

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Bendigo – 13 December 2000

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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Witness

Mr B. Young, Shearing Contractor.

The CHAIRMAN — I declare open this hearing of the Economic Development Committee. I advise all present at this hearing that all evidence taken by the committee, including submissions, is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act.

Welcome, Mr Young. We invite you to make an opening statement, after which we will ask some questions.

Mr YOUNG — I have been a shearing contractor now for 17 years. I employ up to 40 staff at one time. I have had what I consider a good history of claims over those 17 years. I have had several problems re my levy, but these past 12 months have given me a pain, and this is why I am here today.

In July 1999 I was given a rate for the financial year 1999–2000. I had had a long-term injury occur on 29 July 1999. Now I was not notified of any rate increase until my rateable remuneration was sent to my insurer at the end of the financial year 1999–2000. I received the rate increase on 12 October 2000; my rate increased by 1.3 per cent, or \$7580. Now I had already booked out all my work at the rate given, so to 12 months later receive an increase on that — —

I know \$7500 might not seem a lot of money to a lot of people, but to a small business it is quite a large amount.

The CHAIRMAN — Did you say 1.3 per cent?

Mr YOUNG — A 1.3 per cent increase.

The CHAIRMAN — What was the figure before, and what is the figure now?

Mr YOUNG — The rate given to me on July 1999 was 4.67 per cent. That was excluding the buy-out provision. When I got my rateable remuneration back on 12 October, it had increased to 5.97 per cent, which is an increase of 1.3 per cent.

As 93 per cent of my turnover is wages, Workcover has a huge impact on my business. Those figures that I gave you excluded the buy-out provision, which is an extra 25 per cent.

There are a couple of other things I have to say. As I said, it was impossible for me, after 12 months of work, to go back and say to my 80 clients, ‘Look, I have had an increase in my Workcover. I am going to hit you for an extra \$100 to \$120 each’. I would not expect that they would come at that, so it is a cost that I have just had to wear. Someone has just said that farmers have had it pretty tough anyway, and I think my Workcover rate is far too dear as it is without sending another bill.

There are a couple of other things. As a shearing contractor I employ a lot of itinerant workers. It is quite hard when people phone up wanting employment. At that stage you do not know whether they have carpal tunnel or bad backs. They may work for you — but it has happened to me. On the first day a guy worked for me he said he had a carpal tunnel injury. No-one really knows. It is not a cut, and it is not obvious. Because you are the employer at that time you have to wear the sole cost of such an injury. Carpal tunnel is a long-term injury that occurs over a period of time. I do not think it is fair that in this situation the poor employer that this guy has decided to hit has to wear the whole cost of the injury.

Farmers can employ the staff I employ for at least half the premium of what I am paying. They can employ them as farmers — or sheep farmers. I think there are various categories of farmers. They can employ my staff, which they are actually doing, at half the rate I am paying. I do not think that is altogether fair, either. Of course, as you well know, no-one pays a premium until they have paid \$15 000 in wages, so a lot of farmers do not pay \$15 000 in wages to avoid paying thousands of dollars in premiums. That is my statement.

The CHAIRMAN — By what percentage did your premium go up? What percentage increase does \$7500 represent?

Mr YOUNG — It increased by the 1.3 per cent, which was backdated, but my 2000–01 premium went up 47 per cent.

The CHAIRMAN — Would you still have some injury claims that have been affecting your premium? You indicated earlier — —

Mr YOUNG — I think at this stage there are still a couple on the books, but they have been back at work for a long, long time now. They only had superficial injuries, such as cuts or sprains. They have been back at work, and they should not impact greatly on my premium.

One other point is that when I got my claims costs back in August I saw that the cost for a particular bad back injury was put down at \$67 487, and only one month on from that — September — it was increased to \$125 112, and nothing had changed during that time. The guy is still after light duties; he is still keen to go back to work. The injury costs increased by almost double in that time — for no apparent change in anyone's situation.

The CHAIRMAN — Do you think the effect of these Workcover premium increases will have an effect on your business in terms of dollars?

Mr YOUNG — It has already.

The CHAIRMAN — You have said to us that you are wearing this extra cost yourself because you did not want it to pass on to the farmer. But how is it affecting your business, other than in terms of profit?

Mr YOUNG — Well, as I said to you, a lot of my clients are now saying to me, 'Look instead of using you as a contractor, we want to use you as an agent'. Hence, I supply a farmer's employees and he does all the book work and paperwork and pays them. The farmer pays me and I charge him a levy for supplying such. Hence, no Workcover premiums are then applicable.

The CHAIRMAN — Yes, I take your point. So this change could have a potentially disastrous effect on your business?

Mr YOUNG — Without doubt, without doubt.

Mr BEST — Shearing contractors are a scarce commodity now. If somebody gets injured and you are acting as an agent, what will it mean? If somebody comes through with a back claim against a farmer, who will bear the cost?

Mr YOUNG — To my understanding, Mr Best, this is still a grey area. Since some of the farmers have been using my staff under their umbrellas, if you like, there has not been any injury — touch wood. But Workcover has told me that even though I do not sign the cheques, there is an area in which I could still face a claim — that is, that because it could be deemed that they come under my instructions and jurisdiction and are using my equipment, I could still be hit with a claim. So to answer the question, it is still a grey area.

Mr BEST — I think a similar case was raised yesterday. It almost becomes a civil action back against you by the farmer, which is something I think you need to look at.

Mr YOUNG — That is why I have had public liability insurance to cover myself for quite some time.

Mr BEST — The more basic question I want to get to concerns retrospectivity and the experience you have had with notification from Workcover about your premium increase. So far as you are concerned, is there a fairer system? How do you justify the rate to your farmers as a charge-out rate?

Mr YOUNG — When I have argued with my insurer the example I have used is that if you had your house insured against fire and it burnt down in the particular calendar year you are insured for, you never got an increase in your premium for the previous year — but you may have got it added on the following year. I really expected my premium to go up in this particular financial year, but I certainly did not expect to be given a retrospective bill, which is just totally unfair. The only other thing was that I have had — —

Mr THEOPHANOUS — What do you mean by retrospective bill?

Mr YOUNG — I was given a rate at the start of the financial year prior to doing 12 months of work. After doing 12 months of work — and I handed in my rateable remuneration, including superannuation — because of the injury that occurred in that period it deemed that I was a worse employer by that stage and gave me a backdated bill.

Mr THEOPHANOUS — From last year?

Mr YOUNG — From last year. As I said to you, my rate at the start of the year, which I started to work on, was 4.67 per cent.

Mr THEOPHANOUS — What is your rate now?

The CHAIRMAN — It is 5.97 per cent.

Mr YOUNG — Yes, it increased by 1.3 per cent.

Mr THEOPHANOUS — You come under the industry rate for sheep shearing services, don't you?

Mr YOUNG — Yes.

Mr THEOPHANOUS — It is 5.78.

Mr YOUNG — Right.

Mr THEOPHANOUS — So you are pretty close to the industry rate. The reason you are a little bit above the industry rate is that an accident occurred in the business.

Mr YOUNG — That is excluding the buy-out provision, which is another 25 per cent. I have opted not to take that buy-out provision, so it could be deemed that there is another 25 per cent on top of that 5.97.

Mr THEOPHANOUS — It sounds pretty confusing to me. Would you have any problem with us getting Workcover to give us your details so we can look at them?

Mr YOUNG — Not at all.

Mr THEOPHANOUS — You mentioned a figure of 47 per cent as being the increase.

Mr YOUNG — Yes.

Mr THEOPHANOUS — Does that include the GST?

Mr YOUNG — It does.

Mr THEOPHANOUS — So it is really 37 per cent, because you get 10 per cent back?

Mr YOUNG — Yes, well I think the insurer said it allowed 12 per cent — 2 per cent for the handling of — —

Mr THEOPHANOUS — That is right, and another 10 per cent, which you get back.

Mr YOUNG — That is right.

Mr THEOPHANOUS — The 37 per cent you are talking about in effect represents 15 per cent for common law, 2 per cent for GST and a further 20 per cent, which is the maximum amount the premium for a business like yours can be increased. What has happened in your industry? Are you aware that there has been problems in your industry with accidents? There are projects that you can access from the Victorian Workcover Authority. Are you aware that that figure of 5.78 per cent is at the high end, which means you are in an accident-prone industry?

Mr YOUNG — Yes.

Mr THEOPHANOUS — What action have you taken to try to reduce accidents in your business?

Mr YOUNG — I do not know how much you know about the industry, but where you have a moving animal and sharp machinery — it would be very hard for me to stand there all day with every employee and try to stop a sheep from kicking a handpiece out of a guy's hand. That is very difficult. I have had several letters saying that I am an unsafe employer and I would like someone to tell me how I could be a safer employer.

Mr THEOPHANOUS — Are you aware that the Workcover authority has targeted your industry as one that needs to address safety?

Mr YOUNG — Has it?

Mr THEOPHANOUS — Are you aware of it?

Mr YOUNG — I am not aware of it.

The CHAIRMAN — I was not.

Mrs COOTE — I was not either.

Mr THEOPHANOUS — There you go.

Mr CRAIGE — How did you find that out?

Mr THEOPHANOUS — I talk to Workcover; don't you people talk to them?

The CHAIRMAN — We had them before us at a hearing but they did not mention — —

Mr THEOPHANOUS — I try to keep in touch with what Workcover is doing in safety; obviously the opposition does not.

Mr CRAIGE — Obviously there are people who do not understand the way sheep are shorn and the industry works.

The CHAIRMAN — The question?

Mr CRAIGE — I will get to the question in one moment. This is about the increases and the way they happened, but it is about the timing in particular. Sheep do not get shorn when it rains. For those people at the other end of the table who do not know, you can't shear sheep in wet weather.

Mr McQUILTEN — I have sheep in my backyard. Do you have sheep in your backyard?

Mr CRAIGE — Therefore, it was the timing of what happened that is important because you had already committed to doing all those jobs at a set rate which you had negotiated. You end up having no way of redeeming any of the costs placed upon you.

Mr YOUNG — Exactly.

Mr CRAIGE — That is it in a nutshell. It is alright for people to talk about increases and how unsafe your industry is, but you have to carry on business according to what happens out there.

Mr YOUNG — One thing that Mr Theophanous mentioned is my 47 per cent increase. I am not actually complaining about that increase because I am aware of all the implications with the injury, the 20 per cent capping and all of that. I am really complaining about the retrospective bill that I received about the previous year. One thing I will say about my 47 per cent increase is I phoned Workcover — —

Mr THEOPHANOUS — I am happy to take that up.

Mr YOUNG — I phoned Workcover on 30 June this year to ask for my rate for 2000–01. I had people wanting to know the price of their shearing and there were contracts available that I could have tendered for. It was not until the first week of August that I received my rate for this year. That meant that for the first 12-month period of my jobs I had to guess at what my rate was.

Mr CRAIGE — You had to pluck figures out of the air.

Mr YOUNG — It is very hard to run a business if you do not know what your expenses are. It is not a business where there is plenty of cream on top; it is a very cutthroat industry. The farmers are doing it tough; it is very cutthroat.

