbourne. He had stays in hospital, he had physio, and as soon as he could come back to light duties he did. I feel he has been badly done by here. I wonder what our premiums would be if he was to be paid his average earnings.

Mr THEOPHANOUS — They would go up.

Mrs NEAL — They would go up, wouldn't they? What happens to all this other money is my question and my dilemma here today? That is why I came to speak. Also, if I may finish before questions, I believe the premiums we have to pay on superannuation are unfair. Superannuation has always been external of earning wages. As we all know, it is deemed by the government as necessary. In many circumstances we may have a driver who only stays a short time. His super therefore goes if you do not put it into the government fund. If they chose to have it put into their own private fund it is soon eaten up, so therefore money that we have sacrificed from our business to supply super has gone. We are paying for it all the way through in our premiums. That is what I have to say

about Workcover.

The CHAIRMAN — One of the key points you made to us is that in your view injured workers should get a higher level of remuneration. You suggested to us that one of the reasons that cannot be done is that people are rorting the system and if that money was not being wasted you would have more money for injured workers. That is the argument you put to us. Given that you are indicating to us an awareness that people are rorting the system, how do you believe this situation could be changed to catch up with those people to make sure that any rorting is kept to a minimum?

Mrs NEAL — I do not have any answers for that because I do not work in that area. But there must surely be some way — whether it is supplied by the Workcare people, whether they have doctors who specifically inspect those people who should be back in the work force but are not because of minor things. That is just one idea that I have. But I do not know whether that would work or not, therefore I do not say that I have anything substantial to offer as an explanation.

The CHAIRMAN — You told us that your premium for 2000–01 was \$28 292.

Mrs NEAL — Yes.

The CHAIRMAN — What has been the effect on your business of that approximately \$8000 increase in premium.

Mrs NEAL — It is huge.

The CHAIRMAN — How does it affect your business, though?

Mrs NEAL — In our business I am the director, the secretary, the public officer, the gofer, the person who does the budgets. I am the everything in our business. My husband is an extremely hard worker/administrator and helps where he can, but I am the person who has to make the dollars go around. So sometimes when it is time for the premium to be due and there is not enough money I am either running late with it — we then have to pay interest on it — or I am having to juggle other finances where all our accounts are not paid on time, therefore I have to speak to other creditors to say that I will be later in payment. It has been extremely difficult, and when we were handed the extra \$1800 I had to ask to have that paid in monthly instalments, which is built in to what I pay.

Ms DARVENIZA — You have had a bit of an increase in your Workcover premiums over the past three financial years, and at the same time you had one considerable increase in staffing and, in the most recent year, a decrease in staffing levels?

Mrs NEAL — Yes.

Ms DARVENIZA — And your claims have increased?

Mrs NEAL — We have only had one claim, which has not been accounted for yet, because it will come into next financial year's premium.

Ms DARVENIZA — Do you know why your premium went up by \$8000?

Mrs NEAL — No. When I phoned they said, 'That is the premium. There is a 17 per cent loading that everyone has paid, which includes GST, and over and above that is what your premium is, and there is no changing from it'.

Ms DARVENIZA — That is right. The 17 per cent was the 15 per cent levy for the introduction of common law, which the government introduced, and 2 per cent for GST, bringing it to a 17 per cent increase. Then your industry category — short-distance road freight transport — went up one level, which resulted in a 20 per cent increase. Would you have any difficulty with the committee getting the information from Workcover to see exactly why your premium went up by the \$8000 so we can get a breakdown?

Mrs NEAL — I would have no problem with that at all.

Ms DARVENIZA — Thanks for that.

Mrs COOTE — I see your trucks on the roads. They are green and white, aren't they?

Mrs NEAL — Unfortunately we have not been able to afford to have them painted all the same colour, so we are like a rainbow transport, but it does not make them go any better.

Mrs COOTE — Well, they are on the road and I see them. When you said you rang about Workcover, did you ring Workcover direct or your agent?

Mrs NEAL — I rang HIH.

Mrs COOTE — Trying to juggle the impact of the additional \$8000 in your premium this year with the fact that your remuneration had gone down and your staff was increased would have made things difficult?

Mrs NEAL — Yes.

Mrs COOTE — If it were to go up again next year, how would you feel? Would you have to start putting people off? Where could you find the money?

Mrs NEAL — I do not know. You can only make a dollar go a dollar's worth unless you can put it somewhere that will make you money. You cannot make an ordinary dollar in your budget stretch to \$1.50. If I have extra costings, I honestly do not know. We would probably have to sell some vehicles and reduce staff. As it is, I should have had a trainee for me this year in my office. I work at least 100 hours in our business. I am 51 years old, and I should be at the stage where I am having a bit of leisure time to go out to dinner if I want or lunch or to play golf or at least have one day a week to myself. But I work six days a week — five days every day at the office from 7.00 a.m. to 7.30 p.m. and Saturdays, and I take work home as well. I should have a helper, but I cannot afford one. That is another thing — I do not know how long I can keep working at this pace.

Mrs COOTE — Thanks very much.

Mr THEOPHANOUS — Congratulations on your business. I know from the fact that you have increased your business over a number of years that it is a successful business. People talk about rorting the system. Do you personally know anyone who has rorted the system?

Mrs NEAL — I do not know anyone personally.

