

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Benalla – 30 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. Scott, Scottie's IGA Supermarket, Benalla.

Mr SCOTT — With Workcover, my premium has gone from \$4200 to \$6800 or thereabouts. It was a horrendous claim. I did go to see Denise Allen about it and she explained what had gone on. No explanation can help a small business that has gone through a \$10 000 GST hike, the ongoing costs of GST and then another couple of thousand dollars on top of that with Workcover. We have been in business for 10 years. We have never had one claim on Workcover. Our premium has gone up from \$4000 to nearly \$7000, so obviously we are not happy about it. It was a government decision to change the Workcover policy, so that — I forget. I don't understand.

Mrs COOTE — Common law?

Mr SCOTT — Common law. But if it is a government decision, why do all government decisions end up coming back on to small business? Surely if you want to have a Workcover system which is going to be fair and equitable to everyone, the government has a role to play in that. If it is going to change the rules, it costs us money. That couple of thousand dollars can send someone broke. Business is not that lucrative.

I wanted to give this example of someone I know personally. He had a person who came into his business. He had a crook shoulder or elbow — I don't know what it was — but he had a crook part of his body. He had been off work. He came in. He had been working for seven or eight months. He bumped it at work. He went to the doctor. The doctor gave him two weeks off on Workcover, plus a course of physiotherapy for which, under Workcover rules, we have to pay the first four weeks. You people understand the rules. We do not have time to read the rules to know what they are. Then he went to the doctor again at the end of two weeks. The doctor said, 'You had better have another week off'. In the meantime he was well enough to play bowls on the Saturday. He had the week off. He came back to work on the Monday week following that, and he resigned. But this employer chap pays \$10 000 a year in Workcover premiums. He is certainly not a wealthy person. That one particular case cost him \$2000. It cost him three weeks wages, plus around \$500 doctors and physio fees — \$2000 on top of a \$10 000 Workcover premium. It just seemed absolutely ridiculous.

Mr THEOPHANOUS — Is that because he had to pay the first couple of weeks?

Mr SCOTT — Yes. This is in a very small business that employs perhaps half a dozen people.

The CHAIRMAN — So the increase in your business affects your bottom line? That is where it translates out to?

Mr SCOTT — Of course it does. In 2000 it was \$2600, \$2700. I have a funny story. Because of the pressures of business, I did not pay in time. I had a letter immediately from the insurance company threatening to take me to their debt collectors and saying I would be up for all sorts of costs. You wonder why you are in small business with that sort of support.

Mr THEOPHANOUS — How much does your \$2000 represent as a percentage increase?

Mr SCOTT — It was \$4200 and it went up to \$6800, so it was probably round about a 60 per cent increase in Workcover premiums.

Mrs COOTE — How many people do you have working for you?

Mr SCOTT — I have roughly 30, but it is only equivalent to a full-time staff of about eight people.

Mrs COOTE — If you had an additional increase in your premium at another time, say, next year, would that affect the number of people that you employ?

Mr SCOTT — I will give you an example of how it has affected my wife and myself. We take a wage out of our business of \$30 000 each, which takes our salary package from, say, \$240 000 to \$300 000. I have had to go to the accountant and say, 'Look, this is just ridiculous'. I am self-employed. I have not had a day off in 15 years. I will never need Workcover, but because I am paying myself a wage, that is another \$60 000 which our Workcover premiums have to be calculated on. We will never use it and we have our own insurance to cover that sort of scenario anyway.

Mr THEOPHANOUS — I am bit intrigued about your increase. You should have only received a 15 per cent increase for the common-law aspect. There was a further increase for GST on top of that.

Mr SCOTT — Yes.

Mr THEOPHANOUS — But that does not add up to \$2000. Your industry rate has remained the same and for that reason I don't understand what the rest of the — —

Mr SCOTT — It may have been because we have had increased staff costs. I am not certain.

Mr THEOPHANOUS — It could be. If you have had an increase in remuneration, obviously it is going to go up, but what I am saying is — —

Mr SCOTT — By the same token, I am certain the wage level would not have gone up more than from — —

Mr THEOPHANOUS — I can assure you, notwithstanding that some people are scaremongering, you are not going to get an increase next year in the order of the common-law increase you got this year, so I would not be too concerned about that. My question to you directly is: in terms of the effect on your business, which has the greatest impact, this increase in workers compensation or all of the changes in relation to the GST?

Mr SCOTT — There is no question the GST has been a far greater cost, and I do not exaggerate when I say that it is costing me at least \$200 a week, plus extra time, plus extra worry. Now, \$200 a week is \$10 000 a year. We are not in business making hundreds of thousands of dollars. It is a huge impost on our business.

The CHAIRMAN — Thank you for that. We appreciate the time you have given us and the forthright way in which you have given your evidence.

Witness withdrew.

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Witness

Mr D. Maling, Edible Deli.

The CHAIRMAN — We will move on to Workcover.

Mr MALING — I only have the one comment to make on Workcover and that is that it seems to me that it is based on remuneration. I have not spent enough time looking at it. It has not affected us terribly much since I work for free and it is only the boss, my wife, who gets a salary.

The CHAIRMAN — Thank you very much for the time you have given us today.

Witness withdrew.

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Witnesses

Mr L. Gawley; and
Ms S. Gawley, Gawley Plumbing.

Mr GAWLEY — You tell me why Sue and I should get up in the morning. We are employing people with these new Workcover industrial manslaughter laws. It is costing me a fortune now. I have staff. We work with the Australian Defence Industries (ADI), like here at DNRE. To get up a ladder now is a nightmare. I have never had blokes injured, and I do not want to either, but we are using equipment. Now all these factories are setting up with cherry pickers and that sort of gear. TAFE will run a course for \$1600 to give you a licence. I have never ever seen anybody go to any of these courses on Workcover and fail. I have seen people that are totally ignorant who should not be in these machines who have come away with a licence. I have been to A.H. Plant over here, which used to be the old CRB. We hire their gear. I put it on him and said, ‘Look, we cannot afford to run this equipment any more. How about you doing a course?’, which they have done. They have met us and now I have only go to pay Workcover licence fees. But to get up in the morning and risk prosecution or jail, it does not matter if I do all these courses, I do everything right, if there is an accident somewhere, I am liable at the end of the day. I do not see any way out of it.

The CHAIRMAN — That is a bit far away from our terms of reference as I read them. Our reference really is the effect on your business of the Workcover premium.

Mr GAWLEY — It has knocked our business back by at least two operatives. When it came in, we got insurances.

Ms GAWLEY — I tried to get different prices from different companies. They were all the same price.

Mr GAWLEY — All the same price. I can’t see why the government can’t handle this and put in a decent, non-competitive quote that has to cover its cost.

Ms GAWLEY — The other thing I don’t understand is why we pay — because plumbing is 3.9 per cent or something. We have not had any claims, yet we are still paying the same as Melbourne high-rise sites are paying. Our premium went from \$5000 to \$8000 and we had not even had a claim.

Mr GAWLEY — There is no no-claim bonus effect. If you are doing the right thing, putting your blokes through the courses, you get no benefit for that.

The CHAIRMAN — Your premium has gone from around \$5000 to around \$8000, has it?

Mr GAWLEY — It was \$5100 to \$8600, I think.

The CHAIRMAN — Had your total remuneration of all your employees — —

Ms GAWLEY — It stayed about the same.

The CHAIRMAN — And you had had no claims?

Ms GAWLEY — No.

Ms DARVENIZA — Have you been in touch with Workcover?

Ms GAWLEY — I asked them to work it all out and they still say it is right.

Ms DARVENIZA — Do you have any difficulty with us getting in touch with Workcover, getting the information and seeing if we can work out why your premiums have gone up?

Ms GAWLEY — No.

Mr GAWLEY — They are not government insurance people. They are private people, and they say that is what the rule is. We had one chap came from Shepparton, and he had the new book with all the rates. He said, ‘That’s all we can do. That’s it’.

The CHAIRMAN — Can I take it that you said before that you put two people off as a result of the premium increase?

Mr GAWLEY — Yes.

The CHAIRMAN — Can you explain that?

Mr GAWLEY — Just the cost of it and the worry of it all now. I have to go around checking all the blokes on the jobs. I just cannot do it any more. You are frightened to take them out. I got a slap on the wrist yesterday at ADI. There was a new work rule came in that you have to wear safety glasses in a particular area. I walked into the office, not in the production area, without safety glasses. I put an hour in yesterday, getting a slap on the wrist by management out at ADI. I am frightened of my blokes going out on a job now because of this stuff.

Mr THEOPHANOUS — So it is not the premium; it is because of the — —

Ms GAWLEY — It is everything.

Mr GAWLEY — The premium is helping. The bookwork, we have it currently there at the moment. We have to estimate next year's remuneration. How do we do that? If we underestimate, we get fined; if we overestimate it, they keep the money and refund it when they like.

Ms GAWLEY — If they like.

Mrs COOTE — Are other plumbing businesses in Benalla facing exactly the same sort of thing?

Mr GAWLEY — They are all single operators.

Ms GAWLEY — They are all going single operators now, so they don't have to pay all this.

Mrs COOTE — And are there the same concerns about Workcover?

Ms GAWLEY — Yes.

Mr GAWLEY — I have been plumbing for 34 years. The chap that I was with for 20 years, he had up to 6 or 7 blokes. There is his son now and one apprentice. The rest of them in the town are all single operators, always have been, have never been prepared to do the hard bit — the paperwork et cetera. The builders are the same.

Ms DARVENIZA — You have been in business for some time and you have worked with the Workcover system for a long time, obviously. The only change that has been made in terms of your premium with the change of government is the introduction of common law which has resulted in a 15 per cent increase in your premium.

Mr GAWLEY — Ours is more than 15.

Ms DARVENIZA — I understand that, but that is the only change that the government has made. A lot of these processes and concerns that you are expressing now are not something new. It is something that has been around for a long time?

Mr GAWLEY — Yes.

Ms DARVENIZA — Including under the previous government?

Mr GAWLEY — Yes. It has got to a point now where you went along with it. It has got to the stage now that we are sick of going along with it.

Ms GAWLEY — We can only charge out so much per hour, whereas in Melbourne they could be charging \$70 an hour. You just cannot get work in this town doing that. They might be able to afford it in Melbourne and Sydney, but we can't. People just won't pay.

The CHAIRMAN — Thank you very much for your time. We will send you a copy of the transcript of our discussions for to you check that we have it right. We wish you well.

Witnesses withdrew.

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Witness

Mr G. McNulty, Ryan and McNulty.

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. I understand you will be talking with us regarding Workcover, and we have about 20 minutes to do that. If you would like to make an opening statement, we will then get into some questions.

Mr McNULTY — When Mark rang he told me I would be talking about the GST and Workcover.

The CHAIRMAN — We are happy to do that.

Mr McNULTY — It would have been easy to say I was pretty busy this morning, as I am a bit new at this sort of thing, but I thought I would come along and express a few views. It probably will not take very long.

The CHAIRMAN — We need to separate the two areas of discussion because they are separate inquiries and we have separate records. If we deal with the Workcover first, we will then get on to the GST.

Mr McNULTY — On Workcover, we run a sawmilling business about three doors up from here, and we employ about 33 people.

The CHAIRMAN — Is it just up the road on the left?

Mr McNULTY — Yes. We have grown a fair bit in the past five or six years, we have gone from employing 8 to employing 33 people. People regard us as pretty good sawmillers. My father and I run the company, which my grandfather started about 50 years ago. When you are in a smaller business it is pretty hard to be good at everything; you are sort of expected to be accountants and lawyers and up to date with all these things. We tend to try to employ consultants to do the jobs. What has happened with our Workcover in the past year is that it has gone up probably about \$35 000. The industry rate for sawmilling is 7 per cent. We had one claim where a fellow got his arm caught in a conveyor belt, and this year we have gone up from 9.4 per cent to 14.4 per cent. With the GST coming in there has been a downturn in the timber industry, and things are quite tough in the job. The cost of the GST and the Workcover increases have made it fairly hard.

I find with the timber industry that they have improved a lot in the bush, where they have mechanical fallers. The sawmills have improved with more one-man benches and our breaking-down carriage, for instance, where the operator is in a console and nowhere near the logs, but we are still at a high rate. We have three or four people in the office who are also on the 7 per cent rate. It is becoming a big drag on the company. It is no-one else's fault that we had the accident, but when that happened we got a consultant in and we went right through it. It cost us about \$20 000, but we got everything up to speed. The Department of Labour and Industry (DLI) came in and there were a couple of little problems. We were pretty right anyway, but we had to have policies and all that. We were a bit behind there, but we have it right up to speed now. When you have a claim like that your rate goes up fairly quickly and it takes a long time for it to come back down. It takes three or four years before you see any real change. It is a concern that even though we have not had any problems in the past two or three our rate is actually on the up.

The CHAIRMAN — You indicated that your premium has gone up \$35 000. Over how long?

Mr McNULTY — I think it has gone up by \$30 000 to \$35 000 in the last year.