Mrs COOTE — I do not pretend to know anything about shearing, but I am interested to know what knowledge there is in the industry of this Workcover premium increase. Obviously the farmers are aware of it and are trying to think of an alternative way around it. Are the shearers aware that there have been these additional

premiums which could jeopardise their long-term employment? Have they come to terms with and understood the increases since the Bracks government came to power?

Mr YOUNG — A lot of shearers are purely shearers and could not organise themselves beyond a day's work. It looks like in their situation that they may be forced to be self-employed and try to find their own work. That would make it very difficult. At the moment I put the teams together, they travel as a group and so on. If they were split up there would be guys running all over the place and they would not have work continuity. That is what they rely on me for. They need me to find work for them and keep them employed. If they had to employ themselves — and this is not a slur on them — they would not be capable of doing it.

Ms DARVENIZA — I am sorry that I was late and did not catch the beginning of your submission — I apologise for that. From the bit that I heard towards the end you were saying that this 47 per cent increase in your premium takes in a number of things including the 15 per cent and the GST and has had an impact on your business and the way you conduct your business. You said you are carrying some of those costs because you do not want to pass them on. Are there not other things which are impacting on your business? What effect are things such as petrol and diesel price increases and the GST having?

Mr YOUNG — The guys get a travelling rate so I have not heard that many complaints about the fuel prices. They car pool. I suppose it has impacted on them but not to the extent that they are complaining bitterly.

Ms DARVENIZA — What about the GST?

Mr YOUNG — The GST has had a minimal effect on the way I operate. The GST is another reason the farmers have chosen to pay the guys themselves; apart from avoiding Workcover premiums, there is no GST on wages. As a contractor I have to charge 10 per cent on my total account but if they just pay wages there is no GST.

Ms DARVENIZA — That would have a big impact on your business because it has the potential to cut you out of the picture. They say, 'We will not use Mr Young as a contractor, we will just see if we can employ our own shearers'.

Mr YOUNG — It has not had the impact that Workcover has because they can reclaim their 10 per cent and they cannot claim their Workcover back.

Mr McQUILTEN — That point is interesting. We are talking about the farmers who can bypass you and your business. It would appear to me that if they did that, that would be illegal in two senses. It would be illegal to not collect the GST or charge the GST with the shearers because if there is a financial transaction between the farmer and the shearer there must be a GST component.

Mr YOUNG — No — —

Mr McQUILTEN — Yes, there does. That is the law.

Mr YOUNG — If the shearer is an employee there is no GST on wages.

Mr McQUILTEN — So they have to put them on as an employee?

Mr YOUNG — Yes.

Mr McQUILTEN — That means the farmer then has other obligations and has to pay all of these other costs and charges.

Mr YOUNG — That is right.

Mr McQUILTEN — I do not know of any farmer in my area who would put on two or three contract shearers for two days and have to set up a business and all of the other related problems. I just cannot see that working. I think they will have to get around it another way or work with you. It does not appear to be an option for a local farmer who had 200 or 300 head which need shearing every now and again. It would not be worth it.

The CHAIRMAN — Would you like to comment on what Mr McQuilten has suggested?

Mr YOUNG — He raised a couple of things. He is probably right when he says for a guy with 200 or 300 head it is not worth his while. However, for someone with 5000 sheep, with my premium at 7 per cent or 8 per cent

at this stage and the average cost of shearing being between \$3 and \$3.50 a head, on a saving of 8 per cent he is saving quite a considerable amount of money by doing that book work himself.

Mr McQUILTEN — But he then also has other obligations.

Mr YOUNG — Such as?

Mr McQUILTEN — Holiday pay and all that stuff.

Mr YOUNG — That is all built into the shearer's wage. He would pay that whether he paid me or just paid the shearer direct. A shearer gets a set award rate which includes sick pay, holiday pay, a handpiece allowance — you name it.

The CHAIRMAN — Thank you for coming along today; we appreciate the time you have given us. We will send you a copy of the Hansard record of the discussion so that if there is anything you think is wrong you can send that to us.

Witness withdrew.

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Witnesses

Mr P. Green, Chief Executive Officer; and
Mr R. Trew, General Manager, Finance, CVGT Employment and Training.

The CHAIRMAN — All evidence taken by this committee, including submissions, is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act. Would you like to make an opening statement and then we will ask some questions?

Mr GREEN — Our organisation is an employment and training organisation. We have been doing that for about 20 years and for a long period a number of issues have impacted on our organisation.

The first of those concerns the classification of employment services. That particular classification seems to have evolved out of the concept of hiring out people to place them with employers to work for a period while still being under the employment of the particular agency. For the past decade there has been a new classification that needs to be considered. It is still under the heading of employment services but it is more about referral. It is not about actual placement and taking responsibility for people. It comes particularly out of the federal government's job network program and some state government programs such as the community business employment program where you work with people, counselling them, developing them and referring them on. Employees of our company who work within that area of operation are classified under what we consider a fairly high rating level of employment services. Our submission is that there needs to be a separate classification for employment services referral or whatever it might be which is at a lower risk. The people working for our company who are involved in that are very low risk — they are basically office workers, counsellors and people who case manage these clients. That is the first one.

The CHAIRMAN — If someone working for you goes out to work in an administrative position in an office in the main street here, what percentage are they charged for Workcover because they are one of your people? What would the person who is an employee of that company sitting next to them at the desk in the main street be charged? Do you have those two figures in your head?

Mr GREEN — One is at the base rate of about 7 per cent and the other is about 1.5 per cent.

The CHAIRMAN — Because they work for you under that category it is 7 per cent.

Mr GREEN — That is right. The next issue that we wanted to raise is the methodology for determining projected claims costs. Each year this seems to have a bit of airy-fairness attached to it. We have the agent come and sit with us in September of each year. We sit down in negotiation and discussion about whether the projected claims costs are real or not. I am told there is a science attached to it but from our perspective there does not seem to be. From our perspective in many respects it is a negotiation between us and the agent about whether the claim costs seem real or not.

So we would raise the issue about the methodology for determining projected claims costs currently. Even though there is a science to it, it needs looking at. I would suggest that in some cases, there is never an allowance for retrospectivity. What happens is that at a particular point in time the projected claims costs might seem quite humungous. When you get to that point in time, you may have got the person back to work early yet still be wearing the projected claims costs from the past. There is never a reconciling backwards to, in a sense, affect you positively. It basically always impacts on you negatively. That was our second issue.

The third issue is something that has never been explained to us clearly, so we are raising it with the committee. It is about one of our particular sites that has an experience rating of 400 per cent, which seems an unbelievable percentage to have at a particular site. We have tried and tried with our agents to get a satisfactory explanation, or even an explanation which we can understand, about how a 400 per cent experience rating could possibly be attained at any site. The site has an annual remuneration of, I think, about \$120 000.

Mr TREW — Currently it is \$162 000.

Mr GREEN — Thanks, Robert. The premiums we have had to pay have far exceeded what the actual claims costs have ever generated. So we are in confusion in the context of getting a satisfactory explanation. I am not sure how this committee can help us in that regard, but we have been unable to get one. Perhaps we can get a referral to where we might get some assistance to get one. But our agent has not been able to help us after three meetings.

Mr CRAIGE — What happens at that site?

Mr GREEN — The site is similar to most of our other sites. It is in Kyneton, and it hires out apprentices and trainees. Even though apprentices' and trainees' remunerations are not counted, their work histories are — or accident histories, if I can call them that. There is also the other side of employment services — the referrals, the case managements and the counselling of people.

Mr CRAIGE — So it is no different from any of your other sites?

Mr GREEN — No, it is predominantly the same as all the other sites.

Mr BEST — Is its claims history worse than those of the other sites you operate?

Mr GREEN — Yes, it is worse.

Mr TREW — Yes, it is.

Mr BEST — Dramatically?

Mr GREEN — Yes, it is substantially worse than the others, yes.

Mr McQUILTEN — Is that because of the abattoir-type work that may be going on down there?

Mr GREEN — Yes.

Mr THEOPHANOUS — You do not see having accidents as an adequate explanation?

Mr GREEN — What we do not consider has been adequately explained is how they got 400 per cent.

Mr THEOPHANOUS — You have to have a lot of accidents.

Mr GREEN — There have not been a lot of accidents. There have been a couple of accidents — —

Mr THEOPHANOUS — Were they major ones?

Mr GREEN — They have been costly, because they have involved back injuries and they have gone on. So yes, they have been costly in that regard. But the premiums have far exceeded what the actual claims costs have been. That is the issue.

Ms DARVENIZA — What have the premiums been and what have the claims costs been?

Mr GREEN — Do you have that information, Robert?

Mr TREW — Yes. For just over the past three years the claims experience on the premium calculations we have received have been as follows. In 1998–99 it was around \$58 000 to \$60 000, and the premium for that year was \$128 000; for 1999–2000 the claims history or experience showing on the premium was \$317 000, and our actual premium for that year was \$238 000; and the current initial premium for 2000–01 has a claims experience setting of approximately \$152 000 and a premium calculated at \$317 000.

Mr THEOPHANOUS — Are you talking about your entire company?

Mr GREEN — Just for one site.

Mr TREW — No, just for one site.

Mr McQUILTEN — Is this for Kyneton?

Mr TREW — Kyneton, yes.

Mr McQUILTEN — That is a lot of claims.

The CHAIRMAN — Is it an abattoir?

Mr GREEN — One of the places we hire people out to is an abattoir, yes. Apprentices and trainees went there; no other hired labour went there. So in a sense the remuneration is not counted, because apprentice and

trainee remuneration is not calculated but their accident history is calculated. The apprentices and trainees who were working at an abattoir have had injuries. But the claims costs — —

Mr THEOPHANOUS — What is the overall increase in premiums for your company? You have a number of different sites — presumably some are high and some are low. What is the overall increase for your company? That would be your real issue, would it not?

Mr TREW — I suppose that leads to the next point about the capping issue.

Mr GREEN — Yes.

The CHAIRMAN — If you go through that next point, it might answer the question.

Mr GREEN — The fourth point is that capping is currently based on being company wide. Basically what happens from that is that, in a sense, there is company capping. Basically there is not a ceiling at any particular site; it is a company. Our submission is that consideration should be given to site capping instead of company capping. If some sites are operating and performing well and other sites are performing poorly, why should a poor-performing site impact on a site that is performing relatively well?

Mr BEST — Or provides a different function?

Mr GREEN — Or provides a different function or a different service, that is right. In this context it impacts right across the board. Even our head office corporate site, which has a very low rating, is impacted on because of what is happening down at Kyneton. So we would argue that there needs to be site capping rather than company-wide capping.

Mr THEOPHANOUS — But you would understand that if you site-capped the particular site you are talking about, to raise the same amount of revenue all your other sites would have to go up. There is revenue that you are trying to get out of the system. If the bad sites are capped so they do not pay as much, somebody else will have to pay, will they not?

Mr GREEN — If the company existed only in the context of the Kyneton site, there would be no other revenue to generate.

Mr THEOPHANOUS — No, I am talking about the whole system. The Workcover system works on the basis that the costs are shared out, depending on how good or bad your experience is. Do you support that experience rating system, so the people who are having the accidents pay more, or are you saying you would support a different system from that?

Mr GREEN — That system, though, is relative to a company and not a site. I am arguing that it should be relative to a site.