Mr THEOPHANOUS — The trouble is that it is something everybody talks about but when you ask them to nominate somebody they do not know anyone. It is fairly easy to blame it all on rorting.

Mrs NEAL — But could you tell me where the costs go to?

Mr THEOPHANOUS — I can tell you that the vast majority of the money collected goes back to the workers. Something like 90 per cent goes back to workers. About 10 per cent of it is made up in administration. So if you believe what you said to the committee, that workers should get more, there is only way for that to happen, and that is to collect more premiums. That would mean an increase.

Mrs NEAL — If you were in Frank's shoes, how would you feel? Would you feel cheated and robbed?

Mr THEOPHANOUS — I am not disagreeing with you, but I am pointing out to you that if you want Frank to get more money ultimately somebody would have to pay. In the end the people who would have to pay would be the employers. You are asking us to do the impossible. You want us to increase Frank's payment, but you also want us to reduce your premiums. Do you see the difficulty you are putting us in?

Mrs NEAL — I am also saying there must surely be something — there must — —

Ms DARVENIZA — It is all right. Take your time. It is okay.

Mr THEOPHANOUS — We are trying to find an answer, too.

Mrs NEAL — Okay.

Ms DARVENIZA — We know that this is difficult. We know it is not easy for you and for other businesses to come and talk to us and tell us your circumstances, and often your circumstances are ones that touch you very deeply and you feel concerned about it, so we do understand. Maybe if you have a sip of water.

Mrs COOTE — It is an interesting concept, because we have not had anyone put to this committee before the case of the other person's point of view and the sort of money they get.

Mrs NEAL — We would not have a business without our workers. Their safety at work is of the utmost concern every day. Our strongest rules when we employ a person are their safety skills, their time management. When they are driving a vehicle they must be able to manage their drive time and rest time to match their body needs. We do not expect workers to work like we work, because you cannot operate machinery safely and effectively unless your body is rested. That is why — I strongly feel this — we have had no claims prior to this, because if we see someone doing something dangerous we take them in. We say, 'Please do not do it that way'.

Last year we had Workcover come to our site. That visit cost \$2200 for stupid things. We were just about ready to buy a new forklift and the weight ratio for lifting was in pounds, ounces and tons, not in kilograms. It cost us more than \$100 for a new label to put on that forklift, which was going to be sold as a trade-in where we would get next to nothing for it. We had to buy new safety manuals because ours were slightly out-of-date ones that we may use only once a year. I had to become the first aid officer. I do not feel comfortable with that. I do not feel secure with that. I do not like taking the safety of other people in my hands and being responsible. I would prefer to ring 000, no matter what the case. If it is a splinter in their finger, take them to casualty. I do not like being the safety officer. It does not suit me.

Mr CRAIGE — Is there someone else who can do that job?

Mrs NEAL — I am the only person on the site every day, all day. I do not go home for lunch hours. I eat my lunch at my desk with the phone ringing. I cannot afford anything else.

Ms DARVENIZA — Your attitude is right. That is exactly what you should do, ring 000 or take people to casualty.

Mrs NEAL — So that is why I go back to my concern about the care for the drivers. I do not know whether I am right or wrong, but I believe through publicity on television and in the papers over the years — you see it time and again — I don't know those people, but you do see where Joe Blow is off with a bad back and wheeling a wheelbarrow into his lovely rose garden down the back and he can't maintain a job at work. You do see it. I do have reason to say that. I am not making it up.

Mr THEOPHANOUS — I have no doubt it happens, but I think it is very much a small minority.

The CHAIRMAN — You have come to talk to us on two subjects, and the other one is GST. Are we happy to move on to that?

Mrs COOTE — I would like one clarification first. Did you say you had to pay them \$2000 to visit?

Mrs NEAL — I did not have to pay, but the visit cost me in things they said to do, yes.

Witness withdrew.

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Witnesses

Mr K. McCoombe, Human Resource Manager;
Mr J. Scarrott, Director of Finance; and
Ms J. Ross, Chief Executive Officer, Colac Community Health Services.

The CHAIRMAN — We welcome Mr John Scarrott, Mr Ken McCoombe and Ms Jan Ross. All evidence taken by this 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 are talking to us about Workcover. I invite you to make an opening statement and then we will ask some questions. We have 20 minutes in which to do it, so time is tight.

Mr McCOOMBE — I am the human resource manager of Colac Community Health Services. We opted to take this opportunity today to talk to you about the financial difficulties we are experiencing through the impost of Workcover levies on our organisation, more particularly around the non-funded area of the Workcover levy from the department. We have obviously done our sums in the past few weeks to come up with a figure of \$383 285 over four years that is effectively unfunded from the department. That works out at about two full-time equivalent employees that we cannot employ due to the impost of the Workcover levy on our organisation. That is why we are here.

We obviously have a drum to beat. We find it very difficult to accept, given that we are consistently told by our insurers that we have an excellent Workcover record and that we comply with all regulations and whatever and that we work very hard at rehabilitation of our employees. It becomes even more difficult when we meet a caring doctor who is happy to write a certificate for an employee and a very caring lawyer who offers no win, no cost who can take us to the cleaners and effectively impose those charges on us for no apparent reason other than that we are doing what we are supposed to do.

Mr BEST — Are you talking about a particular case?

Mr McCOOMBE — We had perhaps three cases where rehabilitated employees returned to work, not necessarily to do their pre-injury duties. Those employees have subsequently taken legal action against us for pain, suffering and what-have-you. That is simply taken to court, and what those employees are awarded is listed against our claims experience and subsequently we pay the penalty.