Mr CRAIGE — What was it in money terms? Do you have the figures?

Mr McNULTY — I do not.

Mr THEOPHANOUS — Do you know what percentage it is?

Mr McNULTY — No, it was around \$75 000 and it has gone up to \$113 000-something.

The CHAIRMAN — Do you understand that that increase is as a result of the percentage for log sawmilling going up?

Mr McNULTY — I believe overall it has gone up around 17 per cent with the common law being reintroduced and 10 per cent GST. I think ours has gone up as a result of this claim, and it is still going up.

Mr CRAIGE — How long ago was the claim?

Mr McNULTY — About three years ago.

Mrs COOTE — How many people do you employ?

Mr McNULTY — We have 33.

The CHAIRMAN — Has that gone up recently?

Mr McNULTY — Not in the past 12 months.

The CHAIRMAN — Your number of employees has remained about the same; you had an accident a couple of years ago that resulted in the premium going up; and the industry you are in has a pretty high percentage at 7 per cent.

Mr McNULTY — The industry rate is around 7 per cent. I think the timber industry has come a long way in how we do things. The processing side of things is less hands on and more automated. Even in the bush now they do not have fallers running around chainsaws as much; they all have mechanical falling heads.

Mr THEOPHANOUS — Do you know how much your projected claims costs are? How much has the accident that occurred ultimately cost? Did they give you a figure for that?

Mr McNULTY — Yes. I would only be guessing, but it is a big amount. They probably should have taken the arm off but they did not, and sewing it back on has not been a success.

Mr THEOPHANOUS — We could be talking about hundreds of thousands of dollars.

Mr McNULTY — I believe the claim is capped at about \$150 000. We have got to the stage where it is such a drag on the business that we will probably have to get a consultant to have a good look at things. That is how we work. We are sawmillers and we do not specialise in this sort of thing.

Mr THEOPHANOUS — I do not know whether you understand this, but for the larger firms — I would classify you as a larger firm — more of your own experience goes into the calculation of the premium than the industry rate experience. The industry rate would have pushed you up a little bit because it has gone up for the whole industry, but the majority of your increase is because of your own claim. That is why it has gone up well above the industry; 14 per cent is double the industry rate of 7 per cent. It takes three years to work that claim through the system. That means it will take you a while to start coming back down. I recommend that you try to get a regime in place so you do not have accidents and you can get it down.

Mr McNULTY — We have done that and been fairly successful at it. With a bit of luck we might have nearly peaked.

Mrs COOTE — When you got the consultant in, initially you said that got you up to speed. Were there some surprises, things you had not thought about? Were there any big surprises? I guess you had know about it.

Mr McNULTY — We had the DLI in to have a look around, and there were a couple of minor guards and things we had to put on. We were pretty good. We had things like no smoking — that was straight out the door. That was a bit hard; I lost one of my good men over that.

Mr CRAIGE — He left because he could not smoke on the job?

Mr McNULTY — Yes. Anyway that is how it goes.

Mrs COOTE — Did he get an another job?

Mr McNULTY — Yes, and there was no smoking at all on the premises. He got a bit skinny.

Ms DARVENIZA — Do you mind if we contact Workcover and have a look at your premiums and how they are calculated? I think it is pretty clear that you have had a very serious accident, and that would be the major factor. Do you have any difficulties with us having a look at it?

Mr McNULTY — No, that is okay.

Ms DARVENIZA — Thank you very much for that.

Witness withdrew.

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Witness

Ms J. Crothers, Crothers Joinery.

The CHAIRMAN — Welcome. 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. I understand you will be talking with us regarding both the GST and Workcover. If that is the case we need to separate the two subjects, given that our committee has two separate references. We need to have discussion and questions on one and then the other; we cannot sort of join them together.

Ms CROTHERS — I am a bit unprepared for this; I have not been home since I got this letter about what they told me when I booked in. I really do not know whether I will go the full time.

The CHAIRMAN — Not a problem, we will see how we go.

Ms CROTHERS — I also work for a landscaper and I do the books for the joinery so I can talk about the Workcover premiums and the way they have gone up. I feel as if they brought it in and we pay the extra premiums, but the businesses that do not have any claims get penalised by the businesses that have claims. There should be an exemption if your business does not have a claim, and the businesses that are claiming should be the ones who are penalised. That would keep the safer ones that do not have claims down. If you have a claim, it goes up. That is the main hassle on the Workcover, the excess premiums, because it is another added burden to your business.

We employ five people in the joinery shop, six with my husband. We have two apprentices and three qualified staff plus my husband, who is also qualified. It is the same thing in landscaping; it went up a fair bit. I think the large and small businesses that do not have a claim should not be penalised for the ones who do. They are the ones who should bear the burden because they might be the ones with the unsafe workplaces. I realise that legitimate accidents happen, but there are also the unsafe ones.

Mr CRAIGE — How many would you employ in the landscaping?

Ms CROTHERS — He had three, with himself.

The CHAIRMAN — Do you have the figures for the joinery's premiums there?

Ms CROTHERS — I have come unprepared: as I said I was misled a bit.

The CHAIRMAN — However, the increase in the premium this year was sufficiently significant that you had a concern about it?

Ms CROTHERS — It went up a fair bit and it will probably rise again because we recently put on another full-time person. That will be an added cost to our business too.

Mr THEOPHANOUS — The only thing I would say is that the businesses that come here that have had accidents all complain that their premiums have gone up too much because of those accidents. That is the way the system works: their increases are far more than if they did not have an accident. I do not know whether that helps, but they complain even more. One witness earlier said their premium went up by \$35 000 but they had an accident where somebody nearly lost his arm. You expect it to go up but they complain anyway; we cannot win.

Ms CROTHERS — In that situation, I feel, yes. If we had an accident at our business I feel that we should go up. However, if we do not have an accident we should not go up. The way I read it, the act that came out says that because we are in the building industry the industry is taken into account. I feel that the ones who do not have accidents should have an incentive, even if it is a discount for no claims.

Mr THEOPHANOUS — It is part of the system that was established seven or eight years ago by the previous government, and we are looking at it again at the moment.

Ms CROTHERS — It would help the businesses if there were an incentive there. Accidents do happen, but there are the unsafe ones who could not care less. We know that too. That was my main hassle on Workcover.

Ms DARVENIZA — You do not have the information about your premium increases or any explanation from Workcover about why your premium has gone up? Would you have any objection to us speaking to Workcover and getting some information about the details of why your premium has gone up?

Ms CROTHERS — No. The way I interpreted it is that it was a general thing.

Ms DARVENIZA — I think that is right. Your category, the wood structures fitting and joinery category, has gone up one category, which would account for your increases. Also the government has introduced a 15 per cent increase for the reintroduction of common-law rights, and there is a component which is GST. That probably accounts for all of your increase, but if you would not mind us having a look at it?

Ms CROTHERS — I think we paid \$700 and something a quarter. It did not go up excessively compared to some other industries, but it is another cost to the business.

Ms DARVENIZA — Some industries went down; not everybody's premiums went up.

Ms CROTHERS — I have not heard of any that went down.

Mr THEOPHANOUS — They do not usually complain.

The CHAIRMAN — Thank you.

Witness withdrew.

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Witness

Mr K. Haylan, Skanda Industrial Services.

The CHAIRMAN — We welcome Mr Ken Haylan. All evidence taken before this committee is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act. We understand you are talking with us regarding Workcover.

Mr HAYLAN — Correct.

The CHAIRMAN — How we usually do this is for you to make an opening statement and then we ask a few questions.

Mr HAYLAN — Members of the committee, I was asked by Mr Willis whether I would go out to Colac, as it so happened, because we have a business there and we are about to establish another one in Kyabram. We also have one in New South Wales. We employ about 100 people. We service accommodation and hospitality outlets with linen requirements, and also industrial manufacturing or processing companies.

We operate in a relatively unskilled work force. We have tried over the years to take a fair bit of care and interest in occupational health and safety concerns and all the other things that go with it. Most of what I will talk about obviously relates to our experience in New South Wales, as we bought the first business in Victoria only last year.

My father was very involved in the original labour movement, and one of his major things was the introduction of workers compensation, which was a major industrial move forward so far as protection for the employee is concerned in terms of economic wellbeing. He was born in 1904, so he has obviously been dead a year or two. As somebody who was a traditional, hardline, straight Labor supporter and union organiser and representative, if he saw the current situation, I suspect he would be appalled. It really has moved beyond a situation where it is directly entitled to a support system for the employees to a situation where it seems to be an alternative to welfare. The way it affects individual people as employers and employees — and I am the employer these days — is, I suppose, the thing has turned the full circle in relation to what my father was, but it seems to have affected individuals in the way it has been implemented.

I will just create some figures. Our premium last year was \$127 000, so it is not exactly as though we are talking about small change. Between nine years and about eight and seven years ago, in banks of three over the last nine years, our premiums were about 3 per cent. In the period from about four to six years ago, our premiums were a bit over 4 per cent. In the past three years our premiums have averaged nearly 12 per cent. I suppose I look a reasonable sort of person. I don't look as though I am out there with a stock whip chasing people up and forcing them into unsavoury work practices, or something like that.

So what really caused the change? There are two factors. In New South Wales, the basic tariff premium has moved from about 3½ per cent, whereas today it is 6.46 per cent plus the GST impost.

Mr THEOPHANOUS — Do you know what your industry rate is?

Mr HAYLAN — Yes, 6.46 per cent.

Mr CRAIGE — Here in Victoria?

Mr HAYLAN — No, in Victoria it is lower. The other one I am very familiar with. It is about 5.3 per cent, I think. I had that list here to check.

Mr THEOPHANOUS — Do you know what classification you are under?

Mr HAYLAN — Linen services. There will be a classification for it. There is one because it takes in both ourselves as commercial operators and the government people at Loddon, Barwon Linen, Linencare, central tablelands, and a few others.

Mr CRAIGE — What you are talking about here currently is the premium in New South Wales?

Mr HAYLAN — That is exactly right.

Mr CRAIGE — Not the premium in Victoria?

Mr HAYLAN — Yes.

Mr CRAIGE — And you have told us that the rate in New South Wales is — —

Mr HAYLAN — It is 6.46 per cent, including a .06 dust levy.

Mr CRAIGE — And here in Victoria?

Mr HAYLAN — It is lower.

Mr CRAIGE — How many businesses have you got operating in Victoria?

Mr HAYLAN — The second one is due to start in about three weeks time. We have one employing about 60 people at Colac.

Mr CRAIGE — Currently one with 60 people. Where is the second one established?

Mr HAYLAN — Kyabram.

Mr CRAIGE — With about how many people?

Mr HAYLAN — Initially, probably under 10. Hopefully by the time 12 to 18 months are up, about 15 to 25, depending how we go.

Mr CRAIGE — How big is your business in New South Wales?

Mr HAYLAN — About 40.

Mr CRAIGE — Forty employees?

Mr HAYLAN — Yes.

Mr CRAIGE — It is important we get the picture.

Mr HAYLAN — The reason for creating the New South Wales experience, obviously, is that there has been recently a change in Victoria. The basic effect of the premium changes has been about 40 per cent. Largely that has arisen out of the common-law rights reintroduction, and that is a debatable issue, but that is what the government wants. That has been the effect of it, certainly in Victoria.

Mr THEOPHANOUS — Fifteen per cent of it has been from common law?

Mr HAYLAN — Yes, I take the point. The total overall increase has been 40 per cent in terms of the premium. We were negotiating for the business in 1999. We had agreed with it and by the time we actually purchased it, the government had changed in Victoria, and 12 months down the track we are seeing a fairly substantial increase in workers compensation premiums. That business, for example, has probably had one claim in the last X years — a long time.

Mr THEOPHANOUS — So why is your rate at 12 per cent — —

Mr HAYLAN — That is what I want to get to.

Mr THEOPHANOUS — When the industry rate is only 5 per cent?

Mr HAYLAN — Six and a half in New South Wales.

Mr THEOPHANOUS — We are really interested in the Victorian rate.

Mr HAYLAN — The reason that gave rise to the increase in New South Wales is exactly the same thing, and it will probably arise in Victoria. It may not affect me personally and may not affect my businesses personally, but it certainly will affect somebody else. The situation in terms of the way the tariffs are calculated and the effect on size, rebates and things of that nature in both states is identical. The same calculation is done. Because of our claims experience and situation, we were paying around about 83 to 84 per cent of the tariff rate. Therefore we were under the tariff rate, going back nine years or even six years. Obviously at 12 per cent we are paying a significant premium to the basic tariff rate. It arises out of two claims, both related to back injury. I am not here justifying the claims, or not claims. There are aspects about those claims. One claim was never reported to the workplace until a day or two after, and that person claimed it happened at the workplace. I think the last figures that

we saw showed that about 1 in 20 people have a workers compensation claim. About half of those are strain related, of which about half, 25 per cent of the total, are back related.