Mr THEOPHANOUS — Yes, but — —

Mr GREEN — It is still the experience of that site, so yes — —

Ms DARVENIZA — The experience system operates throughout the whole state for all companies and all businesses, so that those companies or those organisations where accidents happen are the ones that pay higher premiums, and those companies where accidents do not happen pay lower premiums. Overall, is that a system that you would support?

Mr GREEN — No, because that is the current system. What we are saying is that if sites are performing particularly well, why should they be impacted on by the fact that there is company capping that allows those sites' premiums to go up because of the poor performance of other sites?

The CHAIRMAN — Are you arguing that a company which owns a farm, produces beef and sends it to an abattoir — which the company also owns — after which the meat goes to six butcher shops, currently has only one rate?

Mr GREEN — Yes, that is right.

Mr CRAIGE — If it is one company that does all the work, yes, that is correct.

The CHAIRMAN — You are arguing that there should be separate rates for each of those separate businesses and that if the claims experience was bad at the abattoir, it should not affect the premium of the farm or the butcher shops?

Mr GREEN — That is right.

Mr BEST — Can you tell me in dollar terms the impact the capping is having on the rest of your organisation at Kyneton?

Mr GREEN — I do not think we have brought that with us. We could certainly supply that to the committee; we have no problem with that. We have not brought it with us today, though.

Mr BEST — As an organisation, have you considered some way of breaking up your company to address the issue you are raising?

Mr GREEN — Yes, the options for us to do that sort of thing have been put on the table. But that is not what we want to do as a company. We are a company and we want to stay a company. We do not necessarily see that we should break it up just to avoid something that we think is not right.

Mr THEOPHANOUS — You did not answer my earlier question, anyway.

Mr GREEN — What is the percentage increase?

Mr THEOPHANOUS — What is the percentage overall?

Mr TREW — I would not know the exact figures.

Mr GREEN — We can get that to you.

Ms DARVENIZA — It would be helpful to the committee if it had some information about your premium increases, and that sort of thing.

Mr GREEN — I would be happy to — —

Ms DARVENIZA — Would you have any difficulty with us getting that information from Workcover?

Mr GREEN — No problem at all.

Mr THEOPHANOUS — What would you say if that information revealed that, overall, your company had paid less in premiums than its projected claims costs? Would you then say that the system was fair or not fair?

Mr GREEN — That is hypothetical.

Mr THEOPHANOUS — It is a hypothetical question, but I am surprised that you do not have the answer for your own company overall.

Mr GREEN — The answer I do have is that last year's premium, based on the new formula, has gone up by \$160 000 and that this year's premium has been recalculated at \$140 000.

Mr THEOPHANOUS — Is that your overall premium?

Mr GREEN — Our overall premium is about \$450 000 for the whole company. That went up by \$140 000 in this financial year because of the new methodology associated with calculating premiums. That was unbudgeted for; we were unaware of it. That is the other factor that also seems to hit companies. Last year, 1999–2000, we paid a premium at the beginning of the year. We made some adjustment, saying, 'Yes, there might be some variation in that', but then we got a \$160 000 bill on top of the premium we paid in that year.

Mr THEOPHANOUS — Does that include the GST component?

Mr TREW — I think the \$160 000 was prior to GST, because it related to the last financial year.

Mr GREEN — That's right, the last financial year.

Mr TREW — We received that bill late this year; therefore, it relates to last year's financial results.

Mr CRAIGE — You got a bill for 160 grand — —

Mr McQUILTEN — It was an adjustment.

Mr CRAIGE — An adjustment — but you got a bill for \$160 000. Can you remember what month that was — August or September?

Mr GREEN — We got it in September.

Mr CRAIGE — In what month did you receive notice of your new calculated premium rate for 2000–01? Was that at the same time?

Mr TREW — I would have thought it would have been in about October.

Mr GREEN — It was later than that. We have only just recently received it.

Mr CRAIGE — Historically you would have done that in June and July?

Mr GREEN — Yes.

Mr THEOPHANOUS — The \$160 000 relates to the previous year — it was an adjustment?

Mr GREEN — To 1999–2000.

Mr THEOPHANOUS — It relates to the scheme under the previous government, does it not?

Mr CRAIGE — But they got it in September.

Mr THEOPHANOUS — There was a miscalculation, wasn't there?

Mr McQUILTEN — The financial year does not finish until June.

Mr GREEN — We got a \$140 000 increase.

Mrs COOTE — Under the new scheme you got — —

Mr THEOPHANOUS — They got a \$160 000 cop — —

Mrs COOTE — You got a \$140 000 increase that you were not expecting?

Mr GREEN — Increase, that's right.

The CHAIRMAN — Have you finished your submission?

Mr GREEN — Yes.

The CHAIRMAN — Are there any more questions?

Ms DARVENIZA — Earlier you talked about the reclassification or classification of clerical and administrative staff. Can you tell us about that?

Mr GREEN — Yes. What I can tell you is that there is a classification called 'Employment services', under which are the classifications of either white collar or blue collar. It does not matter whether they are for white collar or blue collar, the ratings are fairly high — they are higher for blue collar than for white collar. But it is based on hiring people out.

Whenever you hire people out you do not have physical control of those people in the workplace, so there is a risk element associated with that — and given the history, the rates are probably reasonably fair. But where you do not hire people out you are still an employment agency. You do not hire anybody out; all you do is refer people to employers. We do: we refer three or four to an employer, who interviews those three or four, picks one of them to do the job, saying, 'Okay, I'll have this one', and employs that person. But we still wear the employment services rating when really the person is undertaking only an office administration-type position. There needs to be a new classification for the new, evolving type of employment services rather than the old hire-out employment services.

Ms DARVENIZA — Yes, I understand.

Mrs COOTE — I go back to the additional premiums under the Bracks government. You knew it went to the election on reinstating the common law?

Mr GREEN — Yes.

Mrs COOTE — At that stage did you understand what the ramifications of that would be? That is the first part of the question. The next part is: were you then briefed on what those implications would be for you, right through to receiving the increases from your agents, Workcover, or anyone at all? Did you have any sense of communication, or did it come as a huge surprise?

Mr GREEN — A huge surprise. We were not briefed, and we were not sent any information about the implications of the Bracks government's policy in regard to common law. We have been very critical of our agents in terms of their level of customer service, and we have recently had a go at them about their poor customer service. They are just not providing us with any information about anything, basically — and there is little explanation. We have to drag them in to get an explanation. That is an issue for us and our custom, but our relationship with them has been poor.

Mrs COOTE — If there is to be a rate increase next year, how will that impact on your business?

Mr GREEN — It is impacting negatively, because we never budgeted for the \$300 000 we have to pay right now — the \$160 000 from last year and the other \$140 000. That comes out of operating expenses now. We have to find \$300 000, and that is impacting on our business negatively.

Mrs COOTE — What about staffing? Will you put people off or not take on new people?

Mr GREEN — We will not be employing any more people.

Mr THEOPHANOUS — I am sorry, I am still not clear about the premium increase overall. You mentioned some figure of about \$300 000, and then there was \$160 000 that was related to the previous year — it was an adjustment — which made it \$460 000-odd.

Mr GREEN — It is currently about \$460 000, so if you work out what percentage \$140 000 is of \$460 000, you will work out the percentage increase.

Mr THEOPHANOUS — I might be getting confused. I understand you to be saying that you had a premium of \$300 000, and then you got a bill for an extra \$160 000 relating to that previous year, which made it \$460 000. Your new bill for this coming year is \$450 000, which sounds to me as though you have had a reduction in the Workcover premium you are paying.

Mr GREEN — No, there has not been a reduction.

Mr THEOPHANOUS — Where am I wrong in my figuring? What is your new bill? Did you not say \$455 000 was your new bill?

Mr TREW — I do not have the exact figures here, but I know that they are fairly comparable between the two years.

Mr THEOPHANOUS — They are fairly comparable?

Mr TREW — In other words, there is a \$160 000 increase for the previous year, which brought it up to that mark, and the current year initial increase from the original calculation has now gone up by \$140 000. We received an initial premium for the 2000–01 assessment, and then we got an adjustment to that of \$140 000, to bring them virtually in line as between the two years.

Mr THEOPHANOUS — So they are more or less the same?

Mr McQUILTEN — It is more or less the same premium for last year and the old scheme and this year under the new scheme.

The CHAIRMAN — Is it correct to say that you did not come along today to raise the issue of the actual amount of premium that you are paying?

Mr GREEN — It is not one of the four issues in our submission.

The CHAIRMAN — That is how I took it.

Mr McQUILTEN — I just wanted to talk about the problem with Kyneton, or one area of your company. I have a bit of a moral dilemma. I can understand what you are saying in terms of the good performing areas which you run and organise and another area which is not performing well. I can see why you would like to carve it away so it has to stand on its own and leave the others alone.

Mr GREEN — We do not want to do that.

Mr McQUILTEN — That is what you asked for.

Mr GREEN — Sorry, I misunderstood you.

Mr McQUILTEN — You want it to be judged on its own. My problem is how you answer this. As managers you have to be responsible for all parts of your company. It is a moral question. If one part is not working, my argument — am I wrong? — is that you should be fixing up the area that is non-performing and is a problem.

Mr GREEN — From our perspective we have worked very hard as a company to improve our occupational health and safety right across the company. We have employed a full-time person, and we are doing a lot of very proactive things. We have worked very closely with the VWA to lift our game in lots of areas. If you think about apprentices and trainees, you realise that they are young people, and they are the high-risk group. Lots of young people are invincible at 18 years of age. When you get them in a high-risk industry you end up with a high-risk situation. We will work until the end of our days to improve our occupational health and safety standards and behaviour and to up the ante on our host employers, as we call them. But our organisation — most companies do this now — operates on the basis of individual performance. Each one is a cell or a unit in its own right. Therefore, why should the poor performance of one unit affect the good performance of another?

Mr BEST — You said you had contacted your agent. Have you contacted Workcover or your local members?

Mr GREEN — We have not contacted the local members.

Mr BEST — What about Workcover itself?

Mr GREEN — We have contacted Workcover, and we are waiting on a response. We have written to it.

Mr BEST — How long ago?

Mr GREEN — About a month.

Mr BEST — Who is the agent?

Mr GREEN — QBE Mercantile.

Mr CRAIGE — I heard you talk at length about types of work. Your sort of work is very dependent, and you do not have control over them at the workplace. If they go to work at the abattoir, you are not standing there. If they go to work for anyone else as a contractor on a construction site, for instance, physically you are not in control of the day-to-day activities of those apprentices. It would make it really difficult, but I can understand where you are coming from. How can you then be lumbered with a rate and all of that when you do not have control over it? Is that the main thrust of your issue with Workcover?

Mr GREEN — That is it in essence. We do lots of things. We go and do a site inspection, we have the appropriate paperwork, and all our field staff are trained up with an approved VWA five-day course in occupational health and safety. Every apprentice and trainee has to do a full day's induction before he kicks off on the job. That is one of the many things we do; we do lots of things. But you are right: we cannot be standing there day in, day out, watching to see whether the behaviour of that particular company is right.

Mr CRAIGE — There is not a lot more we can see you doing.

Mr GREEN — We will continue to work hard at that.

Mr THEOPHANOUS — But you are the employer, not the company.

Mr CRAIGE — You must appreciate that.