The CHAIRMAN — How many employees do you have?

Mr McCOOMBE — Four hundred and twenty-five.

The CHAIRMAN — And are you submitting to us that the organisation should not pay Workcover or should pay less or that the government should pay the difference? Can you clarify that?

Mr McCOOMBE — Perhaps I am submitting that the government should pay the difference, given that the employer — for example, Colac Community Health Services — has done everything in its power through legislation and through other means to return employees to work and given those employees every opportunity to do so. It is the legal system. We all see the television ads that entice those employees that way, and we subsequently wear the brunt of that cost.

The CHAIRMAN — What was the increase in your premium in the current year?

Mr McCOOMBE — It was \$116 372. I have the figures here.

The CHAIRMAN — Can you give us last year's figures and this year's?

Mr McCOOMBE — Yes. I have the last four years for you. Our premium in 1997–98 was \$164 398, and the industry rate would have been \$110 146; our premium in 1998–99 was \$214 636, and the comparable industry rate was \$118 122; in 1999–2000 our premium was \$248 119, and the comparable industry rate was \$116 147; in 2000–01 our premium was \$314 301, and the comparable industry rate was \$116 372.

The CHAIRMAN — So it went up about \$65 000?

Mr McCOOMBE — Yes. Overall, it works out with us paying out of our pocket over those four years the \$383 000.

The CHAIRMAN — What is the effect on the organisation of such a large increase?

Mr McCOOMBE — Our finance manager might answer that.

Mr SCARROTT — Obviously the major effect on the organisation is an initial drain on cash flow. The figures that are put forward of \$383 000 over four years — —

Mr THEOPHANOUS — Do you want to make those available?

Mr SCARROTT — Yes, certainly. In that time, using an average employee cost of around \$48 000, you can see that that equates to two employees. If you wanted to look at it again from the other point of view, \$383 000 that could well be put into services we are currently having to pay to Workcover to meet premium costs. So I guess the point we are trying to put across is the major impost of the unfunded portion of those costs on service provision.

Mr CRAIGE — Are you saying you are cutting services or not introducing new ones?

Mr SCARROTT — To this point we have not had to cut services, but certainly there have been opportunities to introduce new services that we have not been able to take up because of the levy requirements.

Mr CRAIGE — So things you had in the pipeline to do you cannot do?

Mr SCARROTT — Yes.

Mrs COOTE — Are you putting any staff off?

Mr SCARROTT — We try to employ them, especially nurses!

Mr THEOPHANOUS — Where does your funding come from?

Mr SCARROTT — The majority of funding is obviously through government grant. We are grant financed.

Mr THEOPHANOUS — I know that with hospitals the common-law component has been funded separately by the government.

Mr SCARROTT — That is correct.

Mr THEOPHANOUS — Is that the case with you, too?

Mr SCARROTT — That is the case with us, yes. We received an amount of just over \$16 000 with our December grant payments to meet the expected increase in common-law requirements.

Mr CRAIGE — Was that the correct amount to cover common-law requirements?

Mr SCARROTT — Based on the industry percentage, yes.

Mrs COOTE — Did you have a remuneration increase for 2000–01? Did you employ more people?

Mr SCARROTT — No, our staffing establishment has remained basically the same. There has been a small increase, but in the period 1996 — —

Mr McQUILTEN — How much is a small increase?

Mr SCARROTT — If I can just briefly quote you these figures, in 1996–97 on an EFT basis we employed about 235 staff; in the 2000–01 year, not bringing into account the requirements of the recent nurses EBA, that figure had risen to about 241.

Mr THEOPHANOUS — You have quoted figures to the committee from 1998 to 2000. Do you have the remuneration figures for each of those years? The premium is based on the remuneration.

Mr SCARROTT — Yes, I appreciate that. No, they are not shown there, but we can certainly provide them.

Mr THEOPHANOUS — Do you have a problem with our getting further information from Workcover?

Mr SCARROTT — Not at all.

Mr McCOOMBE — That information is Workcover information.

Mr THEOPHANOUS — According to the figures you have provided to the committee you have to pay for an increase of a bit more than \$40 000 as opposed to the government providing you with the common-law component. Why do you think that your rate of 2.9 per cent, according to the figure here, is so much higher than the industry rate of 1.84 per cent?

Mr McCOOMBE — As I mentioned before, we have an excellent claims experience. We cannot do anything about what happens in the courts. If a claim is awarded to an employee, for example, of \$200 000, that \$200 000 is listed against our claims experience.

Mr THEOPHANOUS — Correct. Who should it be listed against?

Mr McCOOMBE — It does not have to be listed against anybody but us, but what I am saying is that I do not believe that we, as the employer who has carried out everything that legally and morally has to be done for an employee, should be picking up the difference.

Mr THEOPHANOUS — Essentially the industry rate represents the average for the industry?

Mr McCOOMBE — Yes, it does.

Mr THEOPHANOUS — You are paying above the average. There is only one reason for that, and that is that you have more claims than the average. Now, I do not know how much your claims are because you have not listed the claims amount here. I do not know if you have those figures but, if you are paying 2.9 per cent and the industry average is 1.8 per cent, a great many other employers in the same industry are doing a lot better than you are in terms of accidents in the workplace. That is what that states.