I think one of the things that strikes me as an employer about these types of claims is that the current employer bears the full burden of that claim, regardless of whether there has been any contributing situation to the strain by prior occupation, prior practice, prior anything else, so that you are in a situation where you actually bear the whole cost of that claim. That strikes me as being totally inequitable.

There are two types of claims, in my situation, that happen in the workplace. One is the direct thing where someone cuts themselves or they drop something. There is certainly in that situation an absolutely direct relationship between the accident and the employer's obligation to claim on the insurance in respect of that situation — absolutely no doubt. Right. There cannot be any question.

When you get to the other ones — and the strains are the ones that normally fit in — and whether they are RSI-type situations or back strains or something else, it strikes me as totally inequitable that the current employer, whether the claimant has been there six months or six years, or whatever period, should have to bear 100 per cent of the cost. In the case of one of the girls it was said she lifted up half a bucket of water and did her back. Certainly that is technically possible, I accept, but you have to admit the amount of damage that came out in the medical reports showed that the state of her back did not arise from lifting half a bucket of water. This woman happened to be a rouseabout and a few other things in prior occupations and was doing fairly heavy physical work, yet we are required as the current employer to bear 100 per cent of the cost. I understand that in every case there is a limit on the amount of the liability that you are required to absorb, but it does not matter whether that limit is 100 per cent or 50 per cent: at the end of the day the excess over the limit gets put back into the pool in terms of the way the premiums are calculated, and therefore indirectly you end up paying for the whole lot regardless.

To simply answer your question — how did it get to 12 per cent? — one of these claims is now assessed at over \$400 000. The other one is assessed at almost \$200 000, and it has not finished. We have the same situation where you have got the claim experience, and certainly the way it works out in terms of how it is reviewed and so forth, you carry those things for two or three years, depending on whether it is a forecast or a prior experience claim. You can go back and look at the official records of any businesses you like in terms of how it affects them, but no business in my view can take a 9 per cent change in its labour costs in that period and not have some effect on the business.

This is where I think you get to what is happening socially, at least in terms of the impact of these things in labour cost increases. It is not just affecting workers compensation; it is affecting superannuation guarantee; it is affecting payroll tax. It has the impact that most employers, of which I am one, therefore take a decision, which may not necessarily be the social, likeable answer, to invest in equipment as much as possible and do straight labour replacement. I think that is socially probably the wrong answer, but that is certainly what is happening.

The other thing that seems to happen — and I think this may be because we certainly are located in regional areas where the townships are smaller, and what people do in the township is known because it is related to everybody else — is it gets to a point where if X got a claim for workers compensation, then sister, brother, auntie seem also to make claims.

Mr THEOPHANOUS — What evidence have you got for that sweeping statement?

Mr HAYLAN — Enough.

Mr THEOPHANOUS — You have come before a committee of the Parliament here and made a broad statement like that, which is a slur on a variety of people. I mean, either come up with some evidence or don't make the statement. What evidence have you got to support that? Who do you know that is in that situation? It does not sound to me as though you have learnt a lot from your father.

Mr HAYLAN — I would certainly not make that statement unless I could back it up.

Ms DARVENIZA — Do you have some evidence that you can give the committee to back it up?

Mr HAYLAN — I would think, but I would not want to mention the names.

Ms DARVENIZA — Why not? You have come here and made those statements.

Mr HAYLAN — The name of the individual is obviously their business. In a smaller community — and I live in a 3000-person town, for example — there is not much that happens within the town that other people in the town do not know about. For example, the individual whose claim cost for the back is over \$400 000, his wife had a successful claim against one of the major retailers six months before. Look, I am not trying to sit here and justify or argue whether those claims were acceptable or not. So far as the compensation — —

Mr THEOPHANOUS — Are you a medical practitioner?

Mr HAYLAN — No. I am not trying to argue the claim.

Mr THEOPHANOUS — What was the medical evidence in those cases?

Mr HAYLAN — That is a fairly technical question. I know one of them, obviously, fairly well. The other one I don't know. I just know the outcome.

Mr THEOPHANOUS — The medical evidence must have been strong enough to accept a \$400 000 claim.

Mr HAYLAN — That is what I was about to say. The claim has not been finalised, so the estimated cost is \$400 000. But so far as that claim is concerned, my problem again is not so much that the workers compensation court will accept or not accept — that is not my problem. If they accept it, that is fine. They will accept a certain rate; they will accept a certain disability; they will accept a certain thing. That is exactly what that court is set up to do. I would certainly not want to cast any aspersions on the court or the officers of the court, or anybody else.

Ms DARVENIZA — You have, in the sweeping comment you made before about — —

Mr HAYLAN — I don't think so.

Ms DARVENIZA — If one family member has a claim and then other family members have a claim — —

You talked about a situation that you know of where two members of a family had been successful. The comments that you were making suggested that in fact they were not genuine claims.

Mr HAYLAN — I did not say that.

The CHAIRMAN — I think you have made your point. If you want to continue we will see how we go, but I do not want to get into the situation of having a debate. Continue with your evidence, if you would.

Mr HAYLAN — I do not have much more to say. What I was endeavouring to say to the committee was that if you are going to review the Workcover situation — and I am not talking about trying to argue individual cases — I think there is certainly a thing so far as employers are concerned in looking at indirect accidents, if you want to use that phrase, in terms of being able to spread some of that burden over not just the current employer.

If it is over the past 10 years, depending on the age of the individual, obviously — and if the person works for you for six months — I think it is totally inequitable for you as the employer to have to bear the financial cost of that situation at that level. That is the sort of level we are talking about. As to the cost on individuals and the cost on employers, as I said, you certainly as an employer are led to an answer to do with replacement, whether that is socially acceptable or not.

That is really what I was going to put it down to, in terms of the situation and how it operates, because it is not just the employer that suffers in this situation, it is the other employees. In all of this, if there is one person in 20 who is injured, and if there is only 50 per cent of that — one person in 40 — who is on a 'strain', and it is accepted that possibly even a majority of those are genuine, what you are getting is a lot of the payouts under Workcover being concentrated on fewer and fewer people.

If you look forward in terms of the benefits and the way it is projected, if we were to project the recent increases in New South Wales and apply them to the Victorian situation, over a period of about 10 years, some 63 per cent of the increase of the amount that is actually paid — assuming a 3 per cent or a 3½ per cent per annum increase in wage costs — or 63 per cent of the total benefit that is attributable to the cost of an employee over the next 10 years will actually go to pay workers compensation increases. From a society point of view I think that is an inequitable

development, and I think so far as individuals are concerned that it is not the best development. Thank you for the opportunity.

Mr THEOPHANOUS — I have a couple of questions, Mr HAYLAN. I am glad that you contrasted New South Wales with Victoria, because you would also be aware that in Victoria the average premium across all of the industries is 2.2 per cent and that in New South Wales it is about 3.4 per cent. Are you aware of that?

Mr HAYLAN — There is about a 50 per cent differential.

Mr THEOPHANOUS — And that is reflected in your business?

Mr HAYLAN — Yes, it certainly is; there is no question about that.

Mr THEOPHANOUS — In your opening statement you said that Workcover had become an alternative to welfare. I wrote the words down.

Mr HAYLAN — That's correct.

Mr THEOPHANOUS — You made some point about your father being a Labor man. I do not know whether you are aware of this, but when Workcover was introduced back in 1985 the system that preceded it, which is the one your father would have known, was the one where basically each company had to insure itself in the marketplace. Insurance premiums were up as high as 60 per cent, which is why businesses themselves supported the introduction of Workcover in the first place.

I do not know why you say your father would turn in his grave, because I think he would actually applaud the development of a comprehensive system that covered everybody. In that system you pay 12 per cent, but the average is 2.2. Isn't the answer to your problems a very simple one, which is to reduce the number of accidents in your own workplace and your industry's workplaces, and that way you will get down to the average of 2.2 instead of paying 12 per cent? Do you accept that as being the answer?

Mr HAYLAN — No.

Mr THEOPHANOUS — You don't?

Mr HAYLAN — No. That is what I was trying to say. What has given rise to the excess over the standard tariff rate has been two claims for back injury. It is not a situation — —

Mr THEOPHANOUS — You have not said they are not genuine.

Mr HAYLAN — I did not say that at all.

Mr THEOPHANOUS — Who did you think should pay for those back claims?

Mr HAYLAN — That is what I was trying to put — where it is an indirect claim — but I will rephrase the word because I think it is probably confusing to use the word 'indirect'. Where there is no direct evidence of some straight-out, external, physical thing — the cut, the burn, the scrape, the broken leg or something like that — I think that type of injury in the workplace, meeting all your requirements in terms of medical evidence and so forth — and I am certainly not the medical adviser for anybody, not even myself — should be treated differently under Workcover than the one where there is obviously a direct relationship with the cut, the break, or whatever it is, because that one imposes on the current employer a very unfair burden of the amount of liability.

Mr THEOPHANOUS — For the claim to be accepted, there has to be in the application a direct link established to the current workplace.

Mr HAYLAN — We understand that. I have been on the other side in terms of sitting up and listen to people arguing some of these cases. I took a bit of an interest in this situation once it arose. I have owned that particular business since 1988. I have been in business generally for nearly 40 years, and in all that time, including some very major injury-prone industries, I have really only ever had one major accident. Suddenly I am getting a series of them — like two isn't a series of mine!

Our total claims experience outside that, over about a three-year experience, totals about \$12 000. The average cost of a claim these days is about \$10 000 or \$12 000. So we have really had no workplace accidents. I took slight exception to the question, 'Do you take proper care for the safety of the employees?'. We have had people cut

themselves and we have had people catch hands, but it tends to be a day or two off work, a certain amount of medical Workcover and maybe some rehabilitation provided. The cost of those is quite small, and I am not certainly arguing about those, because the relationship between the injury and the workplace is absolutely undeniable.

Mr THEOPHANOUS — What you are really saying is that you want the previous employers of these people to pay, in this instance, some of the cost of the back injury?

Mr HAYLAN — Not really. If you take a simple situation in terms of our \$400 000-odd claim, or estimated cost, if in the previous 10 years, for example, they have worked for a series of employers, of which they happen to have worked one year work for us, effectively the Workcover pool would carry 90 per cent of it and we would carry 10 per cent of it — for our one year of employment situation.

Mr THEOPHANOUS — How do you think the other employers would react to that — the ones that had employed the person previously?

Mr HAYLAN — I am not suggesting they actually carry it personally. I am suggesting that the Workcover pool carries the other 90 per cent.

Mr THEOPHANOUS — That means everybody's premium goes up.

Mr HAYLAN — Absolutely. But at least it spreads the cost of it more equitably than the way the cost of that claim is now allocated.

Mr THEOPHANOUS — So your main criticism is of the experience rating system established under the Kennett government? Is that what you are saying?

Mr HAYLAN — I do not know exactly how that works, to be honest; it is a technical question. But in terms of the way these claims hit the individual employer, you can have the extreme case where somebody works for you for a week or a day and has a back strain of some type and you are required, on the basis of that one day or one week of employment, to carry the whole \$400 000. We take pre-medicals, for example; that is one of the things. All I am doing is supporting the medical profession now. Every employee of mine now takes a pre-medical. We did not bother five or six years ago. The medical profession thinks I am lovely, but that's about all. It has certainly led us to a situation which I think is an unacceptable development in the way it is actually allocated.

The CHAIRMAN — You are talking about a situation of someone who has previously had a back strain injury becoming employed by you?

Mr HAYLAN — Yes.

The CHAIRMAN — I take your point: they are injured the first day and you wear the lot. There is no way of taking strains at previous employment, or playing football, or whatever, into account?

Mr HAYLAN — None whatsoever. I think that is easy to see in a situation where you have a direct thing like a hearing loss claim, for example. We would do a pre-medical, for example, to establish whether there was any hearing loss in the individual before he joined.

The CHAIRMAN — When someone leaves, do you also do a hearing test?

Mr HAYLAN — No, because with a claim you actually do a hearing test in terms of trying to assess the relative amount of loss that is assignable to the current employer.

Mr CRAIGE — With a hearing loss, there are different types of work. Sitting in here, it would be highly unlikely in this room that one would be inflicted in this work environment with a hearing loss?

Mr HAYLAN — Sure.

Mr CRAIGE — But if they had worked in a foundry or a brewery next to where they are dropping the metal kegs off, which of course is a case that I am familiar with, and that employment might have been 10 years ago, what you are saying is that there should be some recognition, where you look at those things and say, 'Listen, it couldn't possibly have been in that person's last employment as a clerical assistance sitting in an office, but it

could have been 10 years ago working alongside the metal kegs being dropped at the brewery'. Is that the sort of instance you are trying to highlight?

Mr HAYLAN — Sure. This is the way the situation works. Any employee that injures himself is entitled to make a claim. If the claim is accepted by the various authorities and the courts and so on, that is the end of it. It is only a question of how it affects the current employer. That is the real thing I am arguing for.

Mr CRAIGE — I can see that. Do they have common law in New South Wales?

Mr HAYLAN — Yes.

Mr CRAIGE — From your experience, what has happened to the premiums in respect of the common law associated with New South Wales?