Mr GREEN — That is right.

The CHAIRMAN — Thank you for coming. We will send you a copy of the Hansard transcript of this discussion. If you have any alterations you wish to submit, we would be happy for you to do so. Thank you for your time.

Witnesses withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Bendigo – 13 December 2000

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
Research Officers: Mr M. Ryan and Ms K. Ellingford

Witness

Mr M. Antolos, Assistant Managing Director, Pacific Textiles.

The CHAIRMAN — We welcome Mr Michael Antolos, assistant managing director of Pacific Textiles. I advise all present at the hearing that all evidence taken by the committee, including submissions, is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act.

We invite you to make a verbal submission to us, after which we will ask you some questions.

Mr ANTOLOS — How would you like me to begin?

The CHAIRMAN — Perhaps you could tell us about your company and what it does and then give a submission on the issues you wish to raise with us.

Mr ANTOLOS — Basically my company is the last independent carpet yarn spinner in Australasia. When I say 'independent' I mean family owned. There is no other company above us in terms of a corporate body. So basically the responsibility falls upon my father's and my shoulders every day.

The company originally started off in the 1980s. My father started off with 13 people. Originally he was a timber yard producer, and he basically used to supply people in the Melbourne market, such as Home Hardware. He even supplied Hume and Iser at one stage, before it came under Home Hardware. So he had quite a bit to do.

With the 1980s my father thought diversification would be good for his business, so he went into carpet producing at Wilton in Deer Park. Basically that was for one-off commercial contracts. Some of our carpet is still around — in the Victorian state Parliament and the New South Wales state Parliament, so I have heard.

Mr THEOPHANOUS — The red or the green?

Mr CRAIGE — Haven't you been to see it?

Mr ANTOLOS — I have seen it off stroke. Going on from there, basically we needed a yarn supply. Most yarn was then imported from South Africa and New Zealand. My father heard of Godfrey Hirst-PCI's decision to shunt a factory up here, which is Pacific Textiles today. Since then it has expanded with the addition of wool spinning, including semi-worsted, and it employs roughly 107 people, give or take people who are sick. As I said, we are the last independent spinner in Australasia. Our markets include Australia, New Zealand, Malaysia, Indonesia and Canada.

Ms DARVENIZA — What sort of fabric do you produce?

Mr ANTOLOS — We do not produce fabrics, I am sorry. We are a carpet yarn company; we do not produce carpets nor fabric for clothing. We have produced yarn for Bluey's Jackets at Stawell and also some yarn for safety fire blankets at Alliance Textiles at Timaru in New Zealand.

Mr THEOPHANOUS — What is your issue with Workcover?

Mr ANTOLOS — Well, Theo, over the past four to five years we have had a premium increase of roughly 475 per cent, while our wages have gone up only 76.7 per cent.

Mrs COOTE — Could you repeat that? Did you say 'by 467 per cent'?

Mr ANTOLOS — By 475.8 per cent.

Ms DARVENIZA — Over what period?

Mr ANTOLOS — Looking at about a four to five-year period.

Mr THEOPHANOUS — Do you have a breakdown of that?

Mr ANTOLOS — I have a bit of a breakdown here, which I will present to the committee in a minute, Theo. Just let me speak ahead. I can understand that you want to get your facts and figures right.

Basically our wages have increased by only 76.7 per cent. When I talk of wage increases I am talking of the number of personnel being added every year, with expansions, and also, of course, the award rates that you have to apply and honour under law — correct?

We understand that our claims are high, but for some reason every time we go to refute a claim it is difficult to refute it. For some reason the insurance company has not got the teeth to do it. Often we question whether the injury is work related, and for some reason it does not want it to be questioned. The system does not want to question why people can be put onto Workcover and then cannot come back to work. We simply cannot cut them off from the system.

In our type of industry we have trouble trying to administer light duties, basically because it involves working around heavy machinery a lot. So we cannot implement light duties, and often people fall into the system.

Our next beef is in terms of financing premiums. Like other companies, we have had to go through lending companies to finance the premium, which is normal. Therefore, apart from the premium, we incur interest charges, and that ends up as another liability on the balance sheet. When and if I have to do another capital expansion, or when I look at a capital expansion, when I present it to the finance companies they do not look at its adding value to the company but say, 'Look, you have another liability you have to finance. We cannot help you today'. That is another beef.

Also, I cannot pass the costs on to a final product. I do not have carpet or fabric; all I have is yarn. Incidentally, our New Zealand competitors are a dollar under us, so if I add on another price my customers will say, 'I am sorry, Mr Antolos, we cannot help you today. You are a dollar above what our New Zealand competitors are'. Often I have to absorb these costs in the company in terms of buying inferior fibre, and also at times in trying to run bigger lots to compensate.

At the same time, with the recent additional cost in premium which has been levied by the government of the day, we have looked at a possible future expansion — which we may defer. The reason we may defer is basically that we do not have the money to finance it; it has been taken up with the premium. Basically we could have looked at jobs for 12 to 20 people over two years, which would have been good for a town with high youth and adult unemployment.

The CHAIRMAN — What is the premium increase for the current year?

Mr ANTOLOS — Basically 2000–01 is not fully confirmed, but we are looking at \$909 551.

The CHAIRMAN — What was it the year before?

Mr ANTOLOS — It was 534.

Ms DARVENIZA — Sorry, what was it before?

Mr ANTOLOS — It was \$534 687. I was just rounding it off. I know you do not go to the nth dollar.

The CHAIRMAN — In your opinion, what would be the reason for its increasing so much?

Mr ANTOLOS — Partially claim payouts, which we have had trouble refuting. We know that there are ones which are genuine and which we have to honour, because not all people can work after being injured, but there are others which we cannot seem to refute. For some reason they go against the employer in general.

The CHAIRMAN — Do you have the view that Workcover is accepting as the responsibility of your company claims for injuries which, it would be worth arguing, had been caused during working hours?

Mr ANTOLOS — I think Workcover is not investigating enough. I believe it is honouring the system and keeping the system going, but it is not investigating and refuting every claim. I agree that not all claims can be refuted, but they can be questioned.

The CHAIRMAN — So you have the view that there is not enough questioning going on by Workcover to ensure that — —

Mr ANTOLOS — I would not say Workcover in general. I would say the whole system in general, which encompasses all people — including myself, employees, inspectors, insurance companies and the actual government authority.

Mr THEOPHANOUS — It is a culture you are talking about?

Mr ANTOLOS — I am talking about a culture, yes — which is developing. That is the problem.

Mr BEST — It is easy for an insurance agent to just get rid of it — get it off the books, pay it out and move onto the next case?

Mr ANTOLOS — Yes. In the meantime the company gets slugged with the premium. Also just in general, to keep things in perspective, as you know country towns are getting a reputation as Workcover and redundancy payout havens, which is really bad if you want to encourage future investment. This was reported in the *Age* a couple of months ago. I do not have the article and I cannot cite the author, unfortunately. I am sorry for that.

Mr CRAIGE — Do you know if your industry rate changed — —

Mr ANTOLOS — Our industry rate is high.

Mr CRAIGE — Do you know what it was and what it went to?

Mr ANTOLOS — I cannot give you that off the top of my head. If you want it in the future I can — —

Mr CRAIGE — I think it is 5.78 per cent now — —

Mr ANTOLOS — Yes — it has come up, anyway.

Mr CRAIGE — I do not know what it was before. Would it be ‘Yarn and broad woven fabric manufacturing’?

Mr ANTOLOS — I think we come under the broad classification of textiles, according to our insurer.

Mr CRAIGE — There is one in the ‘Workcover industry rates’ called ‘Yarns and broad woven fabric manufacturers’. Does that sound like you?

Mr ANTOLOS — That sounds like us, but I think the insurer has a bit more of a technical classification.

The CHAIRMAN — Is it under textile, floor coverings manufacturing?

Mr ANTOLOS — Yes, that is probably it.

Mr CRAIGE — That is the same rate, 5.78 per cent. Did that go up?

Mr THEOPHANOUS — It went up by 1 — from 4.78 per cent to 5.78 per cent.

Mr ANTOLOS — If you look over the years you will see that it seems to have been just in that particular industry.

Mr BEST — Do you believe there is a Tattslotto-type mentality with some of the people who get paid out?

Mr ANTOLOS — I will give you the example of X. X is a person whose father cried like buggery in front of my father — I am sorry, seeing the ladies are here — for a job. My father’s understanding is that youth unemployment is high here and that we should all help out. X supposedly injured himself at the company and then X was on Workcover. Then all these stories started filtering through to my administration and to me saying, ‘X is mowing his lawn’ — okay? By the way, X’s father is also on a big Workcover payout. So I guess you can call it a Tattslotto mentality.

Mr THEOPHANOUS — The increase from \$534 000 to \$909 000 is quite a substantial increase.

Mr ANTOLOS — I think ‘substantial’ is an understatement.

Mr THEOPHANOUS — Did your company have an increase in remuneration between those two years, and if so, how much?

Mr ANTOLOS — We had an increase in remuneration. Our wages went up because the past two years have probably been the best for the carpet industry in general with the construction related to the Olympics.

Mr THEOPHANOUS — How much did it go up by?

Mr ANTOLOS — My rateable wages were \$3.7 million for 1999–2000, and for 2000–01 they will be \$4.2 million.

Mr THEOPHANOUS — That is a significant increase in wages, which would account for some of that increase.

Mr ANTOLOS — You also have to consider that overtime is not included.

Mr CRAIGE — Superannuation?

Mr ANTOLOS — Superannuation and increases in the award which the employer must honour under the current system.

Mr THEOPHANOUS — That has been in for a while now. There would also be GST in there.

Mr ANTOLOS — And other factors — GST, wages and all of that. You cannot stop it. It is one of those things — a fact of life like birth, death and taxes.

Mr THEOPHANOUS — We did not have to have the GST, but that is a different issue.

Mr ANTOLOS — I think we were eventually due for it.

Mr THEOPHANOUS — What I want to get to is to understand the increase. In that context, how much have your claims been over the past three years? You know they have a claims cost, which is used to calculate the premium. You say the premium is \$900 000, so what has your claims cost been over the past three years?

Mr ANTOLOS — I cannot give that to you. I do not have it in front of me.

Mr THEOPHANOUS — Do you mind us asking the Workcover authority for that information? Do you have any problem with that?

Mr ANTOLOS — I have no problem with you asking the Workcover authority; but like I said, why do you not come one-to-one with us?

Mr THEOPHANOUS — I am happy to do that too.

Mr ANTOLOS — Ask my financial controller. I would be happy for you to do that. I would prefer it if you would come to the horse's mouth.

Mr THEOPHANOUS — We would be very happy to do that; I am sure the Chairman would take up that offer. You understand that the system is based on experience rating. I understand the issues you are referring to about the culture.

Mr ANTOLOS — Come on, it is a fact.

Mr THEOPHANOUS — That's right, I know. However, putting that to one side, the system is based on experience rating. The companies where the accidents are happening are paying more and the ones where they are not happening are paying less. Do you support that general principle?

Mr ANTOLOS — Yes and no. I can cite the example of one company in Bendigo with a near-zero accident record, and it is still paying a higher premium. Why?

Mr THEOPHANOUS — It might be a small company in a dangerous industry.