Mr McCOOMBE — I am sorry, I disagree.

Mr THEOPHANOUS — That is what that says. In terms of claims, then?

Mr McCOOMBE — I disagree completely.

Mr THEOPHANOUS — Then what are you talking about?

Mr McCOOMBE — I am talking about a claims experience and costs against those claims, not about the number of incidents and accidents that occur within an organisation.

Mr THEOPHANOUS — But you accept you have had more claims against your company than the industry average?

Mr McCOOMBE — No.

Mr THEOPHANOUS — How do you account for the higher-than-average premium?

Mr McCOOMBE — Because a claims cost is not equivalent to the number of incidents and injuries.

Mr THEOPHANOUS — No, but I am not talking about incidents and injuries, I am talking about claims costs. You have more claims costs against your company than the industry average. Do you accept that?

Mr McCOOMBE — That is right, and there is a difference.

Mr McQUILTEN — What sorts of claims are we talking about — \$1 million, \$4 million?

Mr McCOOMBE — No! An award to an employee of something in the vicinity of \$250 000 can damage our claims experience. It is as simple as that.

Mr McQUILTEN — How many claims were there over the last four or five years?

Mr McCOOMBE — I have a copy of the claims experience. I am more than happy for you people to look at it. You will see the claim costs allocated to claims, and you will see most of them are of a minor nature.

The CHAIRMAN — So you are saying to us that you have not had many claims but it appears that those that you have had have resulted in the dollars becoming pretty high for some reason or other. I take it that in 537

your opinion the figure got inflated compared with what it should have been as a result of court activity, which is now causing you a higher premium?

Ms ROSS — Can I comment there? I am sure you hear this from other organisations, but we believe the occupational health and safety environment we have created, our employment assistance program, the fact that we are an integrated organisation and so we have access to OTs, physiotherapists and so on, we really believe we have created the safest environment we possibly can with a very old building. We are about to commence a \$13.5 million redevelopment that will incorporate the very best of design features. We have ordered \$180 000 worth of electric beds to comply with the no-lift policy. I have had experience in health organisations right throughout the state, and I believe this organisation, which I have been in only for 18 months, has made a real commitment to caring for its employees. I agree with what Ken has said, in that the actual costs seem to be highly inflated.

Mr BEST — I was interested in your earlier reference to a doctor and lawyer as part of the reason for inflated costs.

Mr McCOOMBE — We are under parliamentary privilege, aren't we?

Mr BEST — Yes, we are.

Mr McCOOMBE — You should realise that in many country situations the doctor who is treating the 40-year-old female employee of today is the doctor who was there at her birth 40 years ago, and it is sometimes difficult to get an objective view from a doctor. We have a vast number of lawyers skirting this region saying, 'No win, no cost'. I suggest it is a pretty good carrot to hold out, and people will say, 'Well, damn it all, why don't I have a go?'. If you come out of the court with 200 grand in your back pocket, you are okay, the lawyer is okay and we are down the tube.

Mr BEST — I suppose it then leads to the obvious question. Would there be Workcover-designated doctors in the town?

Mr McCOOMBE — No, not in Colac.

Ms DARVENIZA — So if there are not designated Workcover doctors in the town, how is it that the doctors who have been looking after someone for 40 years are making decisions about whether those people are successful in getting the \$200 000 in their back pockets at the end of the court case?

Mr McCOOMBE — Those doctors obviously write reports for the employees and for the legal fraternity on their opinion.

Ms DARVENIZA — But you are also saying they have to see other Workcover doctors?

Mr McCOOMBE — Yes, we do.

Ms DARVENIZA — The way you presented it to the committee initially was that in fact an individual could rely on getting the Workcover payout based on seeing a doctor who might have been there at their birth and may have been involved in their — —

Mr McCOOMBE — If I represented it that way, I am sorry, but employees go through the normal course of events.

Ms DARVENIZA — That means they see a whole range of doctors and medical specialists and go through a rigorous medical procedure. In fact the committee has had submissions from a number of people who have raised concerns about the rigorous procedures that are gone through by the victims of industrial accidents.

Mr McCOOMBE — From an employer's point of view I would also have concerns about the rigours that employees have to go through. I have great difficulty when I hear that an employee has to go to a Workcover doctor in Melbourne, he has to take the train to get there and walks out after a 5-minute consultation with a three-page report

Ms DARVENIZA — Are you personally aware of people who have had 5-minute consultations?

Mr McCOOMBE — Yes, I am, and I pride myself on knowing all people in the Colac Community Health Services.

Mr THEOPHANOUS — I ask you to comment on the following. You have had a claim against you for \$250 000. An independent court made the decision. You are really only here whingeing because you did not like the decision of the court?

Mr McCOOMBE — I did not once say I did not like the decision of the court.

Mr THEOPHANOUS — That is what you say is the main reason for your Workcover premiums going up.

Mr McCOOMBE — That is the reason the Workcover premium has gone up. I am not whingeing about the decision of the court.

Mr THEOPHANOUS — But you lost the court case.

Mr McCOOMBE — I am not whingeing about the decision of the court. I never said I whinged about the decision of the court. What I am saying is it is what is going on in the courts that is causing the impost on our costs.

Mr THEOPHANOUS — But it is an independent court.

Mr McCOOMBE — I do not have a problem with the court system.