Mr HAYLAN — I cannot give you the exact answer to that question. I think the general view, certainly within, say, our trade association, of which I am an executive member, or certainly in terms of some of the other employer groups, is that there has been an increase in the premium arising out of common law claims. I think there has been more of the touting for business in relation to workplace injuries. I think that is now a development, certainly within New South Wales, that is under review.

Mr CRAIGE — In Victoria the Labor government has reintroduced the right to sue under common law, and I guess you could say what has happened in New South Wales could happen here in Victoria.

Mr HAYLAN — I do not know enough about the Victorian situation, but it is obviously open to encouragement of claims. The real thing behind common-law claims is that they are quite a good idea, there is nothing wrong with them — it is a case of how the system works in terms of whether it is successful.

Mr THEOPHANOUS — I am glad your father had an influence on you in relation to common law.

Mr HAYLAN — I do not disagree with that; I think there is a real general need for it for certain individuals. It is like everything else: it is not whether the thing itself is right or fair or not but how people use it.

Mr CRAIGE — The Labor Lawyers out there touting for business.

Mr HAYLAN — Not necessarily, in my view. I do not know who is who, but everybody here is political except one.

Ms DARVENIZA — What you are saying to this committee is you do not support a system where those employers who have more accidents and unsafe work practices end up paying more in their premiums and those who have fewer accidents and safer work practices end up paying less. Do you support that sort of system?

Mr HAYLAN — I support that totally. I think you misunderstood part of the comments. Obviously anybody who does not create a safe environment because of their own personal beliefs — —

Ms DARVENIZA — Were you not saying before that what should happen is if you have an accident like a \$400 000 claim and there is some way that you might be able to look at the work history of the claimant because the person has not chopped their hand off at work or something has not fallen on their head or whatever, if it is a soft tissue injury, then we should look at where they have been employed in the past — we should see if there were any other areas that might have caused the injury? However, not all of those past employers should pay — everybody should pay. Everybody's premiums should go up. If there are lots of these claims — there are lots of soft tissue injury claims; they are probably the largest number of claims — everybody's premium should go up. It is not the employer where the injury happens that pays or the employer where the injury does not happen that pays; you think it should be spread around more evenly?

Mr HAYLAN — If I can just clarify, what I was really saying is that obviously there should be a direct charge on the current employer.

Ms DARVENIZA — But it should be smaller?

Mr HAYLAN — It is related to their employment over recent years - -

Ms DARVENIZA — It should be pro rata and then the rest should be spread around?

Mr HAYLAN — Only on those ones you call soft tissue claims as opposed to where they are banged on the head or cut.

Ms DARVENIZA — I think you have clarified that.

Mr HAYLAN — The last thing is I certainly would not seek to justify any system which leaves the offending employer in an OH and S situation in a more favourable position than they would otherwise be. Maybe that is the amount of the pro rata. I gave an example of their being employed for one year in 10. The actuarial people can work out the numbers.

Ms DARVENIZA — The last question: it would be helpful to the committee if we were able to get some information from Workcover about your premiums and the reason for your being charged at 12 per cent when the industry rate is about 5 per cent. Would you have any difficulty with us getting in touch with Workcover and getting that information?

Mr HAYLAN — You will not get it out of Victoria; it will be only in New South Wales.

Ms DARVENIZA — Will we be able to get it in Victoria in relation to Colac?

Mr HAYLAN — Yes. In Colac we are on a lower than tariff rate. As I said, we had one claim about a month ago and it is the first one for some years.

The CHAIRMAN — My understanding is that as an employer you would be willing to see your premium increase as a result of other employers whose employees suffer a strain injury, when that may be something that has happened over a period of time and recurs. As an employer you would be happy to wear only a small part of all those extra individual costs that occur in relation to these employees being employed somewhere else.

Mr HAYLAN — It is a bit like insuring your car. If you insure your car you go into a straight pool and you pay your few hundred dollars for car insurance mainly because you have had such an impeccable driving record that they give you a 40 per cent no-claim bonus, but once you do that no-claim bonus you are back to paying \$500 or \$600.

Mr CRAIGE — And you can pay a penalty.

Mr HAYLAN — You may pay a penalty. I am saying that there has to be a way that is more equitable to bear some of the cost of that. I can speak with more authority about the New South Wales experience, and we certainly believe that in the commercial industry we are paying part of it for the total industry. That is the thing about any insurance: it is a pooling arrangement at the end.

The CHAIRMAN — Thank you for your time. We enjoyed the vigorous way you participated in the discussion. Thank you very much.

Witness withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Wangaratta – 30 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

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Executive Officer: Mr R. Willis

Witness

Mr R. Kerr, Human Resources Manager, Dominance Industries.

The CHAIRMAN — Welcome, Mr Kerr. We understand that you are here to talk to us about Workcover. 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. If you would like to make an opening statement, we may then ask some questions.

Mr KERR — I represent Dominance Industries. We are a Malaysian-registered, Singapore-based company. We manufacture medium-density fibreboard, predominantly for the export market. We established in Wangaratta in early 1996, and at that stage we employed 30 or 40 people. We invested \$120 million and we now employ 100 people at that facility. There is a new player in the Australian market. Our initial premium was 2.2 per cent on a payroll of about \$560 000. The following year, 1996–97, our premium increased to 2.24 per cent, which was about \$81 000 on a payroll of \$3.6 million. The classification we are in is veneers and manufactured boards, and it has a premium rate of 5.78 per cent.

In 1997–98 we decreased the premium to 2.15 per cent of the payroll, and in 1998–99 it went down to 1.86 per cent. That decrease was primarily because of the amount of work we did in occupational health and safety. We have a full-time professional on the staff, and we ensure that everything we do is done correctly the first time. In 1999–2000 we had an escalation in the premium. It rose to 2.42 per cent, which was a 30 per cent increase. That was due primarily to the Z factor, the claims experience. Our initial premium for 2000–01 is back to 1.81 per cent at \$91 000. That is a 12 per cent increase, but that is only the initial premium. Talking to our insurers, we would expect our premium to be in the range of 3 per cent, or \$150 000, this year. That is the stark reality of what the premium increases will do to us.

The CHAIRMAN — I did not get that straight. In 1999–2000 you were operating on a percentage of 2.42?

Mr KERR — Yes.

The CHAIRMAN — But in 2000–01 — —

Mr KERR — We went back to 1.81 per cent, but that is only the initial premium. It is one initial premium against the other initial premium. We are talking now about a confirmed premium, which will be up around \$150 000 this year.

The CHAIRMAN — What percentage would that be?

Mr KERR — That is about 3 per cent.

Ms DARVENIZA — Increase?

Mr KERR — It is 3 per cent of our wages.

Mr THEOPHANOUS — It went from 2.42 per cent to 3 per cent.

Mr KERR — That is right. That is what we expect it to be. Again, that is because of the Z factor, as well as the increased premium cost. Our company can accept a degree of change in the premium. I am not going to say anything other than that. Premiums go up, and that is fine, but as a company we are doing everything possible to ensure that we keep the premiums as low as we can. We know our obligations.

I want to say to the committee that it is not so much the 15 per cent premium cost; it is more the Z factor that is creating a problem for us, because we have no control over employees who submit claims, whether those claims are bogus or not. As a company I can see more benefit in the Workcover authority looking at how those claims can be better managed than the premium increases. That is the major impact on our premium. We have 100 people, and some of the incidents we are having are impacting greatly on the premium cost.

Ms DARVENIZA — You have 100 employees.

Mr KERR — That is right.

Ms DARVENIZA — Just so I have it right, you are saying that what is impacting on your premiums is the number of claims being made.

Mr KERR — Yes, the costs.

Ms DARVENIZA — The number of claims being made.

Mr THEOPHANOUS — By you or by others?

Mr KERR — By others.

Mr THEOPHANOUS — When you say ‘the Z factor’, do you mean the increase in your premium as a result of your own experience or the industry’s experience?

Mr KERR — Our own experience.

Mr THEOPHANOUS — Why would you want that changed?

Mr KERR — We have difficulty in getting people back to work — the extension of the time it takes to get people back to work — and with the lack of will in the Workcover authority to do investigations when we give them information.

The CHAIRMAN — You are suggesting to us that the way the Workcover authority handles claims and the degree of investigation it undertakes build up the cost of individual claims, which obviously has a negative effect on the premiums you pay.

Mr KERR — That is right. My experience has always been — it is getting worse — that when somebody makes a claim for an injury there is absolutely nothing you can do about it. If that person says they were injured at work — well, everyone says they were injured at work.

Ms DARVENIZA — That is not exactly true. The claims are not always accepted.

Mr CRAIGE — He might be talking from his experience.

Mr KERR — At one point or another the majority of the claims are accepted. They might be denied at first, but at one point they are accepted.

Ms DARVENIZA — In your experience everybody who has ever made a claim in your employ has been accepted.

Mr KERR — I never had one claim knocked back. It does not matter what type of information you give to the insurer and the investigators; in the end the insurers say there is not much we can do about it.

The CHAIRMAN — Why do you think they say that?

Mr KERR — Because there is not much they can do about it.

The CHAIRMAN — Do you believe there is nothing they can do about it, or do you believe it is a lack of their doing something?

Mr KERR — I believe it is a lack of commitment to looking at claims that are not quite right.

The CHAIRMAN — What do you think is the reason for that occurring?

Mr KERR — I am not too sure, it might be easier for them to accept a claim rather than reject it. Maybe in their experience when it goes to the conciliation hearing or whatever they will lose anyway, so why go to the extra expense.

Mr CRAIGE — What is your claims experience like? What sort of claims have you had in the past 12 months?

Mr KERR — Our claims experience for the past 12 months has been about \$9000. Two years ago we had a claim, and that person is still off work. We have had a maximum claim. This gentleman had a back injury; he has been off for nearly two years now. He picked a torch up from his bench and has been off ever since.

Ms DARVENIZA — How long ago was that?

Mr KERR — Two years ago.

Mr CRAIGE — Have you had any hearing loss claims?

Mr KERR — No.

Mr CRAIGE — No deafness claims at all?

Mr KERR — No.

Ms DARVENIZA — How long have you been in business?

Mr KERR — Since 1996.

Ms DARVENIZA — Have you had this problem with what you believe is the process all along?

Mr KERR — I have been doing what I am doing as human resources manager for 25 years.

Ms DARVENIZA — So this is not something new?

Mr KERR — No.

Ms DARVENIZA — So the procedures and processes that you are going through and you have criticised today are longstanding and were there during the time of the previous government.

Mr KERR — And they are still there.

The CHAIRMAN — This morning someone put to us an interesting view along the lines that where you are the last employer and an injury occurs it is unfair that the current employer wears the whole cost of a claim when the claimant may have suffered a similar injury whether at work or football or whatever in the past. He put the view that maybe the current employer who is at the end of the line should not wear the whole cost of such an injury but that it should be spread out over the pool. Do you have a view on that?

Mr KERR — That is a reasonable assumption; that is the way it should be. We have been in business since 1996. Our people have worked in other industries, from concreting to furniture removal, yet we cop a back injury from somebody who was not doing any manual work for us.

Ms DARVENIZA — As an employer would you be happy to have an increase in your premium as a result of increased injuries that have happened in other workplaces and industries?

Mr KERR — I did not say that at all. What I am saying is that as a company we are quite happy to look at premium costs to minimise the claims and the bogus claims that we get.

Mr THEOPHANOUS — The problem is that there are two sides to every story. For every employer who comes to us and says there are bogus claims there are 100 employees who say they cannot get access to the Workcover system. It is about a balance. When you started your contribution you were talking about the Z factor, which is about the extent to which your own experience is taken into account. I understood you to be telling the committee that you would prefer your own experience to be taken less into account and the costs shifted to everybody else.

Mr KERR — That is not what I was saying at all.

Mr THEOPHANOUS — What are you saying?

Mr KERR — What I was saying is that more should be done to reduce that Z factor by looking at and investigating claims more vigorously.

Mr THEOPHANOUS — The Z factor is a mathematical equation. It is about to what extent the experiences of a company are taken into account; it is not about the separate question of reducing the number of claims.

Mr KERR — It is the cost factor. If an insurer puts \$150 000 on a claim, it affects our premium. If a insurer puts an amount on our claim, the mathematical formula then gives us an increased premium, whether that claim is acceptable or not. It is a claim, an amount of money.

Mr THEOPHANOUS — So you do not mind the formula; it is about all claims.

Mr KERR — That is right.

Mr THEOPHANOUS — Then you have no problem with the Z factor?

Mr KERR — No. I have a problem — —

Mr THEOPHANOUS — That is what you started off saying.

Mr KERR — No, the Z factor impacts; that is what I am saying. The Z factor has an effect, and if we can look at that and look at the claims history and the bogus claims and work on that — —

You cannot get two doctors to agree on a case, for goodness sake. One doctor will tell the person there is nothing wrong with him and to go back to work, and the next will give him a fortnight off.