Mr ANTOLOS — It also has a good turnover, which has been rated. A lot of it is the way the system is thought out. It is not just on whether it is the high or the low accident rating.

Mr THEOPHANOUS — So you are not happy with the experience-rating system as established by the previous government. That is what you are saying.

Mr ANTOLOS — I would not say it was the previous government. It is previous, previous governments and present governments together.

Mr THEOPHANOUS — Workcover has been in place for seven years; it was introduced under the previous government. That is the system under which we are operating.

Mr ANTOLOS — It was Workcare under the government before that, so it is continuing on. It is just a name change, nothing else.

Mr BEST — I am aware that you are a significant employer in Bendigo.

Mr ANTOLOS — Not in the top five; maybe the top six, seven or eight.

Mr BEST — One hundred employees in a country town this size is important. You have already indicated that this will significantly impact on the opportunity to expand — —

Mr ANTOLOS — Just to interrupt, my competitor, Albany Woollen Mills, looks like it will be closing down towards the middle of next year. I am not saying that will happen, but it is shifting machinery to Indonesia. Considering that it has received state government grants to do this, I have a chance to maximise the market, and four or five customers have already approached me.

Mr BEST — You have a niche opportunity.

Mr ANTOLOS — I would not say it is a niche opportunity. I have a market opportunity.

Mr BEST — You have an opportunity to expand and take advantage of a gap that is being created. Where do you look like expanding? In Deer Park or Bendigo.

Mr ANTOLOS — We do not have the Deer Park operation; that closed years ago during the credit squeeze. We lost the Deer Park operation and two other top-tufting operations. The only thing left was our Melbourne office and Pacific Textiles. You would remember the late 1980s credit squeeze. That is all I have; that is my bread and butter. If you want evidence of it, you should drive on Nolan Street. At the end of the street to our back entrance there is a new building. Half of that has been dedicated to a store and half to a future expansion.

Mr BEST — When do you think that expansion may take place, given the late notification you have received for your premium increase?

Mr ANTOLOS — We were hoping July, but it might even go on to the year after that. We may be looking at a year's deferral, which would really affect things. There is a possibility that I could get a government grant, but I could lose that government grant if I do not employ that number of people and do it within the time period. I cannot be dishonest and take it. I have to say, 'I am sorry, I am not employing these people because I have not got the expansion going'.

Mr McQUILTEN — What can be done in organising these sorts of government grants — —

Mr ANTOLOS — Yes, but I believe you have fiscal years to answer for when you do government grants, and a government grant cannot be held indefinitely. You have to spend that money elsewhere.

Mr McQUILTEN — However, you can take them out over a five-year period and have performance indicators on the way through.

Mr ANTOLOS — I have been given performance indicators, but I have also been given X amount of time to do it, and I do not think it will be achieved.

Mr McQUILTEN — The thing is that you can renegotiate that with the — —

Mr ANTOLOS — We can renegotiate it, but what about if it goes indefinite? Two or three years? You cannot hold the money. You have other priorities within government to spend it on — health, education and infrastructure.

Mr McQUILTEN — Surely you would be able to make up your mind about the expansion within three years.

Mr ANTOLOS — It would be difficult. What if we have an upcoming recession? Maybe it would be deferred indefinitely.

Mr McQUILTEN — If it is deferred, you reapply later. All I am saying is that there is flexibility.

Mr ANTOLOS — There is flexibility, but when you have high costs and you are trying to meet those costs and you cannot meet them, you cannot lie to the state government of the day.

Mr McQUILTEN — We do not want that.

Mr THEOPHANOUS — But you have just expanded anyway, by \$750 000, as you told the committee.

Mr ANTOLOS — We have expanded with the building, but it might be a shell. It would be a beautiful store, but there is no manufacturing and no people working there. It is useless to me.

Mr CRAIGE — If there was one thing you would like to see change in Workcover, what would that be?

Mr ANTOLOS — Just one sec. Fall asleep if you want to in this part; you have a tape to listen to!

Mr CRAIGE — I asked because I want to hear it.

Mr ANTOLOS — The civil court should come out of it and we should have an administrative tribunal/industrial tribunal — not a duplication of the existing system but a separate Workcover court on its own. It should have a cross-section of personnel, electable every year, which would sit and determine the claims. They would also put a cap on the claims like with the administrative tribunals in terms of pain and suffering and the ability to work, not just one massive payout. Of course, we can all live in a dream world and create it, but basically there would have to be a serious sit down and think about it, one which included insurance companies, industry members and unions if need be.

Also in Queensland I notice that they are moving away from private sector practitioners for insurance and going for government practitioners. If you live in Nudgee, or wherever, you have to travel to see the government practitioner or he has to travel to you — he is not a local, private person. They have the power to determine your ability to work or whether you can do light duties.

Ms DARVENIZA — What would be the advantage of that?

Mr ANTOLOS — Off the record?

The CHAIRMAN — We are on the record.

Mr CRAIGE — Just say it in a careful way.

Mr ANTOLOS — I basically think that with the additional Workcover treatments the general practitioners see that things are going well on their balance sheets, and all that. I do not think they will stop a good thing.

Mr CRAIGE — We know what you mean.

Mr BEST — Do you think there are doctors who are sympathetic to people on Workcover and therefore sign certificates?

Mr ANTOLOS — I think they are sympathetic to their pockets.

Mr CRAIGE — But local doctors in local areas?

Mr ANTOLOS — I am just saying it would stop that sort of rotting.

Mr CRAIGE — You move them out of their comfort zone.

Mr ANTOLOS — Basically put on a nice independent outlook.

Mr CRAIGE — Is that all?

Mr ANTOLOS — I have a few more.

Mr CRAIGE — Go for it.

Mr ANTOLOS — Basically there should be some sort of different means of looking at Workcover premiums. It is up to yourselves — I cannot give you everything — but maybe it is something to consider. Also, the abolishment of the common-law right to sue: leave it to the tribunal to sort it out. The decision is final, like a court; no second time around for suing; just one off, one go.

Mr THEOPHANOUS — With or without common law?

Mr ANTOLOS — Common law that applies to the tribunal. That is up to the government of the day.

Mr McQUILTEN — Via the tribunal?

Mr ANTOLOS — Common law via the tribunal, so it is up to the government of the day.

Ms DARVENIZA — Can you give the committee some indication of how you see your claims record and your occupational health and safety record? Does your company have a good one? Is it average? Does it need improvement?

Mr ANTOLOS — I would say it is fair. It has a lot of limitations, though. Being a small private company, expenditure can be limited. A lot of times I try to push to pay things, but you have to determine if you want to survive or what you want to do. But we are pushing to implement a lot of things. I have a committee operating that has a union rep on it as well as other people from different shifts. I personally meet with it once a month. I sit down.

Mr THEOPHANOUS — Are you near the industry rate of 5.78 per cent, or are you above or below it?

Mr ANTOLOS — I think we would be slightly above it. Like I said, I do not have the percentage figures here, so I will not make a comment and be struck off the record.

Mr McQUILTEN — Is there anything the government could do to help you, such as improving your occupational health and safety record or giving advice or assistance?

Mr ANTOLOS — I recently got a consultant, who did an overall assessment of the place. He said that there are good things but that there are bad things; you cannot always have everything your own way. I think Bob Cameron's recent idea of putting in \$2 million is throwing money at things. One thing he should do is push all insurance companies to have advisers. Every company or group of companies should get an adviser to say, 'Listen, you are down here but you are good here, and you can do this instead'.

Mr McQUILTEN — That is what I have been thinking, too.

Mr ANTOLOS — At one stage Lynn Stewart — I cannot remember what insurance company she is from — came to see us, but we changed insurance companies. It was a good, positive start. She sat down and we did some things with her, but it did not continue; we changed insurance companies. But there should be someone permanently coming to see you, at least on a quarterly or yearly basis, and saying, 'That is good, but that is bad'.

Mrs COOTE — The current government went to the election with common law and Workcover as one of its major issues. Did you expect the sorts of ramifications you have had, given that that was what it was flagging at the time?

Mr ANTOLOS — We expected an increase, but not a major increase.

Mrs COOTE — Have you enunciated what it would be like if there were an increase next year? Do you expect an increase?

Mr ANTOLOS — I will not lie; there will be an increase. But like I said, it will put into question whether we will expand. In any event, it will affect you. I mean, fewer people will be spending on the local economy, et cetera. It is a circle, unfortunately, that we are all part of.

Mr THEOPHANOUS — I have a final question. I like to work with figures. You said that \$900 000 was your premium.

Mr ANTOLOS — That is not fully confirmed yet, Theo.

Mr THEOPHANOUS — It is not fully confirmed, but 10 per cent of that is GST, which is claimable back, so — —

Mr ANTOLOS — Yes, I am aware of that, Theo; I am a businessman.

Mr THEOPHANOUS — I am just trying to get a feel for what the real difference is. You also said there was about a 20 per cent increase — on my calculations — in your remuneration from the previous year, which would account for probably another hundred and something thousand dollars in increased premiums? The difference sounds a lot more than it actually is in a straight comparison. Would you agree with that?

Mr ANTOLOS — No I would not, Theo. You are still going heavy and hard on employers. If it continues on, I — —

Mr THEOPHANOUS — You agreed with the 900 000 and you agreed with the 20 per cent increase in your remuneration. You cannot count those two bits, surely?

Mr ANTOLOS — No, I cannot count those two bits, but I am saying that if it continues on, employers will not employ people. We admit there is an increase, but how will we pay wages?

Mr THEOPHANOUS — It is in your hands to improve your safety record, too. That is a good way to get premiums down.

Mr ANTOLOS — It is a good way to do it, and we are working on it.

Mrs COOTE — How much of a threat is the New Zealand competition?

Mr ANTOLOS — It is currently a dollar under us.

Mrs COOTE — And it looks to be heading to becoming even more competitive?

Mr ANTOLOS — Basically I think the only thing that holds it back is time of turnover. We are four weeks; it is looking at six weeks. That is the only thing that holds it back. But in the end it comes down to price, though.

The CHAIRMAN — We have come to the end of our time. We thank you for coming along today and being so forthright. We appreciate the time you have given us. We will send to you a copy of the Hansard record of what has been said. Please let us know if there is anything wrong. Again, we thank you for your time.

Witness withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Bendigo – 13 December 2000

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
Research Officers: Mr M. Ryan and Ms K. Ellingford

Witness

Mr D. Rodgers, Accountant, Blackforest Timbers.

The CHAIRMAN — We welcome Mr Daryl Rodgers, an accountant with Black Forest Timbers. The evidence that we hear today, including submissions, is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act.

I invite you to make a statement to us, after which we will ask you some questions.

Mr RODGERS — Thank you for that, and thank you for your time. We wanted to come today mainly to voice our concerns regarding the premium increases. They basically go to timing. The increases were on top of other increases: the common-law increase, the GST and the industry increases occurred all at the one time. That has hit us with a real increase of about 44 to 45 per cent in our premiums for the year. We were a bit concerned about the lack of transparency. We made written requests for just a brief explanation of why our premiums went up, but we were not really given any answer.

Because it is a substantial premium increase, it is having a detrimental effect on our business and our employment, in that we have actually deferred some of our investment decisions. We had actually put in our plans for this year a 66 per cent increase in our remuneration for more employment in the future. We will probably have to cut that 66 per cent back by about 25 per cent.