Mr CRAIGE — You are saying you are good employer, you have good occupational health and safety, you work hard with the employees and therefore you have a duty of care and responsibility to them in their workplace. However, you have overenthusiastic people in the legal profession and the medical profession, and that then gives you very little opportunity through the legal system to challenge and to vary an unrealistic decision by the courts. You therefore have to pick up that tab, whether directly or indirectly, through an increase in your Workcover premiums.

Mr McCOOMBE — Exactly. Can I give you an example, and this is only — —

The CHAIRMAN — We are just about out of time.

Mr McCOOMBE — I will make it quick. I will use an example that only occurred in the last month. An employee worked for us 10 years ago. Previously he worked for the Fairfield Infectious Diseases Hospital. He had a work claim at Fairfield and was off for five days with a back injury when working with Colac Community Health Services. We have gone through the court system, and a claim has been awarded against us. At the beginning of this financial year we will pick up weekly payments to that employee until his retirement date.

Mr CRAIGE — That will have an impact on your Workcover premiums?

Mr McCOOMBE — That person has worked for two other employers and had a business of his own in the time since he worked with us.

Mr BEST — How long was he with you?

Mr McCOOMBE — He was with us 10 years ago for about 4 years and he took a voluntary departure package.

Mr McQUILTEN — I previously asked for the amount of money that has been charged. You waved the paper around, but have you added up how many claims there have been over the past four or five years? You did not answer me before. Is it \$1 million or \$2 million?

Mr McCOOMBE — I can provide that.

Mr McQUILTEN — I thought you would know that. You have given us figures, surely you would know.

Mr McCOOMBE — If you remember correctly, I offered those sheets containing the claims experience costs to you some 5 minutes ago.

Mr McQUILTEN — The committee is happy to take them, but you do not know how much is there?

The CHAIRMAN — The committee is out of time. Thank you for coming along.

Witnesses withdrew.

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Witness

Ms L. Genua, Genua Brothers.

Ms GENUA — The only information that I have on Workcover is that in 1987–88 our premium was \$5900. In 1988–89, it went to \$7260; in 1999–2000 it went to \$7261 and in 2000–01 it went to \$11 610. During that time we have had very little change in staff and no significant Workcover claims.

The CHAIRMAN — What was the effect on your business of an increase of a bit over \$4000?

Ms GENUA — Look, it is just one of a whole lot of other additional costs that we seem to have incurred in the past four or five years, because as well as that Workcover increase we have also had a number of other government policy changes like the building industry regulation, where we have to pay an additional \$2000 to get professional indemnity to register as a builder. Our public liability cover now has to be \$10 million instead of \$5 million, which costs us \$2500, and when we are working on government contracts they have all-purpose building indemnity, which is another \$1000, so we are not only looking at \$5000 there but at \$5000 in other forms of insurance, mostly also incurred because of changes in government policy.

So those costs just make the cost of running a business more expensive and they erode away your margins because in competitive times such as these and because the economy seems to be slowing you do not seem to be able to pass on the additional costs in higher charges. They are areas where you just have to be more efficient and you just have to work harder or your margins are eroded away.

The CHAIRMAN — Thank you for coming along. We will send you a copy of the transcript and ask you to have a look at it. Thank you for your time.

Witness withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Colac – 7 March 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 D. Watson, CM Timbers.

The CHAIRMAN — All evidence taken by this committee is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act. What we usually do is ask you to make an opening statement and then we ask some questions. Would you like to start out by briefly describing your business — what it does, your position in that business and how many employees you have and that sort of information — give us a bit of a picture?

Mr WATSON — I am Dean Watson from CM Timbers in Colac. We are a timber processing facility. We do not see ourselves as being a mill but more of a factory. We produce pallets, bins for the fruit and vegetable industry, and we machine timber as well. We have 35 to 40 employees on site. It varies a little but generally 35 is about where we stay throughout the year. There is not a lot of casual work there; it is generally all full time. We have a fairly young work force. Our Workcover premium this year increased by 60 per cent. The industry average increase is 5.78 per cent. That 60 per cent increase equates to 8 per cent on wages.

Mr THEOPHANOUS — So you are at 8 per cent and the industry is at 5.78 per cent?

Mr WATSON — Yes.

The CHAIRMAN — What is the dollar situation? Are you talking about a lot of money?

Mr WATSON — Yes. The increase is approximately \$44 000.

The CHAIRMAN — What is the effect on your business of such an increase?

Mr WATSON — It is quite a substantial amount. The way we look at employment now is perhaps — I would not say different, but some of the marginal type processes that we had on site such as recycling of pallets, where there is not a lot of margin but you are actually helping out another customer — sometimes you tolerate it a bit to gain some further work — we will probably eliminate from the process, and we actually have done that. That is equivalent to four or five people who are generally employed in that process. We have also reduced another line because there is not a lot of margin in it. It is not worth doing it, really.

The CHAIRMAN — So as a result of this increase you have reduced your activity?

Mr WATSON — Yes, we have looked at what we do on site and there are some activities which perhaps we could do without, and we have reduced those. We are also looking at the hiring of labour through the employment places and have found that those places can offer Workcover premiums as low as 3 per cent compared to ours, which are 8 per cent. So I guess there is an advantage there as well.

The CHAIRMAN — Do I take it that you have had an increase in staff and that might be the reason for this increase?