Ms DARVENIZA — Do you have any objection to us getting some information from the Workcover authority about your premiums, including the rise in premiums?

Mr KERR — No.

The CHAIRMAN — Thank you for your time with us today. We will send you copy of the Hansard record of our discussions.

Witness withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Wangaratta – 30 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

Witnesses

Mr G. Wheeler, and
Mr G. Voss, W.V. Management.

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. We understand you are talking with us about Workcover. We have 15 minutes to do that, so we need to get stuck into it. You have given us a submission, for which we thank you. There is no way we will get through all of it, so you need to home in on the key issues you want to put to the committee and leave a few minutes for us to ask you some questions.

Mr CRAIGE — Can you tell us what you do, first?

Mr WHEELER — W. V. Management is an organisation involved in business development and the labour hire area. Much of the information contained within our submission is based around our activities with labour hire. We have 350-odd staff working in Victoria. We supply labour into the abattoir industry, to meat processing, to electricity generation, to skin preparation and to aged care. It is a fairly diverse labour hire organisation. It has been in operation for some three years and operates with its own certified agreements.

I am proud to say that it has operated with no time lost due to industrial disputation and it operates with a very high level of cooperation between management and staff. The company offers its services to a limited range of customers. There are certain operations that we will not supply labour to because we are not comfortable with the ethics and principles of their organisations. I believe that we are a labour hire organisation that cannot be branded with the label of being a contrived scheme of arrangements for convenience. We are totally independent.

One of the things we have noticed over the past three years working very much within the meat industry — which has had a fairly poor history in terms of its occupational health and safety and Workcover records — is that if you can change the culture of an organisation you can achieve a lot in terms of the Workcover outcomes that you seek. We believe we have done that, and we have demonstrated that very much through significant premium reductions. That does not necessarily reduce the total cost of occupational health and safety and Workcover within a workplace, but it does improve performance and does reduce direct premiums because we create the right culture.

Much of what we are saying here today has been presented to Minister Cameron. We had the opportunity of meeting with him at some length on Sunday last week during the cabinet's deliberations in the Albury-Wodonga region. Frankly, we took the opportunity of presenting to him some of our thoughts about these self-same issues.

We have broken down what we have to say into 12 broad areas: the availability of Workcover-related resources; workplace initiatives and outcomes; claims management; small business awareness and compliance; cross-border jurisdictions; direct recognition of workplace achievements, especially in known problem industries such as the meat industry; issues of return to work; understanding premium calculations; premium matters beyond the employer's reasonable influence; cross-subsidy issues; review of assessment, verification and management of work-related injuries; and present issues relating to Workcover costs. If any members of your panel have an interest in any one of those areas it may be expeditious to address them.

The CHAIRMAN — I will put it around the other way: if you believe that two or three of those are the key things that you want us to know and talk about with you and ask questions about, I would be keen to proceed in that way.

Mr WHEELER — That is fine. All of it forms a complete picture of what is happening in Workcover. I do not believe that Workcover will be improved significantly by addressing one or two little corner issues. I think it needs a fundamental and careful look. It needs to move from a culture which I regret to say is adversarial to one which is far more cooperative. We have to get both sides talking honestly, openly and fairly. If we cannot do that very broadly, Workcover will continue to face major issues.

I would see claims management as being a key issue for forward progress in terms of Workcover. We see that claims management needs to be streamlined, and it needs some important reviews. While we see a proper change to claims management may not necessarily reduce the total costs to an employer, if we have some better claims management procedures we will achieve much better outcomes because it will leave more time and resources to deal with the problems of, say, an injured worker. If we cannot direct resources to where they should be going rather than being involved in delaying tactics — rather than being involved in things that delay the process of getting people back into the workplace and managing the claims effectively — we are wasting resources. It adds to the cost of Workcover, it adds to employers' costs and it adds to frustration. When claims management falls apart we finish up with the employer and the employee not working together because of the position that arises. A delayed claim is a claim that leads to conflict, no matter what you do.

We believe that an employer who can demonstrate that they have a proper and systematic claims management system and a series of protocols that can be thoroughly audited should be permitted, subject to an impartial audit, to fast-track many aspects of claims management. We believe that we can do a lot to help claims management in our own case, but the system does not let us do as much as maybe we could. We believe that if we can be held up and carefully examined to ensure that there is no impropriety and that people are not disadvantaged because of it, we can make claims management much quicker and easier from our point of view and much better from the employee's point of view by working it more quickly and effectively — and therefore we can save costs.

Mr THEOPHANOUS — Are you based in New South Wales or Victoria?

Mr WHEELER — We are based in New South Wales. That is one of our issues in being on the Murray River. The Murray River so far as Albury-Wodonga is concerned is an inconvenience, but the business world in Albury-Wodonga operates across the border virtually as if the border were not there — apart from, shall I say, legislative constraints. Yes, our office is in New South Wales.

Mr THEOPHANOUS — Have you dealt with both Workcover schemes?

Mr WHEELER — We deal with both Workcover schemes.

Mr THEOPHANOUS — When you talk about claims management, are you able to say that claims management is better in one state than it is in the other?

Mr CRAIGE — You might be able to, but will you do it? Come on, have a go!

Mr WHEELER — I do not believe that claims management in either state is good. Claims management in both areas is fraught with constraints and constrictions.

Mr THEOPHANOUS — You would make a good politician.

Mr CRAIGE — I am impressed. However, I do not know whether Gary was going to say the same thing.

Mr THEOPHANOUS — I think Gary might have a different view.

Mr VOSS — I think they both need revamping, but I know which one is better than the other. I will tell you later.

Mr THEOPHANOUS — Your statements are very general. Anybody can say we should improve claims management. I read the part of your submission about claims management, and I find it to be very general. We have a conciliation system in Victoria, which is based on a set of rules and has been going for a while now. I would be much more interested in specific proposals that might give us a guide as to whether that conciliation system is working effectively and how we could improve it.

Mr WHEELER — I will give you a classic example. We were called before a conciliation meeting yesterday here in Wangaratta. Before we attended your authorities had been notified that we did not have a claim lodged in relation to that matter. Yet everybody got dragged to Wangaratta to deal with an issue for which there has been no claim lodged. To me that is an absolute waste of time, effort and money. That is where claims management falls over.

Mr THEOPHANOUS — What about the conciliators themselves? There is an issue about whether the conciliation process is adequate. How have you found it when you have gone to conciliation?

Mr WHEELER — Not up to scratch. The conciliator's position in general is that of a conciliator, but it is almost a lay-down misère that you will walk out of it saying there is a real dispute and we will go to the next stage.

Mr THEOPHANOUS — Is that because they do not have enough power? Should they have more power?

Mr VOSS — I believe they should have more power.

Mr THEOPHANOUS — Do you think they should?

Mr VOSS — Yes.

Mr THEOPHANOUS — So try to deal with it more at the conciliation level?

Mr WHEELER — They should be able to make a determination there and then, within certain limits, and bring the matter to a head. Merely finding you are in dispute does not achieve a thing.

Mr THEOPHANOUS — Should conciliation be mandatory?

Mr WHEELER — Yes, as an important part of a process.

Mr THEOPHANOUS — Should the employers or employees be able to bring a lawyer?

Mr VOSS — Yes. I was about to make that point. In the processes that we have been to conciliation over, in every case the issue of genuineness and validity would probably have been the major reason we were there. Genuine cases are dealt with in their own right. The fact is that in each case the solicitor does not attend with the individual, a clerk attends, and that clerk has no authority and power to make a decision. He may respectfully ask the individual what their opinion is, but the individual is guided by advice that would be received external to that conciliation.

I think that in most cases — the ones I have attended — the conciliators have had the opportunity to sum up a situation quite quickly and succinctly; and the comments made outside those hearings would suggest that if they had more discretionary power things could be expressed in stronger terms than they are able to be at present.

Mr THEOPHANOUS — This is an important issue. The committee has not looked at this very much, but it does bear significantly on costs and therefore on premiums.

Mr VOSS — It does.

Mr THEOPHANOUS — There are two lines which are put in relation to this. One line says that if we allow lawyers to go into the conciliation process the conciliator will be able to deal with cases more quickly because the lawyers will get a handle on things and be able to give them a much clearer picture, so they will be able to deal with it and get it out of the way. The person feels comfortable that they have a lawyer and out it goes. That is one point of view. The other is that if we let lawyers back into the conciliation system in a significant way costs will explode. You people are in a position to know more about the practical issues that both those questions raise.

Mr VOSS — Why do they say the costs will explode?

Mr THEOPHANOUS — Because lawyers charge money.

Mr VOSS — For their attendance?

Mr THEOPHANOUS — Absolutely.

Mr VOSS — I understand that, but the costs explode when the position already is that we want to walk away from a situation when we declare we are in dispute and we go to the courts.

Mr THEOPHANOUS — Why would there not be a temptation for the lawyers to do that and go and get some more money?

Mr VOSS — That is very much my point. Each time we have gone to conciliation there has not been any attempt at all, apart from getting a genuine dispute declaration and going to the next stage.

Mr THEOPHANOUS — But there is argument about keeping the lawyers out altogether and settling a certain number of cases without lawyers, which reduces costs.

Mr VOSS — That would be great.

Mr CRAIGE — But that is not happening.

Mr VOSS — It is not happening at all.

Mr WHEELER — Because the conciliator has no power or authority to come to a conclusion.

Mr THEOPHANOUS — Except in limited cases.

Mr VOSS — If you want my honest opinion, my personal experience is that once the legal practitioners are involved — this might be quite provoking — the process of rehabilitation of any genuine individual slows down greatly to the point that they are not participating in their rehabilitation to the extent they would, because if they do participate in their rehabilitation and show improvement it harms where they are coming from. The legal system is rewarded on a negative approach to rehabilitation.

The whole issue is that if somebody is injured, let us get them back into work, back to their pre-injury duties, and get them on with life. You will always have trouble with somebody with negative constraints.

The CHAIRMAN — We have run out of time. We appreciate your coming along today. There are a range of issues, which you have very kindly put in writing. We will ensure that each member of the committee gets a copy of that. We have had to keep it short because so many people want to see us today. We appreciate the fact that you have come along, and we will have a close look at this document.

Mr WHEELER — If it is appropriate we are available to meet with the committee or come to any further proceedings because on this whole matter we feel strongly that if it can be brought to a proper conclusion the benefit to industries and employees will be great. The opportunity of this being looked at right now is something that we think is great, but it needs to go beyond a talkfest. That is not a criticism of the committee, but it is probably a criticism of the process in many instances.

Mr CRAIGE — Has the Q vaccine been resolved?

Mr WHEELER — We still do not have it.

The CHAIRMAN — Thank you. We will send you a copy of the Hansard record.

Witnesses withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Wangaratta – 30 March 2001

Members

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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

Ms G. Lee, Financial Controller, Bruck Textiles Pty Ltd, Wangaratta.

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. Welcome. We understand you are talking with us regarding both Workcover and GST. Given that we have 15 minutes to do that, I will hand over to you quickly.

Ms LEE — It will be mainly on Workcover and just a few minutes on GST. I am the financial manager of Bruck Textiles, so this presentation comes more from the finance point of view rather than from a strictly Workcover aspect.

Bruck is a large employer in Wangaratta. Currently we employ about 620 workers. We make fabric from cotton and man-made fibres. We process the yarn right through to a finished fabric, so there is a lot of processing. We weave, we dye, we finish, we coat, we print, so it is a complete range of textile manufacture. We produce apparel fabrics — things from ladies wear right through to army camouflage and heavy cotton drills for Yakka, King Gee and Stubby shorts, and those sorts of things. We also produce curtains, sheeting for hospitals, and upholsteries for furniture. It is a wide range of fabrics. We produce about 100 000 metres a day, which is 100 kilometres, so in a week we have enough fabric to go from here to Melbourne and back, so there is a lot of fabric.

Our current wages level is about \$24 million. The Workcover rate is 5.16 per cent. As a result of our rate assessment last year, we actually came down in terms of the percentage we pay. Basically that was because we have decreased our claims cost by something like 79 per cent on our 1996-97 figure. The issue that we have is that we spent an awful lot of money in looking at where our accidents and injury rates were and addressing those in the hope we would get some sort of return on that money in the way of lower premiums. That basically has not happened. We would have expected, based on our claims history, to reduce our premium by something like 1 to 1.5 per cent. Instead, it came down by .5 per cent. So as a result of the common-law issue and the increase in premiums we have lost about 1 per cent.

To get our claims rate down we analysed our injuries and increased our expenditure on manual handling equipment, which seemed to be our major problem. We have also employed a full-time risk officer as well as our safety officer. We have an injury investigation and rehab officer. So we have been fairly proactive in how we have tackled the situation. We have a very proactive support and follow-up with injured employees. We think it is very important that we constantly remain in contact. We even take it to the point of following up and seeing what support they need. Sometimes you have injured employees who cannot drive, so we finish up driving people to various appointments and things like that to ensure that we follow up.