Ms DARVENIZA — How much was the increase?

Mr RODGERS — A 66 per cent increase on last year's remuneration.

Ms DARVENIZA — Significant.

Mr McQUILTEN — With employment?

Mr RODGERS — Yes. At the moment we are down around about 10 to 12 per cent in employment. That is not by putting people off but by not replacing people at this stage.

We have a bit of a query about the classification rates. We all seem to be lumped into sawmilling, which is a high-risk area. We have a substantial office and management presence with directors, which number about 10 of our 50 staff, and they get lumped into that high rate as well.

The CHAIRMAN — Are they on the same site?

Mr RODGERS — They are all on the same site.

The CHAIRMAN — Under the one roof, so to speak?

Mr RODGERS — We have a separate office, but it is on the same spot. We find that a little bit unfair on us. We feel that our record safety wise in previous years has been very good. Our actual claim costs in 1998–99 were only \$1600, and our actual claim costs in 1999–2000 were 2227 — —

The CHAIRMAN — Dollars?

Mr RODGERS — They were \$2227, and our premium this year is — —

Mr THEOPHANOUS — Thousand dollars?

Mr RODGERS — Thousand dollars, yes — \$2227. So it was very small, and it was \$1600 the previous year — whereas our premium is actually \$18 715 a month this year. The premium seems to be way out of proportion to what our record has been in the past.

Mr BEST — It is \$18 000?

Mr RODGERS — A month.

Mr BEST — A month?

Mr RODGERS — Including GST, our premium is \$224 000 a year. We feel there should be some sort of serious effort to give us a no claims bonus or some sort of allowance, because we seem to be tied to the industry in general rather than to ourselves at the sawmills.

Mr THEOPHANOUS — What is your industry category?

Mr RODGERS — Our risk category?

Mr THEOPHANOUS — Yes.

Mr RODGERS — The industry classification is C2531X.

Mr CRAIGE — Can you give us the name?

Mr THEOPHANOUS — Log sawmilling.

Mr RODGERS — Log sawmilling.

Mr CRAIGE — Got it — 7 per cent.

The CHAIRMAN — So it is 7 per cent, and it has gone up from 5.78 per cent?

Ms DARVENIZA — It is now 7 per cent, and it is up from 5.78 per cent, did you say?

Mr RODGERS — Yes — there has been a substantial rise. Our actual premium last year was in the vicinity of \$95 000. With the increase in our remuneration it actually went up to \$224 000, with GST. So that was a \$100 000-plus increase over the 12 months.

Mr THEOPHANOUS — Yes, but you get a discount for your 66 per cent increase in remuneration.

Mr RODGERS — Not really.

Mr THEOPHANOUS — You don't? You reckon you should get that for free?

Mr RODGERS — No, we will pay for that. What I am saying is that, all right, we had a 66 per cent increase in our remuneration, but our premium went up by 114 per cent. So there is — —

Mr THEOPHANOUS — So the difference — —

Mr RODGERS — There is a 40-odd per cent difference between what is due to our remuneration and what is due to these other three factors that came in during the year.

Really, the impacts have been mainly on our cash flow and on the deferral of investment decisions. We remain very committed to providing a safe workplace for all our employees. We have to view our employment of outside consultants and expanding our safety programs a little more closely to see whether we get the cost benefit from it, if we are to continue to be tied to industry rates rather than our own specific performance in the area.

Mr McQUILTEN — In the past 12 months there has been a major shake-up with the RFA.

Mr RODGERS — Yes.

Mr McQUILTEN — That is the regional forest agreement, for those who do not know. My reading of that is that your company will probably benefit from that shake-up in the industry in your area. Is that correct?

Mr RODGERS — We benefit by the fact that we do not lose anything. We remain with our — —

Mr CRAIGE — But you do not gain anything.

Mr RODGERS — We do not gain anything, but we do not lose anything. We had a quota that was not touched, in effect.

Mr McQUILTEN — It is also my understanding that with other mills closing and with your intended ability to treat timber more efficiently there is the possibility of expansion?

Mr RODGERS — Yes, that is exactly what we were looking at. Our investment decisions were to add more in the way of pre-kiln dryers and to expand our flooring product range by going into a range of floating floor-type systems, which we do not make at the moment.

Mr McQUILTEN — Would I be right if I said that there would be millions of dollars in assistance in preparing for these opportunities?

Mr RODGERS — Under FISAP at the moment we have been offered 20 per cent of the cost of a capital expansion.

Mr McQUILTEN — I am trying to — —

The CHAIRMAN — We are trying to work out what is happening in Workcover.

Mr McQUILTEN — My point is that we are talking about tens of thousands of dollars in Workcover, but in reality a lot of other issues relate to your business and your business expansion, so really \$10 000, \$20 000 or \$40 000 on Workcover would not be a major inhibiting factor to your business.

Mr RODGERS — It is not probably the major inhibiting factor at the moment, but it is one of many.

Mr McQUILTEN — What are the others? Is fuel one?

Mr RODGERS — As you know, the building industry has had a bit of a downturn in the past 6 to 12 months. That obviously has flowed through to us.

Mr McQUILTEN — And the GST?

Mr RODGERS — There was a slump straight after the GST.

Mr McQUILTEN — That has been another factor as well?

Mr RODGERS — That was another factor as well. Other factors are with the RFA itself. The process has been fairly drawn out, as you probably understand.

Mr McQUILTEN — Yes, over years and years.

Mr RODGERS — And we still do not have a licence as we speak. So there is still some uncertainty in that area.

The CHAIRMAN — I will have to get us back on track.

Mrs COOTE — Could you outline for me the threat to your competitiveness, given that other people are obviously under the same industry category as you are. How will the increase in your premium impact on, in particular, the competitiveness of your company?

Mr RODGERS — At the moment we compete a lot in the interstate markets. Sydney and Brisbane are two of our main markets. So if there is any variation that gives our New South Wales competitors a bit of an edge on us, obviously we lose a little bit. At the moment we are finding that Boral, which is one of the major New South Wales ones, is undercutting us. We cannot match that at this moment because of the inherent costs.

Mr CRAIGE — Is that on hardwood timber framing?

Mr RODGERS — Yes. Most of the stuff that goes to New South Wales and Queensland is KD — kiln-dried timber. We do not sell softwoods, only hardwoods.

Mr THEOPHANOUS — I have had another look at the figures you have been giving us. I understand the increase, but I think the way you expressed it is not quite right. I want to put this to you: when you say you had a 66 per cent increase in remuneration, you cannot say you had a 120-something per cent increase, so the difference between the 66 per cent and the 100 or whatever it was is 44 per cent.

Mr RODGERS — It is not exactly.

Mr THEOPHANOUS — You cannot do it like that. The point is that you add the 66 per cent, which brings the whole remuneration up, and then you have to look at the percentage from that higher remuneration compared to what you have. I think it is a lot lower.

Mr RODGERS — Granted, in monetary terms it is around about \$40 000-odd over the 12 months.

Mr THEOPHANOUS — What is your total remuneration?

Mr RODGERS — Our estimate of total remuneration was \$1 182 000. That was last year.

Mr THEOPHANOUS — It must be more than that if you had a 66 per cent increase.

Mr RODGERS — That is last year's.

Mr THEOPHANOUS — It would be over \$2 million. We will work out 66 per cent of that. On a broader level, it is \$40 000, and I understand that. But you know there are two factors that influence your premium over and above common-law issues and so forth, which were all up-front. One is the experience rating of your company, and the second is the industry as a whole. The industry as a whole seems to have gotten worse in terms of its recent record, and that is why the industry rate rose from 5.78 per cent to 7 per cent. Have you thought about how you could work within your industry, maybe with the Workcover authority or with some assistance from the new inspectorate, to reduce that in an industry sense and to get the industry rate down a bit, as 7 per cent is very high?

Mr RODGERS — The Victorian Association of Forest Industries (VAFI) is our main industry body. They have a program that we work through with them. I believe they are putting a separate submission to the committee. We work very closely with them, but there are problems. The lady in charge of that is leaving VAFI in the middle of this month. However, we work through VAFI as an industry body; it looks after the industry side of it. On the other hand, we look seriously at what we do. We are very proud of our record in previous years, and we do not feel we are being rewarded as an employer because of the industry dragging us down.

Mr THEOPHANOUS — The rest of the industry is not doing as good a job as you are. That is what you are saying.

Mr BEST — What proportion of your total staff is made up of the staff you have in administration?

Mr RODGERS — In administration we have myself, two salesmen and a manager. On top of that we have five directors, whose remuneration comes into this. There are 6 and 33 out in the mill itself.

Mr BEST — You have 44 people on the payroll who are classified at the same rate.

Mr RODGERS — Normally it is around about 50, but at the moment we are a little bit under.

Mr BEST — So 25 per cent of your staff are in administration or sales and non-sawmill activities?

Mr RODGERS — Yes.

Mr BEST — So you get the double whammy: the industry is dragging you down because of your performance compared to some of your competition, and 100 per cent of your staff are being categorised in the highest risk component of your operation.

Mr RODGERS — That is correct.

Mr BEST — Do you have any suggestions as to how you would like to see Workcover change?

Mr RODGERS — I believe that in the past there was a facility where we could put down that our staff were in different categories, and they were categorised differently. That has changed in recent years to one where you are under all the same classification rate if you are housed on the same property. We would like to see a system like that reinstalled, where the mill staff are classified separately from the office staff, unless the office staff are involved in the inherently risky areas. We would like to see that separated so we could be rated separately in the office.

Mr BEST — Finally, are the increases you have received going to set your plans for expansion back at all?

Mr RODGERS — They have delayed them at the moment, but I would not go so far as to say it is entirely Workcover's fault. There are other factors which have delayed our decisions.

Mr McQUILTEN — Just the major factor; you have said that already.

Ms DARVENIZA — How much was your premium this year?

Mr RODGERS — Our total premium was \$224 000, including GST.

Ms DARVENIZA — What percentage of the industry rate is that? The industry rate is at 7 per cent. What rate do you think your company is at?

Mr RODGERS — Our remuneration is around about \$2 270 000. It is virtually 10 per cent.

Mr McQUILTEN — You are quite a bit higher.

Ms DARVENIZA — You have given us quite a bit of information about your premiums and your history, but I believe it would be helpful to the committee if it were able to get some information from Workcover about the facts and figures. Do you have any problem with that?

Mr RODGERS — No, no problem.

Mr McQUILTEN — You talked about your claims. There were claims for \$200 and \$2700 in the past two years. What about the previous two or three years?

Mr RODGERS — We have had only a week to get these together. I really would not like to go on the record as saying any amount, as I do not have any of the records here. They have not really been excessive in previous years so far as I can see. One of our problems is the way that GIO assesses future claims. It might take a claim and say the claim is worth only \$100 this year but say it is worth \$17 000 over the next few years.

Mr McQUILTEN — We have seen a bit of that.

Mr RODGERS — That is a worry, because we find that those sorts of figures tend to evaporate when the claim is settled. It just disappears off the book for some reason. However, we seem to be rated on that estimate.

Mr McQUILTEN — It seems like a big rise for 7 per cent and the industry rate. It is a problem industry in terms of other companies, but if you are paying 10 per cent it is a lot higher.