Mr WATSON — Our business has increased and is growing rapidly every year but the staff levels are fairly consistent. The numbers have been consistent, particularly in the last two years. The number has been 35 to 40 people consistently.

The CHAIRMAN — What about your claims experience?

Mr WATSON — We had two claims back in 1997–98. One was an amputation of a finger and one was a sprain and there was one minor claim in the following year, 1998–99. But other than that there has only been your normal check-up at the doctor for cuts and abrasions. There have been no other claims. The increase this year is substantial. The previous year the increase was about 16 per cent.

Mr THEOPHANOUS — You said there had been a \$44 000 increase. What is the actual amount you pay?

Mr WATSON — It is approximately \$103 000.

Mr THEOPHANOUS — Which year are you talking about?

Mr WATSON — This year. That is the estimated premium.

Mr THEOPHANOUS — And the previous year?

Mr WATSON — It was \$55 000.

Mr THEOPHANOUS — You understand that your industry rate has not gone up but has remained static, so the industry as a whole has not changed. You have a substantial increase there. There is only an amount of 15 per cent for common-law claims which was added on, so 15 per cent of \$55 000 is about \$7000 or \$8000 so the rest of the increase can only be explained in a couple of ways. Do you have a higher remuneration base this year than last year?

Mr WATSON — As in superannuation?

Mr THEOPHANOUS — No, how much money is being paid in wages?

Mr WATSON — Yes, the wages have increased.

Mr THEOPHANOUS — Do you remember what the remuneration was for the previous year and this year?

Mr WATSON — Yes, the increase is approximately 20 per cent.

Mr THEOPHANOUS — So that 20 per cent explains 20 per cent of that increase, right?

Mr WATSON — Yes.

Mr THEOPHANOUS — What you are then left with is the fact that you have had a few claims that have pushed you above the industry average. Could I suggest to you that the quickest way to get it down is to just work with the Workcover authority people? I am sure they are willing to work with you. There are people here who can talk to you about it and try to work out a program to reduce the claims, because in reducing the claims you will reduce your premium. There is nothing more certain than that.

Mr WATSON — Yes.

Mrs COOTE — You have a young work force and obviously they are all from the local area. If your premium were to increase again next year would that have an impact on how many people, or additional people, you would employ?

Mr WATSON — Probably not. We do have older people there as well, but the majority are younger people. It is a young person's industry. There is a lot of manual work. But just at the moment we have found that recruitment has been difficult and we are looking at this labour hire thing. So we might not necessarily get young people; it is experience that is necessary and what we can get out of a person as well with regard to learning and so forth.

Mrs COOTE — When people come to you to work, and going on from there, what sort of occupational health and safety system do you have? Do you have a person to deal with that or do you give them a program before they start?

Mr WATSON — Yes. We have a proper and thorough induction. We do not put people out in the plant without the correct supervision, the correct instruction, and the follow-up. At the moment we have a safety map system. It is not certified, but the system is there. We have a regular safety committee which takes on board all the ideas from the rest of the group. We are fairly active with regard to safety.

Mr BEST — What was the extent of your claims in 1997–98?

Mr WATSON — Do you mean dollars, or the extent of the problem?

Mr BEST — The injury and the amount in dollars.

Mr WATSON — The injury was where the fellow lost a finger in windows manufacturing. We have the windows manufacturing on site as well, our joinery, and he lost the finger there. I was not there at the time; I have only been there recently. Apparently this person was shown the correct way to operate the machinery, and he certainly had the supervision there as well, but within about a week or two he lost the finger.

The second injury occurred when a fellow had a sprain. He is supposed to have been bumped by a forklift. We have since found out that perhaps the claim was a bit suspicious because this person had similar claims prior to

being with us and again after leaving us, but we can't say that is the case. You are not allowed to say that and I am certainly not saying it.

Mr BEST — One of the fortunate things about this hearing is that you have parliamentary privilege, so you are free to express whatever thoughts you have.

There seems to be an increasing focus on the role of employers to responsibly provide places of employment, including occupational health and safety, and to ensure everything is done appropriately; otherwise the inspectors will come down fairly heavily on you, which is appropriate. However, do you think that same level of responsibility is flowing through to the work force?

Mr WATSON — I don't think so. We accept the responsibility for ensuring that we have a safe workplace, for not only the employees but visitors. We find that the employee does not have enough responsibility for blatant disregard of safety. We can provide the training, the induction, the follow-up and those sorts of things, but the employee has to be responsible as well. We feel there is less of that.

Mr BEST — So there is less opportunity for you to discipline a worker for bad work practices than you would like to ensure you have a safer workplace.

Mr WATSON — Yes. If we see that someone has a blatant disregard for safety, we cannot sack them there and then. There are correct procedures to follow. If a person has an injury and you know it has been caused because of a blatant disregard for safety, you cannot dismiss the person.

Mr BEST — It is a twofold approach to work safety. The employer has a level of responsibility ranging from occupational health and safety committees, input from employees and so forth. However, the way the employee behaves can sometimes expose an employer to injury to another person.

Mr WATSON — Yes. We try to explain it as best we can during the induction, because that is where it starts. I have had some guidance from Workcover. We have currently updated the safety induction manual and I asked the Workcover person how to put into real terms that the employee has to have a fair account of responsibility or accountability. I was told, 'You have done the induction, the training and the follow-up'. It is as if it is all on the employer, it is not a two-way process.