In terms of premium calculation, it is difficult to get a direct link between corporate performance and the premium when you take into account all the complexity in actually calculating the premium. There is the aspect of understanding the components and the values attached and how the components change from time to time. If you do not keep an absolute eye on it, you find that the claims costs are a constant moving target, so it is very difficult to calculate it for yourself.

One of the other problems is that certain factors are well outside company control, such as the F factors. One of the things I really found quite difficult to understand was why the F factors changed between various companies. For instance, when we went from Mercantile Mutual to QBE, the F factors went up. It had absolutely nothing to do with us and I cannot understand why they change between various insurers.

The other one is the time bomb effect. When your premiums are originally calculated, the initial calculation only uses two years claims figures and remuneration figures. When the confirmed premium is calculated, it uses three, so you can nearly guarantee every year you are going to get an additional premium when the final calculation is done. In our case that has been in excess of \$100 000, so when you get to April and think you have been paying your premium regularly and find that you have \$100 000 additional to pay, that is a lot to come up with. I dare say other companies are finding it as well. It is a real time bomb that sits there unless you know what is happening. All cases are assessed on a worst possible scenario basis.

Mr THEOPHANOUS — Are you sure about that?

Ms LEE — Absolutely. You can see it on the sheets. If you get an initial calculation, you will see they are only using two years figures. We have a concern that all cases are assessed on a worst possible scenario, with a cut-off at \$156 000 or thereabouts. That figure is then included in the claims cost for the calculation of the premium. If the claim is settled for a lesser amount, there is absolutely no recourse. You are stuck with the \$156 000, or whatever the worst possible scenario was judged at. The way the experience factor or the claims factor works, it is very difficult. If you reduce your remuneration, you would automatically expect that the

premium would decrease. This is not necessarily the case. The E factor is set as a percentage of your remuneration, so if your claims costs remain the same and your remuneration goes down, you end up with a higher E factor, and therefore there is no decrease in your premium level. That is basically it in terms of the premiums.

As to the impact of premiums on Bruck, we consider it as part of our on-cost loading, but we do not believe it plays a major factor in terms of our employment. We do not assess our needs for employment based on the Workcover premium. As for the criterion in relation to the payment for the workers compensation scheme and whether there should be any compensation, we believe there should be a revenue cost-neutral position, and we believe there is a need to develop open partnerships between the employer, the employee, the medical provider and the insurer. It is really important to get some flow of information with the medical provider as well as with the insurer and the employee. We have found that by early intervention in that part of it, you can usually get a lot better dialogue with the medical practitioner. That works really well in getting people back to work, and is an important factor. I think that is about it on Workcover.

The CHAIRMAN — Any questions on Workcover?

Mr THEOPHANOUS — You said your rate is 5.16 per cent?

Ms LEE — Yes.

Mr THEOPHANOUS — In dollar terms, how much is that?

Ms LEE — It is \$1.2 million.

Mr THEOPHANOUS — Being a large company, the biggest factor that would be taken into account in your case is your experience as a company?

Ms LEE — Yes, it is about 64 per cent currently.

Mr THEOPHANOUS — There was an increase in the category for the whole industry.

Ms LEE — That's right.

Mr THEOPHANOUS — It went up by one.

Ms LEE — Yes.

Mr THEOPHANOUS — Which would affect your premium as well — not as much as if you were a smaller company, but it affects it nevertheless.

Ms LEE — Yes.

Mr THEOPHANOUS — But overall you have had a decline, you said?

Ms LEE — That's correct.

Mr THEOPHANOUS — You are paying \$1.2 million. What was it last year?

Ms LEE — Just on \$1 million, but the rate has decreased.

Mr THEOPHANOUS — Because of the remuneration?

Ms LEE — The remuneration has gone up because we have just put on another 120 employees.

Mr THEOPHANOUS — Good on you.

Ms LEE — So the rate has come down from 5.7 per cent to — —

Mr THEOPHANOUS — To 5.16 per cent.

Ms LEE — Yes.

Mr THEOPHANOUS — You are saying it would have come down further.

Ms LEE — Absolutely.

Mr THEOPHANOUS — But 15 per cent is the loading for common law. You have had a decrease in Workcover, but the fact that you did not get as much of a decrease as you would have liked means there are two factors in there?

Ms LEE — Yes.

Mr THEOPHANOUS — You understand that one factor is the 15 per cent for common law?

Ms LEE — Yes.

Mr THEOPHANOUS — But there is also a second factor, which is the increase in the industry rate?

Ms LEE — That's right.

Mr THEOPHANOUS — That really is the issue for companies like yours. Would you prefer to have more of your own experience being the determining factor, or would you prefer to keep the balance more or less as it is now? You are at 64 per cent.

Ms LEE — I would sooner have more of it from our experience, because we have reduced our claims cost so dramatically.

Mr THEOPHANOUS — The trouble with it is that the companies that have been reduced all say, 'We want less', and the ones that have done worse all say they want more.

Ms LEE — Obviously it can be done to reduce your claims cost, but there is a cost to it.

Mr THEOPHANOUS — In principle, what you are saying is you would be prepared to cop it if you did worse?

Ms LEE — Absolutely. We have a \$90 000 claims cost and we pay \$1.2 million in Workcover premiums.

Mr THEOPHANOUS — Your Z factor is set at 64 per cent at the moment?

Ms LEE — That's right.

Witness withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

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Wangaratta – 30 March 2001

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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 P. Challman, Manager, Browns Wangaratta Pty Ltd.

The CHAIRMAN — Thank you, Mr Challman, for changing the time of your appointment. We appreciate that, it helps our program immensely. All evidence taken by this committee is granted parliamentary privilege and immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act.

We understand you are talking to us regarding both Workcover and the GST. We need to separate the two topics in the 15 minutes we have available. So we need to be quick, but we have to deal with them separately. If you would say a few things about Workcover, which is first on my list, we will ask some questions and then get on to the GST.

Mr CHALLMAN — The obvious beef everyone has with Workcover is that the premiums have shot through the roof. On our estimations we have gone up 1.1 per cent. That does not sound much, but it is a few thousand dollars. The other thing that annoys me a little about the premiums is that you seem to be getting overdue accounts before you actually get the account. They are very slow getting them out. Obviously they have a lot to process, but if they could forward their accounts a little bit sooner it would give us a little bit more time, because it is a lot of cash that you have to find in one hit. If you are not expecting it to come, you could be in a bit of strife with your cash flow. They offer a bonus for early payment, but you cannot take advantage of it if you do not have the cash.

Another beef I have with Workcover is about why it should be on superannuation. There is no risk whatsoever on payments to superannuation. We have to pay our guys super. That money is not going out on a building site and being open to accidents or anything, it is going straight from our account to a superannuation fund. There is no risk whatsoever there for a Workcover claim. That is quite a lot of money.

Another thing we want to beef about is that we are in the construction industry, which is classed as a high-risk industry, but not all of us work on construction sites — yet we all pay the high premium. That is not right to me. I have three or four office workers, and they should be on a different premium from the carpenter and the labourer on site. I have not split up the costs, but it is probably about a 25 to 75 ratio.

Mr CRAIGE — Is your work done in an office where those two people are employed?

Mr CHALLMAN — No.

Mr CRAIGE — Have you ever tried to get that changed?

Mr CHALLMAN — No.

Mr CRAIGE — I think you would find that you are quite entitled to.

Mr CHALLMAN — I am sure we are entitled to it.

Mr CRAIGE — Why not do it and reduce your payment?

Mr CHALLMAN — Just hearsay, that it seems that is the money you pay and that is it.

Mr CRAIGE — I would not accept that if I were you. Clearly, if the premises where your workers in administration are is not the site where you are doing the building and you can separate that, you should try.

Mr CHALLMAN — That is the way it is.

Mr CRAIGE — I would give it a go if I were you. I would try raise that issue, because I do not believe you should be paying that high premium for those people.

Mr CHALLMAN — We are paying 4.5 per cent. I do not know what the office rate is, but I imagine it would be less than 1 per cent.

Mr CRAIGE — It is.

Mr CHALLMAN — As we are in a high-risk industry the way the laws are structure is a bit of a disincentive to employing people. No matter what happens on a site it is always my fault. Whether the idiot does the wrong thing and you have told him not to do it does not matter; it is always my fault. That is not right. We go through inductions and training and everything, and guys are licensed to use equipment. They are supposed to be competent at their trades, but if they have an accident it is still my fault. I do not know how we address that.

If some poor guy gets killed on a site, it might not be anything to do with me but I could be up for industrial manslaughter for it. I am always in the firing line just because I am a principal contractor. If I miss one lawsuit, there is always another one down the track trying to get me. Ever since common law came back into it the lawyers have been feeding off it, and the poor guy who has been injured is usually left out of the dark a little bit. The thing is that we try to help wherever there is an accident, but we are always advised to say nothing because we might incriminate ourselves. That is not right. We are trying to help people, but that is the way the law is and the way the lawyers operate. That is about it for Workcover.

The CHAIRMAN — How many employees do you have?

Mr CHALLMAN — Two directors, 2 office staff, 9 carpenters and labourers, and 2 apprentices. They are direct employees.

The CHAIRMAN — What was your premium this year in dollar terms?

Mr CHALLMAN — In dollar terms it was \$14 800.

The CHAIRMAN — What was it the year before?

Mr CHALLMAN — It is a bit hard to say. It was \$7600 last year, but it was on a different gross income.

The CHAIRMAN — Has your gross income gone up?

Mr CHALLMAN — It has. In percentage terms last year it was 3.4 per cent and this year it is 4.5 per cent.

The CHAIRMAN — What is the effect on your business of that sort of increase?

Mr CHALLMAN — It instantly takes extra cash out of your cash flow. A lot of our projects are already tendered for and are running, so it is a cost on your overhead that you did not allow for originally. It is something you have to wear. You might get some of it back on the job you tender for, but it is just one of those things.

Ms DARVENIZA — What has your claims history been like?

Mr CHALLMAN — Nil.

Ms DARVENIZA — You have never had any claims?

Mr CHALLMAN — No, I have run our business for four years. Previous to that it was 50 years, and I cannot ever remember any claims.

Ms DARVENIZA — So the premium increase would really, I presume, be down to extra staff, if you have employed extra staff.

Mr CHALLMAN — It is on our estimate of wages.

Ms DARVENIZA — And the industry rate has gone up.

Mr CHALLMAN — I have no doubt about that.

Ms DARVENIZA — Do you have any difficulty with us having a chat to Workcover and finding out exactly why your premium has increased?

Mr CHALLMAN — Not at all.

Ms DARVENIZA — Earlier you mentioned the superannuation. That was something that was introduced in 1997 under the previous government. Our government has reintroduced common law, which has resulted in a 15 per cent increase in your premium for this year, and then of course the GST has been introduced by the federal government.

Mr CRAIGE — And the category has gone up one.

Ms DARVENIZA — I mentioned that, Mr Craige. The category has gone up one, so that probably pretty

much accounts for your increase.

The CHAIRMAN — Did you have a question?

Ms DARVENIZA — No, I just wanted to check that.

The CHAIRMAN — Thank you.

Witness withdrew.

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Wangaratta – 30 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 G. Clydesdale, Manager Human Resources, Rural City of Wangaratta.

The CHAIRMAN — We welcome Mr Greg Clydesdale, the human resources manager for the Rural City of Wangaratta. 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. I understand you are with us to talk about Workcover. We have just 15 minutes to deal with this subject. They way we usually do this is for you to make an opening statement and for us to ask some questions.

Mr CLYDESDALE — In discussions with Workcover the council has been concerned about the fact that we see Workcover premiums particularly impacting on local government in a number of ways.

Our claims record has improved. Our emphasis on occupational health and safety is really to be unquestioned. Not only within council but also within the community we are recognised as an employer that has good occupational health and safety practices. We have reduced our incidence and certainly reduced the severity of our claims, but our Workcover premium is still increasing, and that is therefore a cost to the community.

The Victorian Workcover Authority also seems to communicate our premiums in a very illegible fashion. We deal with a particular insurance company. When we, for instance, alter the structure of our organisation in conjunction with our insurance company, the Victorian Workcover Authority releases premiums. All it says on those notices is things like 'Workcover adjustment'. It does not give us any indication of whether it was because one area was changed or because of our previous history, or whatever. We have also been subject to a number of reviews.

Mr THEOPHANOUS — Why didn't you ask Workcover for them?

Mr CLYDESDALE — We have asked Workcover for details of the accounts. So far that has not been forthcoming, because they say they are acting on advice from QBE, which is our insurance company.

Mr THEOPHANOUS — They won't give you access to information about your — —

Mr CLYDESDALE — We have slowly been getting it. It is under review at the moment. It is certainly still not resolved, particularly with the High Country Library, whom we deal with. As for the detail on its succession rate — and this was arising out of an audit that went back to 1997, the details of which are slightly messy in the sense that it is related to the High Country Library, which took over buildings and premises from the previous north-eastern regional library — the Workcover Authority has deemed that those sites now have to be reappraised for premium purposes. We are trying to resolve how that has occurred and the formula that is being attached, because they are now backdating premiums to 1997, based on a history that has occurred since 1997. So the formulas that Workcover is applying are not based on the current position.