Mr RODGERS — That 10 per cent includes GST. If you took \$220 000 off that, you would probably be closer to that 7 per cent.

The CHAIRMAN — Thank you very much for your time. We will send you a copy of the Hansard record. If we have anything wrong, it is a matter of your letting us know. Thank you for coming.

Witness withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Bendigo – 13 December 2000

Members

Mr R. A. Best
Mrs A. Coote
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Mr T. C. Theophanous

Chairman: Mr N. B. Lucas
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Staff

Executive Officer: Mr R. Willis
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Witnesses

Ms R. Smith-Clark, Risk Manager; and
Mr K. Gill, General Manager, Frew Kyneton Pty Ltd.

The CHAIRMAN — We welcome Ms Robyn Smith-Clark, risk manager, and Mr Kevin Gill, general manager, of Frew Kyneton Pty Ltd. The evidence taken by this committee, including submissions, is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act.

I invite you to make an opening submission, after which we will ask you some questions. We have until 12.30 p.m. in which to do that.

Mr GILL — As an overview, Frew Kyneton is part of the Frew group of companies. At the Kyneton site it employs approximately 225 people. The annual wages bill for Kyneton, with the other remunerations, is probably \$4.8 million. Linked with that is that on the site there is some further processing work. The main functions on the site are the killing of beef, boning and packing, and recently we have taken that one step further with the further processing of beef into corned products and fresh sausages. The fresh sausage program, although it is under a separate company structure, is all integrated with the Frew Kyneton site. It has probably been operating now for close on five months.

Over the past six months we have put on probably in the vicinity of 30 full-time positions on the site. Within the next six months, as part of our stage 2 process, we are looking at possibly another 30 positions; and within 12 months, with further processing and development, hopefully that will increase to about 50.

So far as the recent workers compensation situation is concerned, I make the statement that I think it is archaic thinking, not progressive at all, and is about taking the easy option. Anyone can go backwards, think of what was done in the past, and put it in again. It has triggered us — to a point where we have already told our union delegates that we will be making some pretty hard decisions. We have taken the step of stopping all capital development at this stage. We have told them that in February, after our peak season — which is now — we will be re-evaluating our whole position.

That is my opening statement. It is as critical as that. We contacted Joanne Duncan, our local member, initially when we received the premiums. We were redirected to the Workcover authority. Notwithstanding the fact that we are in a heavy industry — we appreciate that: it is a very labour intensive industry that is good for regional Victoria — we have certainly been given no benefits at all under the new structure.

During the past three weeks I subsequently contacted Joanne's office — that was prior to our knowing of this committee, which then we did not know a thing about — because we urgently needed a meeting with her to take it to the government of the day to let it know our situation. I have not heard anything back.

Subsequently I asked for the help of the Australian Meat Industry Employees Union (AMIEU) to see if it could pull some weight. It has contacted Neil O'Keefe, the federal member, who — although he has no jurisdiction and it is not in his environment — has agreed to come down to the site on Wednesday. We will just have to start working from that angle. With his contacts, hopefully he will be able to initiate some forward thought in resolving our problem. That is it.

Ms SMITH-CLARK — From my perspective, I was employed by Frew Kyneton in 1996. Its premium was over \$1.2 million. We have worked very hard. We have put in a lot of systems — that is, occupational health and safety systems — and OHS reps. We are proactive with the management of our injuries. But at the end of the day, even though we do not have an allocated budget for being proactive in OHS, we are penalised.

One issue, which I think a lot of other meat industries are also raising, is that we are locked in with the building industry. We request that that be reviewed to see whether or not we could be independent of those with our industry rate. The other is that perhaps incentives could be looked at for those industries that are proactive and are proving that they are reducing their Workcover claims, which to date is not there, and for the fact that we allocate a priority — one is to the quality of the meat product and the other is to our Workcover and OHS responsibilities. There is no incentive for that.

At the end of the day the introduction of the Workcover common-law system has highlighted things, and people are now making common-law claims for injuries they had forgotten about. I do not disregard the ones that are legitimate; but basically we are introducing a culture, or an attitude, and we have to question that.

There is another thing we could also look at, which is the cut-off date being 31 August — and we are all addressing the impact of this on our 1999–2000 claims. We are then wearing any impact from our initial premium to our confirmed premium for 1999–2000. Additional to that is the impact of the 17 per cent on common-law claims, so

we actually have a double whammy. It is not just about going into the future of 2000–01. The 1999–2000 claims have made a huge impact as well — that is, for common-law claims.

I believe we work very hard on our return-to-work rehabilitation programs, but basically some people have lodged common-law claims for claims that they would have perhaps reviewed later on rather than claiming it in one impact. After having spoken to some other companies very similar to ours, as an abattoirs we are asking for the options to be reviewed independently from the building industry. As for those companies that are being proactive in reducing their claims costs by reducing their injury rates, I guess that is another angle that needs to be reviewed.

The CHAIRMAN — Can you take us through the situation in relation to your premiums for 1999–2000 and 2000–01? What has happened there?

Mr GILL — As I said, there are a couple of sites at Kyneton. If we take Frew Kyneton as being indicative, our premium for 2000–01 — our initial premium, that is — is \$791 316. Our confirmed premium for 1999–2000 was \$599 000 — that is without, so far as I am aware, the GST. On top of that we also have the boning and packing operation, which from memory I think was about an \$100 000 or \$120 000. But because we get penalised for putting on new staff, we got an adjustment on our confirmed premium for last year.

Mr THEOPHANOUS — Why do you get penalised for putting on new staff?

Mr GILL — Because your industry rate and claims history go on, with any new people you employ your remuneration changes — and up she goes. We were looking at a development over the past 12 months and at putting on 50 new jobs.

Ms SMITH-CLARK — May I add that Kyneton is a small rural community, and that is a huge employment for such a small area. I know Kyneton has had a high unemployment rate, but our catchment area is more than that — it is Bendigo, Heathcote, Geelong, Ballarat, Melbourne and all the surrounding districts. We are a proactive employer so far as employment is concerned. If we had to refocus on where we go in the future or on the bottom line of whether we close — which is on the cards — the impact on the Kyneton community would be devastating. We are seriously looking at those two options. If this impacts on us the same way next year, we will not survive. I know a lot of other companies will not survive either. It is too much, too hard, too fast and too soon.

Mr GILL — Unfortunately our major client will be able to find an easy option, and that will be across the border. It is as simple as that.

Mr THEOPHANOUS — Where the Workcover premiums are lower?

Mr GILL — They will get efficiencies out of a bigger plant, possibly. That is the go.

Mr THEOPHANOUS — Is it New South Wales?

Mr GILL — Yes.

Mr THEOPHANOUS — Their rates are about 40 per cent higher than Victorian Workcover rates.

Mr GILL — I am talking about efficiencies within a plant.

Mr THEOPHANOUS — That is a different issue from Workcover.

Mr GILL — That's right, and that attraction will be there. The state government in New South Wales has just allocated \$12 million for its 44 abattoirs. I do not have the specifics of the allocation, but the report I read said it was for development processes, which will foster the industry. If they need new water treatment plants to stay in business, they will be part of the \$12 million allocation. If they want to put in new kill floors so they can up their rates from 400 out of Victoria's killing plants, they will get them. The committee for economic development and growth has the ability to be creative and innovative. That is basically what it is. What we have done with this Workcover process is gone backwards. We have gone back in time. How creative is that as a government?

We are in a situation down there where we have had a culture. It is no longer an abattoirs. We have concentrated, and it is now a food processing plant. We have spent hundreds of thousands of dollars on training individuals and the work force. We have created jobs — and then this comes along.

Mr THEOPHANOUS — You have to get the facts right before you make the generalisations.

Mr GILL — Definitely.

Mr CRAIGE — Your current rate is 8.4 per cent.

Mr GILL — That is correct.

Mr CRAIGE — That is at Frew Kyneton, so that is your main killing, abattoirs and boning out area. Then you have separate areas for your sausage manufacturing.

Mr GILL — They are additional to our current workplace.

Mr CRAIGE — I know that.

Mr GILL — They are separate physically, yes.

Mr CRAIGE — But you still pay 8.4 per cent on them?

Mr GILL — I believe that is the case. They come under the boning and packing industry.

Mr CRAIGE — Is that under a different business?

Mr GILL — Yes, it is under a different company structure.

Mr CRAIGE — I am concerned about what this Workcover change means to you and the issue of it compounding on you as a business. You have been in the sausage game for only five months, and obviously you want to continue to invest and upgrade and be in the marketplace.

Mr GILL — Take it through the three stages.

Mr CRAIGE — Does this put pressure on you as to whether you make a decision to go ahead with that or sit on it?

Mr GILL — Put it this way, we can take some easy options and downsize. That is easy: chop here, chop there. What we have to look at is our total structure. This is what we have discussed with the staff. It may be necessary for us to eliminate, for instance, the kill process. It may be necessary for us to bring the carcasses in and bone them, or it could even be to the extent that we eliminate the whole kill and boxing process, downsize completely and operate as a fresh sausage plant, with trim coming in. It can come in fresh overnight from Wagga, or, God forbid, we go back to using frozen product again.

One of the principles in the innovation we have done up there is to convert the trim from the boning process straight into a fresh beef sausage. That is a bonus so far as the processing and manufacturing of sausage is concerned. Last week we did 115 tonnes of sausage.

Mr CRAIGE — Where do you supply that to?

Mr GILL — To our major client.

Mr CRAIGE — You said that you had your initial premium calculation for 2000–01. When would you normally expect to receive the confirmed rate? When does that happen?

Ms SMITH-CLARK — September.

Mr CRAIGE — We are now in December.

Mr GILL — At the end of the year you get your final rate through, with all the previous year's adjustments for the fact that you overspent your rateable remuneration.

Mr CRAIGE — A lot of this is also to do with timing. You ended up with a confirmed rate for 1999–2000 and with then doing a re-analysis of that, and then there was the late notice in respect of the 2000–01 premium, and it has all culminated in a big pile on top of you.

Mr GILL — It certainly has.

Ms SMITH-CLARK — We have had a confirmed rate for 1999–2000, hence that has exceeded what we paid on our initial, and then we have our initial for 2000–01. Basically, in a short period of time we have both to look at. You have to pay in advance for your initial. You can do that over a period of time, but the impact is still there. Plus you have to look at the adjustments on the confirmed.

Mr McQUILTEN — I am a bit confused about the amounts of money we are talking about. I have your payroll figure of \$4.8 million or thereabouts.

Mr GILL — For Frew Kyneton.

Mr McQUILTEN — How much extra did you have to pay for the previous year?

Mr GILL — For 1999–2000 we had a premium adjustment of over \$100 000.

Mr McQUILTEN — That was under the old scheme, the previous government's scheme. The reason was that you put on more people, which was not anticipated 12 months earlier, so you had to pay some money.

Ms SMITH-CLARK — Plus our claims cost had increased by \$200 000.

Mr McQUILTEN — I was going to ask about the claims later. We have added \$100 000 onto 1999–2000. What did that end up at?

Mr GILL — The confirmed premium for 1999–2000 is \$599 000.

Mr McQUILTEN — Plus \$100 000 on top of that.