Ms DARVENIZA — The Workcover system is not new. The only change that the Bracks government has made is the introduction of common law, which adds an extra 15 per cent, and then of course there is 2 per cent for the GST, which is a federal government tax. The whole Workcover system was put in place by the previous government, and the same concerns that you are raising now with the committee are concerns that you would have had for some time about the responsibility of employees and how the system actually works; is that right?

Mr WATSON — Yes. There was a meeting arranged by the shire not long ago with the minister in Colac. We had a booking but we never got there. That is why we are certainly keen to be here today.

Ms DARVENIZA — You talked about the occupational health and safety processes and procedures you have in place and you also talked about safety mapping but not having that certified. Why has that not been certified?

Mr WATSON — We have just introduced the safety map as per the safety map standard. I previously worked with a company that had the safety map certification and when I came across to CM Timbers I thought it would be good to have all the procedures in place. We have not got to the certification yet, but the manual is as good as done.

Ms DARVENIZA — That is something you have identified as missing and you are actively working to put in place.

Mr WATSON — Yes.

Ms DARVENIZA — You talked about your increases in premiums and about why those rises might have occurred. Do you have any difficulty with the committee obtaining the details from Workcover about your premiums, the claims history, and exactly why you have ended up with your premium?

Mr WATSON — No problems.

Mr CRAIGE — You did not tell us that you made windows. It could mean a difference to you. The Workcover guys are behind you listening to this and might be able to give you an idea of where you are at. You have one business with one registration number for Workcover. You manufacture pallets.

Mr WATSON — Yes.

Mr CRAIGE — You make wooden boxes.

Mr WATSON — For the fruit and vegetable industry. We also machine timber for the likes of timber framing for houses. We have three guys who work in the joinery.

Mr CRAIGE — You do joinery as well.

Mr WATSON — We have two trucks, but we subcontract a lot of the freight.

Mr CRAIGE — You have multiskilling and you employ 35 to 40 people. Where are the majority of your people engaged?

Mr WATSON — In the timber manufacturing or timber processing facility.

Mr CRAIGE — You might need to talk to Workcover to get that sorted out because you could be in a wrong category. You might be surprised to learn that you are listed as wooden containers manufacturing, and you have already said that is not your predominant industry.

Mr WATSON — That is just a matter of talking to the guys at Workcover to clarify that.

Mr CRAIGE — Yes. They are behind you and will grab you when you walk out, so have a chat to them. It seems that you have such a raft of different jobs, and if you are involved in joinery perhaps that is what your dominant business is and not making wooden containers.

Mr WATSON — Thank you.

Mr THEOPHANOUS — I am pleased you are setting up a safety map because it is an important initiative. What do you think about the idea that where companies put in place some kind of certified safety procedures, similar to safety net, that perhaps they should get some sort of an allowance on their premiums? Would that cause you to try to get it certified pretty quickly?

Mr WATSON — Yes, it is certainly a good idea because you put a lot of effort and work and money into getting it to a level where it is appropriate. Certainly, if someone has done the safety map and been certified, they should be able to be recognised as being different from the next place.

The CHAIRMAN — Thank you, Mr Watson. The committee will send you a copy of the transcript for you to look at.

Mr WATSON — Will those dollar figures I mentioned be in the report?

The CHAIRMAN — Not unless the committee seeks your approval for that to happen. Thank you.

Witness withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Colac – 7 March 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 B. Loughnane, Terence's Property Services.

The CHAIRMAN — 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 Loughnane, I ask you to make an opening statement about Workcover, after which the committee might ask you some questions.

Mr LOUGHNANE — We are basically a commercial cleaning company that operates throughout Victoria. We employ 61 people casually and 9 full time, a total of 70. We employed them for a period of seven months prior to 1 July 2000. For that period our Workcover premium was \$14 321, which pro rata annually is \$24 555. Our current Workcover figure is \$48 655.07.

The CHAIRMAN — That is on a full year.

Mr LOUGHNANE — On a full year. The \$24 555 was converted to a 12-month period. The only difference is that the payroll amount has increased due to pay rises and increased hours. The same number of people are employed.

The cleaning industry seems to be very heavily penalised as a bad industry. We have never had a claim. We look after our employees. There are unscrupulous employees and employers that do not do the right thing. If you have a clean slate, I believe that should be reflected in your premium. We have a fairly large turnover and a very low profit margin so the superannuation increase, the Workcover increase and everything else, is coming directly out of our pocket. We are on locked-in contracts for two and five years.

The CHAIRMAN — Can you explain what it is you clean? Is it schools?

Mr LOUGHNANE — Telstra, from one end of the state to the other. We are locked into contracts and have big problems.

Mr BEST — That is cleaning telephone boxes.

Mr LOUGHNANE — No, buildings and exchanges. We do 440 buildings throughout the state, bar the Melbourne CBD. It is a real concern. A lot of our contracts are fixed price tenders for multiple years and to suddenly get hit with the increases we have had over the last period means it is very hard for us to float at the moment.

The CHAIRMAN — On a yearly basis your premium has gone up around 100 per cent.

Mr LOUGHNANE — Basically. It has gone up about 50 per cent because our wages bill has increased. We have the same amount of employees, the same buildings, but we have had extra work out of them. I think I have a real case in that the same employees are doing the same job.