Mr THEOPHANOUS — Do you mind if we ask Workcover for this information?

Mr CLYDESDALE — No, that would be fine. One of the other matters we have had a bit of difficulty with as well, and we actually have advice from the Minister for Workcover, is in relation to our family day care workers. We believe that our family day care workers, arising from a case at Box Hill some years ago, are contractors and not direct employees of the council. Workcover is deeming them to be employees, and obviously it has a big impact on our Workcover premium. At this stage we have had advice from both the Minister for Workcover and from our insurance company that will hopefully resolve the matter. But the impact is that we would need to be seeking extra funding for that sort of premium cover, because the family day care area is funded from the federal government and it makes no allowance for Workcover payments or Workcover premiums in its funding.

The CHAIRMAN — Does the funding flow from the federal government through the council's payroll system?

Mr CLYDESDALE — No, it does not.

The CHAIRMAN — How do the workers receive funding?

Mr CLYDESDALE — With our family day carers, they are contracted in effect by the parents, because federal government funding is linked to parents rather than anything else.

The CHAIRMAN — So the federal government funding goes from the federal government to the parent to the carer?

Mr CLYDESDALE — It actually comes partly to the parent and partly to the council, because we have taken a role as the administrator of the family day care service. To that extent the family day carer bills us, as any other contractor would, based on the number of hours it has contracted with the parents, and we then disburse the federal government funding to the family day carers.

Our submission to QBE was on the basis that — it is not just my belief — we do not in fact have any control over the family day carers. They provide services in their own homes. They contract the parents. The parents themselves can say they want a particular family day carer or a family day carer can refuse children of a certain parent if they want. So the relationship is really with the parent and the family day carer. I guess our component in it is administering the scheme for the federal government. We have to make sure that the — —

The CHAIRMAN — I do not think we are in a position to sort this out for you. It is not strictly within our reference. I am aware of this situation from a previous life, and I am surprised that this is still unresolved after what must be at least six or seven years.

Mr CLYDESDALE — I guess I touched on the fact that we have been audited back to 1997. We had a fairly large component of resources where we had to provide information to the auditors that Workcover imposed on us — I guess that is the word. A lot of resources were required to give them information that they had already received. At this stage the report that we have had from the auditor is that basically our reporting was fine. There were no discrepancies. They have made a recommendation that we combine some of our work units that we had as separate units for costing purposes internally. The auditor has suggested that they now be aligned as one unit.

That will provide, I guess, difficulty for us for internal costing reasons, but it will not impact all that much on our premium as such. But it is an indication that the Workcover authority has audited us back to 1997, and quite a large amount of resources was required to meet that audit. I guess it is additional cost to the council and the community. We were of the opinion, but what was the purpose of that when they had already got all the information? We did not provide them with anything new or anything they did not already have.

Mr THEOPHANOUS — You said your premiums have gone up?

Mr CLYDESDALE — Yes.

Mr THEOPHANOUS — Are you able to provide us with any figures?

Mr CLYDESDALE — I do not have them with me today, but certainly I can, yes.

Mr THEOPHANOUS — Is it 5 per cent or 10 per cent, or is it — —

Mr CLYDESDALE — There is about a 25 per cent increase in our premiums.

Mr THEOPHANOUS — Are you the officer responsible for this area?

Mr CLYDESDALE — Yes.

Mr THEOPHANOUS — So you have come to a public hearing of this committee and you do not have the figures to tell us how much the increase is?

Mr CLYDESDALE — I was not aware that I would need that information for you.

Mr THEOPHANOUS — We had a similar situation in Geelong, where a member of the council came along and said they had had an increase in council and it later turned out that there had been a decrease in the premium, to the embarrassment of the council and the officer. So I just ask you again to be clear: without the figures — and you are being very vague — has there been an increase, and what is the extent of that increase?

Mr CLYDESDALE — I guess — —

Mr THEOPHANOUS — And you can answer by saying, 'I do not know'.

Mr CLYDESDALE — I would prefer to say I do not know.

Mr THEOPHANOUS — Thank you.

Mr CRAIGE — We have some material here. I want to clear the slate a bit after that lot. I have information from the Workcover authority. The Rural City of Wangaratta is listed as being registered for eight different Workcover business areas.

Mr CLYDESDALE — Yes, I think it was actually more than that, initially.

Mr CRAIGE — Is that what you are talking about working on?

Mr CLYDESDALE — I have only been HR manager for 12 months. Before my time there was already a review under way from QBE to establish the actual work locations. Council obviously has this building here as its main work force. We have a building up the road. We have a child-care centre that is separately located. We have an operations depot separately located, where most of our outdoor work force goes from. For accounting purposes and arising from the competitive tendering arrangements of the previous government, we had to cost each of those units, so Workcover costs were separated out based on their locations. They have now been changed, and that is what has really led to the incomprehensible nature of the Workcover premium reports.

Mr CRAIGE — I am interested in a couple of things. I would like to ask a question for interest's sake as much anything else. I notice that you have a travel agency service.

Mr CLYDESDALE — We have a tourist information service, and I think it is classified under the Workcover categories as a travel agent.

Mr CRAIGE — That is a tourist information service?

Mr CLYDESDALE — That is right.

Mr CRAIGE — Within the shire?

Mr CLYDESDALE — Yes.

Mr CRAIGE — And you provide advice, and that is a separate business unit?

Mr CLYDESDALE — That is right, yes.

Mr CRAIGE — The other one is wool sellers, farmers' supplies and wholesalers.

Mr CLYDESDALE — I think that would be our saleyards. We have a saleyard that the council runs and maintains, and that is a separate organisation.

Mr CRAIGE — Isn't it incredible how easy it is when you know what you are talking about. When we get these things I look at them and say, 'This is a very progressive council. It is into wool selling and wonderful things like travel agents', but it is about information and saleyards.

The CHAIRMAN — If you want to make any written submission to us in relation to premium figures once you have worked that out, we would be happy to receive that from you.

Ms DARVENIZA — We asked you about getting the information from Workcover, and you agreed to that?

Mr CLYDESDALE — That is fine.

The CHAIRMAN — Thank you for spending time with us.

Witness withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

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Ms G. Taylor, Human Resources Manager, Brown Brothers, Milawa.

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.

I understand you are talking with us about Workcover. Over to you, after which we might ask you some questions. We have 15 minutes.

Mr CRAIGE — Do you have the figures?

Ms TAYLOR — No, I do not. We have had a very busy period at Brown Brothers, in that we have just been through a bit of a downsizing exercise, so our resources have been fairly strapped. I apologise for that. However, another reason why I do not have the figures with me is that I came here on a slightly different tangent, possibly because of a lack of information before I got here. The views I put together to present to you are less related to financial impacts in an absolute sense in terms of Workcover premiums, because although ultimately they are to do with dollars and cents my main objectives with respect to the case management of Workcover at Brown Brothers are very much to do with the culture and the productivity impact within the workplace in terms of the Workcover system itself.

However, if I can proceed, there are a number of points. Work is only a factor in the majority of claims that we pay out on. Under the system the employer bears the onus of providing or actually refuting the evidence as opposed to it being the other way around, where an employee provides evidence that it is work related. Our significant claims in the past couple of years have tended to be more age-related, about deterioration in physical ability. We have issues with pre-existing injuries whereby we make those injuries worse, so we then wear a claim.

We work very hard at minimising our claims and ultimately our premium, and I think we do it very well. We are happy with our insurer, but at the end of day we are the people who manage our cases, not the insurer. Every now and again we get a bit disheartened because we see that the effort in claims management is as much about the impact on the company as it is about the impact on the individual. It is very important that individuals return to work and that they get their lives back together and continue to grow and develop and live their lives.

The way the Workcover system is set up means it can detract from that for both parties, especially in terms of the ageing population of the work force. You tend to be discouraged from actually seeing past that at times, and you tend to hire younger workers for physical work. That is a pretty key issue that I believe needs to be addressed for all parties. Although there is some financial incentive for individuals, we end up with some victims of the system, if you like, because of the solicitors' role and this role and the path they embark on. I can be more specific if people wish me to be.

I think that is my main message here. It is about money, of course. Overheads on a business, if they grow and if they are there, affect business. They affect how you grow, and they affect your decisions. We have taken some pretty hard decisions in the past fortnight to ensure that the business does grow and continues to grow for everybody concerned. All in all it is the actual cultural impact of the system that I find the most difficult to manage.

Mr THEOPHANOUS — Thank you for coming along. A lot of us would agree with you, especially about the cultural aspect. It really is about developing a culture of safety, of everybody pulling together, of returning to work and all those things. That is not easy — that is the hard part — but that is ultimately what you have to do if you are going to reduce premiums.

In looking at what it is that you do, I notice that there are four categories of your operation that affect you. You have grape growing; wine, brandy and fortifying spirits manufacturing; beer, wine and spirits agencies; and beer, wine and spirits wholesalers. I do not know how many employees you have in each of those categories, but I suspect you have a few in each of them and some in corporate head office administration. Of course the last one attracts the lowest premium, because they are basically office people. The agencies one is also a low premium — it is 0.86 per cent as a industry rate — but the high ones are obviously at the end where the actual manufacturing takes place.

There are two things about that. As industries the two categories that I first mentioned, the grape growing and the wine, brandy and fortifying spirits manufacture, went up by two categories each in the past year. Essentially that means that the whole industry has had a worsening occupational health and safety record. Even if you did not have any claims, some aspect of that would be reflected in your premium. A proportion would be reflected, depending on your size. Two questions arise out of that. We could put more weight on the experience of the company and not take as much account of what happens in the industry. We could change that formula; that might help you, but it

might not.

Ms TAYLOR — I would like to think it would.

Mr THEOPHANOUS — That is one thing we could do that might help it along. Alternatively we could just look at how we structure all the industries altogether to see whether this is the most appropriate way of doing it. Do you have any thoughts on that?

Ms TAYLOR — From the company's point of view I would say it would be better to pay on the company's experience, but I do not have the big picture that some people here would have. It is an insurance issue somewhere along the line. I am sure there are some small players who are subsidised by the larger players.

Mr THEOPHANOUS — There is a bit of a cross-subsidy.

Ms TAYLOR — I would find that difficult to comment on.

Mr THEOPHANOUS — The question I want you to answer is whether you would be prepared to cop it in the event that you had accidents.

Ms TAYLOR — Yes, we would.

Mr THEOPHANOUS — You would?

Ms TAYLOR — We would because — —

Mr THEOPHANOUS — You would not come back and say you had couple of accidents and one was dodgy or something. That is what we are getting all the time. They all have to be paid for, even if they are dodgy.

Ms TAYLOR — As I said, I think we do well at case management, and therefore I would sit here and say we would be pleased to do that. We are safety map certified.

Mr THEOPHANOUS — That raises another question. Do you think companies which are safety map certified should get a special dispensation as an incentive? There are not all that many that are certified.

Ms TAYLOR — No, there are not. I cannot answer that yet, because although we are safety map certified, and I am proud of that on behalf of the company, I am still waiting to see the results of that. If you were to ask me whether I would give people an incentive to do that, I would say that I would want to see the effects of that on our business before I could answer that on the whole.

Mr THEOPHANOUS — I would be interested to know what you think later.

The CHAIRMAN — Another year or two down the track you might be very happy to give us an answer. You indicated earlier — I read into what you were saying — that the system Workcover has for dealing with claims is not as efficient as you thought it could be.

Ms TAYLOR — I was commenting on two fronts. In terms of claims management I find our insurer very cooperative, but I think we do the claims management.

The CHAIRMAN — Would you like to enlarge on that?

Ms TAYLOR — I think that our insurer is often more happy to jump on board a process as opposed to really looking at the issues in a case. They will go down the road, but we will be the ones telling them to stop a minute and come back and look at this. We often have to drag them back to have a look at something.

Mr CRAIGE — There might be a few intersections in the road.

Ms TAYLOR — There is, and they go through them. It is important to us as a company that Workcover exists for our employees and that if employees are injured they are looked after, but at the same time we are very wary of creating a culture where it is seen as an option if the going gets tough or if things are not quite working out the way you would like them to. We all know — I said this before and I am feeling a little bit outspoken — that if you have a sore back and you do not like what you are doing, your back hurts a lot more than if you like what you are doing.

Mr THEOPHANOUS — It happens to me a lot in Parliament.

Mr CRAIGE — He causes us to have something else.

Ms TAYLOR — A pain in other places! I know it is difficult at times, but in terms of the system it is up to the employer to provide the evidence or proof that a claim is not to be substantiated. If you could share that around a little bit, I think we could get a better culture in our workplaces.

The CHAIRMAN — Do you think we might also reduce the total cost of Workcover if we improved the management of the claims?

Ms TAYLOR — Yes.

The CHAIRMAN — Are we rushing into settlements to get things off the book?