We have never had a claim. We have safe systems in place. I cannot stress enough that our industry has a very slender profit margin and every increase makes it difficult. I hope to touch on the GST. We also supply consumables such as hand towels. They went up 4 per cent, then another 4 per cent, so it was 8 per cent between July and December. All our cleaning chemicals have gone up on average 10 per cent. Every bit of equipment and the labour to repair equipment has gone up.

Mr CRAIGE — You have not been able to pass on any of those costs because you are on fixed contracts?

Mr LOUGHNANE — That is right. We do other things such as some dairy companies. Bonlac, for example, is undergoing very tough times at the moment. I have had talks with the company, but I do not think it is in a position to handle any rate increases. Our expenses have gone up considerably, and that has come directly off our bottom line which is not a viable proposition.

Mrs COOTE — What is the industry rate?

Mr WILCOX — The industry rate was 4.78 and it is now 7. It has gone up two categories.

Mrs COOTE — That includes industrialised cleaning which obviously Brendan's company does not cover. Are you lumped in with industrial cleaning?

Mr LOUGHNANE — Yes. I have questioned it, but unfortunately that is our category and rating. As I said, we have a very good record and system of work in place that is second to none — that is why we have

never had a claim. For example, if we employed cleaners to do this theatre, the maximum number of hours we would let a person work with a back-pack vacuum is 2 hours, not 6 hours or 8 hours. Otherwise we would have a Workcover claim. That is our standard policy. We put them in place to protect ourselves and our workers. When you are in a very marginal industry you cannot go to AMP or somebody else to shop around.

Mr McQUILTEN — How long have you been in this industry?

Mr LOUGHNANE — Our company has been going 22 years.

Mr McQUILTEN — You have had no claims?

Mr LOUGHNANE — No.

Mr McQUILTEN — To have had no claims in 22 years is a big effort.

Mr THEOPHANOUS — You said the industry went from 4.78 per cent to 7 per cent. Do you know the percentage you pay?

Mr LOUGHNANE — No, not offhand. I just got this as I was walking out, I am sorry. I rushed back to get here.

Mr THEOPHANOUS — Are you above the industry average or below it?

Mr LOUGHNANE — We are on the industry average.

Ms DARVENIZA — That is 7 per cent?

Mr LOUGHNANE — Yes.

Mr THEOPHANOUS — How many people do you employ?

Mr LOUGHNANE — We have 61 part time, 9 full time.

Mrs COOTE — Given the fact that you said these 61 employees are casual and doing additional work and that you are on a very fine margin, if your premiums were to rise next year what sort of impact would that have on your business?

Mr LOUGHNANE — I would not employ them. I would walk away from it.

Mr THEOPHANOUS — Can you put it in dollar figures for us? How much are you paying at the moment?

Mr LOUGHNANE — Our premium?

Mr THEOPHANOUS — Yes.

Mr LOUGHNANE — This year it is \$48 652.07.

Mr THEOPHANOUS — And what was it last year?

Mr LOUGHNANE — Last year it was a seven-month period. What happened is the company changed. The partners of the company changed, and I became a new trading partner in the company.

The CHAIRMAN — The yearly figure you worked out was \$24 455?

Mr McQUILTEN — I think that is the second one.

Mrs COOTE — Did you take over another company?

Mr LOUGHNANE — Yes, it is secession.

Mrs COOTE — Did that company have a bad record?

Mr LOUGHNANE — No. It is the same company. It is just that the partners changed, hence the Workcover was in trust names so it went into the new trust names.

Mr McQUILTEN — And the work record of your — —

Mr LOUGHNANE — Yes, it is clear.

Mr McQUILTEN — The record of the company is lost?

Mr LOUGHNANE — No, we have a clean slate.

Ms DARVENIZA — Would you have any difficulty if we contacted Workcover and obtained some details about why your premium was increased and what the various components of that are?

Mr LOUGHNANE — I have no worries.

Mr THEOPHANOUS — I do not know what the answer is, but it sounds as though if you are starting from a clean slate you would be put on the industry average until you had built up a history of having no claims or some claims.

Mr LOUGHNANE — It is still the same trading name. I actually bought into the business, and I am now 50 per cent owner of the business which I was not beforehand. That is the only thing that changed. It is still the same trading name. Everything is exactly the same.

Mr THEOPHANOUS — Could I suggest to you that the Workcover people are here and you might want to have a chat to them about whether you have an actual history that can be put against the premium and whether that in any way would affect the premium. It is a question of whether there is an establishable history. If you have a history that says you have not had an accident for X-number of years and it is the same company, you might be able to get some reduction. If on the other hand it is a new company, it would be put on the industry rate.

Mr LOUGHNANE — Right.

Mr BEST — When you incurred the increase, did you go to an insurance company for an explanation?

Mr LOUGHNANE — Yes, I did. It was only verbal, over the phone, and I was given no satisfaction. It was just, 'That it is the industry rate and that is the increase'. They were very blunt and non-committal and would not enter into conversation.

Mr BEST — As soon as you mentioned the changed partners we understood the secession formula and the application of the premiums. I suppose from our point of view one of the interesting things is the Workcover culture and the servicing of clients by insurance agents.

Mr McQUILTEN — It is the lack of servicing of clients.

Mr BEST — I am glad Mr McQuilten agrees! But it is also interesting to see how it varies from area to area, and I leave it to you to make your own business decisions, but I think the people from Workcover behind you might be able to help you.

Committee adjourned.