Ms TAYLOR — I believe we are. That and the fact that we have this imbalance. It might sound easy from an employer's perspective, but I think that at times it is not healthy for either party. We have not had this for a number of years because we have done a lot of work in changing that culture, but in the past we had an individual who was hidden away for two years pending a common-law case that was coming up. We believe that this individual actually had some serious psychological problems in that they could not walk properly, but there was no medical evidence to say why not.

That person, with the support of a solicitor firm, effectively had to hide for two years before a hearing because they could not be seen to be getting on with their life because there was apparently too much money to be gained by not getting on with their life. That went on for two years. The insurer wanted to settle but we stood our ground and went to court, and we won the court case outright. They even incurred costs. That was a sad way to end something like that.

Mr CRAIGE — With proper case management in the intervening two years there could have been a healthy end to it.

Ms TAYLOR — I can see the sense in having the ability to sue under common law, but at the same time it does give people a lot of incentive, and it is a long process. They do not get on with their lives in that long process. That is my issue with that.

Mr CRAIGE — As a human resources manager for a company you have shown today a number of practical approaches to the management of employees. It is a credit to you and to your company that you have taken this approach. Far too often the issue of case management is left to the system, and those people end up disappearing into a whirlpool that they cannot handle as individuals. It is credit to you that you guys take those people on board and manage them.

Mr THEOPHANOUS — I agree with what was just said. In conclusion I want to ask you this: I know that you have done well in your company, and from you have told us I can understand why, but why do you think it is that in those two areas the others in your industry are doing so badly?

Mr CRAIGE — I look after the Yarra Valley, so be careful.

Ms TAYLOR — It is interesting, because you are talking about an environment in an packaging area, for example, where it is repetitive. It relies on a level of fitness, and it also relies on a little bit of mental aptitude. I suppose it is an old industry; I think the average term of employment of our bottling hall employees could be something like 14 years. We have one employee in the bottling hall who has been with us for 30 years.

It is repetitive, it is rapid and it is getting faster. They are having to keep up with faster and faster equipment. In our business a lot of those people have been in the same employment for a long, long time. That is a test of the mind and the body. That is in the packaging. In the vineyards, again it is repetitive and it is not mindless. It is very hard to find an employee who can work repetitively and do the same thing and still make decisions that are quite complex.

Mr THEOPHANOUS — Is it because of smaller companies that maybe do not make the effort? Do you think it is that? It has gone up two categories.

Ms TAYLOR — I wonder if it is about a lot of the smaller operations coming on board. We have a bit of a problem with pruning in the snow. As you can imagine it puts pressure on various parts of the body and is

repetitive. It is true cool climate wine. It may be a lot of the smaller businesses. It may demonstrate the growth of the industry and that a lot of employees coming in are perhaps not as suitable as they might be if you could select them a bit more slowly. We are not overendowed with a selection of skilled vineyard hands or packaging hands around here at the moment.

Ms DARVENIZA — It is a growth industry so I guess there are those elements about new employers coming in and new businesses being set up. I guess there is something about the itinerant nature of the workers. I grew up in the Goulburn Valley, and the pickers would come in for the picking season and the canners would come in for the canning season. Do you think that has something to do with it?

Ms TAYLOR — I think it has to do with growth. We very much make a judgment at interview whether we would be exposing our casual staff to any further risk by repetitive work. I know that in the past season of pruning and picking we have been a little concerned about some of the people we have put on, but we would not have anyone to put on if we did not put them on. It might be the industry growth and the sort of employee we attract.

The CHAIRMAN — Thank you for coming along. We will send you a copy of the Hansard record for you to look at.

Witness withdrew.

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Mr G. Symons, Symons Pharmacy, Wangaratta.

The CHAIRMAN — Welcome, Mr Symons. 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. You are here to talk with us regarding both Workcover and GST. We have to separate the two topics for the purposes of our record. If you would like to talk about Workcover first, we have 15 minutes to do that.

Mr SYMONS — Workcover is something that we appreciate has been important to Victorian workers for many, many years. We work in an environment where in my 25 years of running a business in this city we have never had a Workcover claim or a Workcare claim, or whatever its predecessors were. Our industry as a rule would be regarded as an industry that has a very low level of risk. In the year 2000, over the three entities I am involved with we spent a total of nearly \$4500 on Workcover, and in 2001 this increased by 20 per cent.

I have got my little brochure that tells me I should expect a 20 per cent increase. That does not give me very much comfort at all, because in my line of business, and given the way I approach things, if I have to spend more money I expect better results. We have not seen that. In fact when it comes to Workcover I had cause to contact the Workcover people about an inspection we had that was most unsatisfactory. I wrote to the department concerning that particular issue. That is probably not of any interest to you people here today, but it does not make my attitude to Workcover and increasing expenses any easier to accept when I see that the performance of the Workcover people is less than satisfactory.

Mr CRAIGE — What do you mean?

Mr SYMONS — If you want me to be specific, we have just recently located our pharmacy in a store built in 1959. When the former tenants, Fosseys, left, they had to make the store good, which meant taking away wall and floor fittings. Unbeknown to me there were some tiles left on the floor. I was in my pharmacy on a busy Thursday when a chap approached me and asked if I was the owner of the building. I said yes, and he said, 'I am Mr XYZ from Workcover. Are you aware that you have an asbestos problem?'. I said, 'I am aware that I have asbestos on the roof of my building, and I have checked with the architect and he said that if I am not doing anything to the roof there won't be any problems. That is the only discussion I have had on asbestos'. He said, 'Well, there are tiles in your building which I believe to contain asbestos'. Not being in that particular industry, I was surprised.

As a young lad we had those sorts of tiles in our home in Mentone, and nobody died of asbestosis as a result of that. Anyway, he then went on to say, 'Well, this is a very serious situation, and I will be serving papers on you this evening. Where will you be at 7 o'clock?'. I might add that this was about 5.30. I said I would probably still be at the pharmacy at 7 o'clock. He said, 'Righto. Give me your name and number', which I did. He said, 'I will be going away to prepare papers'. A 10 to 7 he rang to say he could not prepare the papers. He had a computer problem. He asked where I would be later that evening. I said, 'I will be doing some further work at a friend's place'. He said, 'Give me the number', and he then tracked me down to another pharmacy where I was working.

At 10 to 10 at night he presented me with some papers. He ran through the whole process of the asbestos laws under Workcover. He said, 'I will have to close you down for five days'. I said, 'Gee, that's seems pretty tough'. He said, 'Well, you were supposed to have notified Workcover that there was asbestos in the building, and you have not done so. This is the process you have to go through. You have to get a licensed asbestos removalist. Then you have to get a hygienist to come from Melbourne to check that the asbestos has been removed to our satisfaction. When we have approved that, you will be able to start all over again'. I said, 'This seems to be fairly onerous. If I were able to get a licensed asbestos person here tomorrow, could we not start the process then?'. He said, 'No, you have do this, and don't go trying to contact any local Workcover inspectors because I will pull rank on them anyway. I do not live in the area. I live near Shepparton, and that is a good thing because I am not close to the local contractors, so I am not going to be affected by any relationships I have there'.

I was absolutely shattered. The next morning I contacted a licensed asbestos fellow and explained the predicament. He came in and had a look. The Workcover guy came in and we started this process — five days penalty. He made several other trips. On one of his trips he just walked straight up to me and said, 'I am going to be spending some more of your money. This is what you have to do to complete this process'. He was just a thoroughly objectionable man.

Ms DARVENIZA — This was in your shop? You had already moved into the shop and you were running your business?

Mr SYMONS — No.

Ms DARVENIZA — No?

Mr SYMONS — This was at my former pharmacy, in front of a shop full of people. The next part of the saga I will — —

Ms DARVENIZA — But you had not occupied the building where the asbestos was?

Mr SYMONS — No.

Ms DARVENIZA — It was the one you were going to move into?

Mr SYMONS — It was one we were going to move into. The building had been occupied for many years by Fosseys. The original conversation took place in my pharmacy in front of as many people as are standing here. One of my customers came to me sometime later and asked who the man was who had been speaking to me about asbestos. I said he was the Workcover guy, and she said he was the most offensive person she had come across.

Mr THEOPHANOUS — Can I interrupt you for a minute?

Mr SYMONS — Yes.

Mr THEOPHANOUS — We are not here to listen to your views about the personality of particular inspectors. They have a job to do as well. We are here to listen to why you think your premiums have gone up.

Mr SYMONS — With respect, sir, I asked if you wanted to hear that story and I was told you did.

Mr THEOPHANOUS — Fine, but - -

The CHAIRMAN — He is answering a question, Mr Theophanous.

Mr THEOPHANOUS — He is, but it is a question of relevance, Mr Chairman. I do not know what this has to do with the premium increases.

Mr SYMONS — I can tell you quite candidly, sir. You asked about my attitude to premium increases, and my attitude is that if you are going to increase your premiums you should be providing a better service. My attitude is that Workcover is not providing a better service, that my recent history of contact with Workcover is less than satisfactory.

Mr THEOPHANOUS — Have you ever seen anyone suffering from asbestosis?

Mr SYMONS — I have, on the news.

Mr THEOPHANOUS — Do you think it is funny?

Mr SYMONS — I certainly do not, but I certainly do not think it is very funny when an inspector can walk into my pharmacy and be as rude and abusive as he likes in front of my pharmacy.

Mr THEOPHANOUS — Do you think the inspector has a right to get rid of what is a very dangerous substance?

Mr SYMONS — Sir, the amount of substance involved was some tiles sticking to the floor on the perimeter of the pharmacy. When the hygienist came up — —

Mr THEOPHANOUS — But it only takes a small filing.

Mr SYMONS — Hold on, at one stage you did not want to know about the story and now you want to know it in detail. Can you tell me, sir, which way you would like this meeting to go?

Mr THEOPHANOUS — You said you have had an increase of 20 per cent. The main reason you have had an increase in your premium has to do with the reintroduction of common law. If that is your problem with Workcover, I am happy to hear your views in relation to that. Safety is a big part of what Workcover does. If you have a problem with a particular person and the way they dealt with you, that is an issue for you. The issue of

asbestosis and whether it should be removed as soon as possible is an issue. If you are saying it should not be removed as soon as possible — —

Mr SYMONS — Sir, with respect you have missed the point entirely. The difficulty I have is with a Workcover employee and his approach to somebody with whom there was a problem. The difficulty is not in relation to my attitude to asbestosis or asbestos or the rights and wrongs and roles of Workcover inspectors, but I do believe that people going about their business should be dealt with in a reasonable manner.

Mr THEOPHANOUS — There are rude people in all sorts of enterprises. The issue here is not about rude people, it is about the premium question and whether in your case you should have been asked to remove it straightaway or, as you are suggesting, you should have been given some leeway.

Mr SYMONS — No.

Mr THEOPHANOUS — What are you saying?

Mr SYMONS — What I am saying is that this committee has asked me for my attitude to the increase of 20 per cent in Workcover.

Mr THEOPHANOUS — Correct.

Mr SYMONS — The answer that I get from information like this is that it is largely to do with the change in the law whereby people are allowed to make common-law claims. You know that already; what I have to say about that is irrelevant. That was something that was done through Parliament, and apart from the ballot box I cannot do anything about that. Whether I comment about it is, I would think, largely immaterial. You are asking me about my attitudes to increases in Workcover premiums, and I take it that that should be about any problem I have with the increases, not necessarily the ones you can explain. My attitude is that if you are going to make a substantial increase of 20 per cent, I think the performance should be on the increase rather than the decrease. The performance of a particular person — —

Mr THEOPHANOUS — How was the performance bad? Performance in my mind is if the asbestos was not removed and there was a Workcover claim which cost \$500 000 as a result of asbestosis. That would be poor performance, would it not?

Mr SYMONS — Sir, the situation is that it would not have mattered particularly whether we were talking about asbestosis or somebody who tripped over a hole or had been electrocuted, there was a problem. It was the manner in which this particular person approached the problem. What I am saying is that if this is symptomatic of how Workcover is going to operate, people are going to get pretty cranky about it when their fees go up. That is what I am saying. I have every respect for asbestosis and safety issues.

Ms DARVENIZA — Did you register a complaint about the person?

Mr SYMONS — I certainly did.

Ms DARVENIZA — Did you write to Workcover about that inspector and let them know that you were unhappy?

Mr SYMONS — I certainly did.

Ms DARVENIZA — Good.

The CHAIRMAN — What sort of response did you get?

Mr SYMONS — As a result of that a gentleman from the department came up and spoke with me about it. We went through the issues and as a result of that I understand that that particular person has had some counselling with his superiors. I hope there will be a satisfactory outcome where he will understand that he is the face of Workcover and — —

Mr CRAIGE — He was in your face.

Mr SYMONS — He is the face for me, and I hope that he understands that he has a responsibility to do his duty in a manner that will produce a positive outcome. If I had done the wrong thing unwittingly because we

had asbestos in the building and I did not handle it correctly, all he had to say was that I had some asbestos and, 'This is the way we are going to do it', rather than beat me about the head. That is all I ask.

Committee adjourned.