Mr GILL — That should be the total.

Mr McQUILTEN — Including that \$100 000?

Mr GILL — That is the confirmed total.

Mr McQUILTEN — What is the estimate for this coming year?

Mr GILL — It is \$791 000.

Mr McQUILTEN — That is \$190 000 extra. I am trying to understand the problem. You had some claims in 1999 for \$200 000. What about the year before and the year before that?

Ms SMITH-CLARK — Common-law claims or claims overall?

Mr McQUILTEN — Claims overall.

Ms SMITH-CLARK — There are claims overall, but what happened from my perspective and position was that in 1996 at the end of the confirmed premium I had to ask management for an additional \$146 000. That was from the initial to the confirmed, but since then we have reduced each year. If you pay too much on your initial you get some back, which is always a bonus. My aim is to reduce the claims costs, but this year I have had to ask for \$200 000, and that is a matter of the impact of the common-law claims coming in. Other than that, we have been reducing. On 5 August we were looking at getting another reimbursement for our confirmed, but between 5 August and 20 September those common-law claims were lodged by 31 August, and therefore they impacted on the premium.

Mr McQUILTEN — That is under the previous government's legislation; that is the \$780 million black hole.

Ms SMITH-CLARK — But the common-law claims are not the previous — —

Mr THEOPHANOUS — They must be.

Mr McQUILTEN — They must be.

Mr THEOPHANOUS — All those common-law claims from the previous — —

Mr GILL — The claims may be, but what about the common-law legislation?

Mr THEOPHANOUS — No, that would have happened anyway, irrespective.

Mr GILL — I do not believe so.

Mr BEST — This gets to my line of questioning, if I can help to clarify the situation. You spoke about a culture. Can you explain the circumstances that saw the lodging of those claims, and what happened to your workplace as a result of them?

Mr GILL — Have you heard of the culture before?

The CHAIRMAN — Yes, we have.

Ms SMITH-CLARK — If I could, I will briefly put it into perspective. When I went to work with Frew Kyneton there was certainly an issue with Workcover claims and a culture, or attitude. Through that process we looked at our induction program and at positive work ethics and levels of fitness because of the physical nature of the industry. Since we introduced that we have employed a number of people — I have actually employed over 300 people — who have gone through that system, and we have had one significant Workcover claim. Most of the people we deal with relating to Workcover are prior to that, okay? It might just be the attitude or the culture, but we might get new small claims coming in.

As for the Workcover common-law claims that I have received since or as a result of the date of 31 August, one particular person was employed full time, still on our tally system, which is a good system through which to be paid. He was working full time with no problem at all, until all of a sudden he recalled the hand injury he had. That did not impact on his current work system or work ethic. Another person has had surgery. He said to me, 'I had to get it in by 31 August or I would miss out.' My aim was to work with that person on a rehabilitation program and return him to work.

One of the difficulties we face with the culture, or attitude, is that when a person gets a significant payout it has a ripple effect on the culture of the industry. That is very, very difficult, okay? We have had three as a result of 31 August, and none of those persons would have put in or lodged a common-law claim. The other ones are just part of the system. All I am saying is that from my perspective they would not have been lodged. They may have been lodged further down the track, but not all at once. The issue is that they have been lodged all at once to affect the premium of 1999–2000.

Mr BEST — Do they all have the same lawyer?

Ms SMITH-CLARK — Yes, they have a union lawyer.

Mr BEST — I am not a genius, but — —

Mr GILL — There is such a thing as the culture. You do not fertilise that culture, if possible.

Mr BEST — You think that one of the reasons why they have all submitted their claims before 31 August is that the legislation was to be passed and common law was about to be reintroduced?

Ms SMITH-CLARK — And the cut-off date was 31 August. We had a lot of others interested in their claims, but they were the ones that were actually lodged by that date.

Mr THEOPHANOUS — I have some questions for you, but first I would like to set this straight. The 31 August cut-off date was introduced under previous legislation. It was the cut-off date for common-law lodging, and it would have happened irrespective of whether common law was brought in or not.

My questions relate to your premium structure. How many plants do you have? What is your total operation?

Mr GILL — So far as the plants within the group are concerned, we have Frew Stawell, which is a lamb processing plant at Stawell and which employs approximately 200 people, probably 220; we have the Kyneton operation; and at Melton we have a meat depot and distribution centre employing approximately 80 people.

Mr THEOPHANOUS — By how much did your remuneration go up from the previous year to the current year in the calculations for Workcover?

Mr GILL — In the calculations for Workcover so far as Kyneton is concerned?

Mr THEOPHANOUS — Do you know what your total operation — —

Mr GILL — Yes. This is purely Kyneton: it is approximately \$200 000.

Mr THEOPHANOUS — So you got an increase in Kyneton? What about the other ones?

Mr GILL — I did not bring Frew Stawell, but it is probably in the vicinity — —

Hang on, I may have brought Frew Stawell. It is on those figures there. That is approximately \$200 000 as well.

Mr THEOPHANOUS — It is another \$200 000. Do you have any idea of the last one?

Mr GILL — According to that it is \$64 000 only.

Mr THEOPHANOUS — So overall you have had an increase — —

Mr GILL — That does not seem right, though. I do not believe that to be right. There is a bit of a question mark over that.

Mr THEOPHANOUS — Okay. But you have had an increase of somewhere between \$400 000 and \$500 000, according to your figures, in remuneration across your plants. Is the industry category that is used the same one for all three of your operations?

Mr GILL — For Kyneton and Stawell I believe it would be the same. Frew Stawell would be the same.

Mr THEOPHANOUS — I know what the industry rate is, but I am interested in what percentage you are paying as a company.

Mr GILL — Yes. Take Frew Stawell: the industry rate is 8.4 — —

Mr THEOPHANOUS — So you are on the industry rate?

Mr GILL — Yes, the industry rate is 8.4, and I believe the net premium rate is 3.45.

Mr THEOPHANOUS — That is what you are paying?

Mr GILL — Yes. I will just qualify that. That is possibly the best meat plant in Australia.

Mr THEOPHANOUS — It sounds to me as though you are doing a lot better than the industry rate.

Mr GILL — We are, yes.

Mr McQUILTEN — In Stawell.

Mr GILL — In Stawell.

Mr McQUILTEN — What about Kyneton?

Mr CRAIGE — Only one product, though, that is all.

Mr GILL — That's right, and you will find the culture different, too. The culture is different. Believe it or not, this culture exists.

Mrs COOTE — In what way is that culture different in Stawell?

Mr GILL — It is a — —

Mrs COOTE — More proactive?

Mr GILL — Yes. There is a commitment to the workplace ethic. A lot of them, believe it or not — this is generalising, and I do not believe we should generalise too much here — come in from the farms around about and work in the abattoirs. There is a shift on there now. They do their day's work in the abattoirs and then go back and manage the farms. They get injured and are back at work.

Mrs COOTE — So the comparison between Kyneton and Stawell is tangible?

Mr GILL — Definitely. And I think lamb is different from beef entirely. Beef is a lot harder, no question about it, and this is something else that has to be taken into account. Beef boning and processing are a lot harder work. It is a hard job. I will just qualify that. So far as our company is concerned, anyone who is genuinely injured in that workplace is entitled to everything the law entitles him to. There is no question about that.

Mr THEOPHANOUS — I congratulate you on having a rate which is lower than the industry rate. That is how the system is supposed to work: there is an industry rate that reflects the level of accidents in that industry. But then you get an opportunity, as a large employer, to be able to come in at a lot lower than that as a result of a good safety record. That sounds like what you have done.

The only other point I would make is the difference even in your Kyneton operation, which is the one you have a few problems with. It went from \$599 000 to \$799 000, but \$79 000 of that will come off as a result of the GST.

Mr GILL — No, the GST is not included so far as I am aware.

Mr THEOPHANOUS — It is normally included in the figures that come to the employer, and you are supposed to claim that back.

Mr GILL — I am told it is a separate print-out. I do not believe the GST is included in that.

Mr THEOPHANOUS — However, even in that plant you had a \$200 000 increase in remuneration, which would have to be taken into account in relation to that.

Mr GILL — Definitely. If we put in a new venture, so far as consideration for the employer goes the rate to be applied to that should be variable. There should be some incentive.

Mrs COOTE — You spoke before about being proactive and about having incentives in the premiums. Can you give us an example of a proactive approach to premium increases in the industry, et cetera?

Ms SMITH-CLARK — The fact that you are proving on your statistics that you are reducing Workcover should be an incentive — and that you are proactive and you have a system in place, which is hopefully a safe system. A lot of people are going for safety maps, but the fact is that industries on an individual basis are being proactive with their Workcover. The industry rate basically reflects where we are coming from, but I would like to see some incentive.

Mrs COOTE — A recognition?

Ms SMITH-CLARK — Yes. I know this has also been addressed by farmers. Some farmers are working very proactively on their own environment, but they are all pulling together and they have their own industry rate. I think it needs to be a little bit better thought through as to how we can work individually but also as an overall meat plant.

Mr McQUILTEN — Have you contacted Mr Tony Fitzgerald from the Department of State and Regional Development in Bendigo in relation to your problems?

Mr GILL — No.

Mr McQUILTEN — I suggest you do.

Mr CRAIGE — In respect of the significant work you have put into workplace safety, have you had the total support of the AMIEU?

Ms SMITH-CLARK — No.

Mr CRAIGE — No? These are your workers at the coalface, yes?

Ms SMITH-CLARK — We are still dealing with an attitude and a culture. Even my explanation of the cut-off date of 31 August was promoted by the AMIEU. There was a comment that it was from the previous government, but that cut-off date was promoted by the union. The union has its own solicitor groups; hence you are fighting that as well. Even though the union is supposed to be proactive on occupational health and safety, I can confidently say that that is all very well when they see the employer as being wrong. Then they approach the employer, but we cannot get a proactive approach from the union.

We have attempted to put in cut-proof gloves. They do not prevent a stabbing but they prevent a cut. A slicer can go from a minor cut to tendons. We have a great deal of difficulty with that. As for hard hats for areas where rollers might be used and might come off the rail, we have difficulty with that. Even if a person is not using a mesh glove when he picks up a knife, he is still entitled to a Workcover claim, and we have to deal with that through industrial relations. I do not believe they should be entitled to Workcover claims if they are not complying with company policy and are working against the occupational health and safety legislation. It is so difficult for employers. It is like walking through mud with thongs on.

Mr CRAIGE — Does the tally system help occupational health and safety or work against it?

Mr GILL — It is just a method of payment. I do not think it can be related to OHS. There is some comment on the high tallies. In high-tally periods no-one seems to get injured.

Mr CRAIGE — Funny, isn't it?

The CHAIRMAN — Thank you very much for coming along today and giving your evidence. We will send you a copy of the Hansard transcript, and you may send any suggested alterations to us. Thank you for your time.

Witnesses withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Bendigo – 13 December 2000

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
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Witness

Mr. A. Sandner, Owner/Proprietor, Strathvillage Newsagency.

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.

Would you like to make an opening statement, Mr Sandner? We will then ask you some questions.

Mr SANDNER — Firstly, I will make a correction. I am the part-owner of the Strathvillage newsagency, not the Strathfieldsaye newsagency.

Our newsagency has a turnover of approximately \$2 million per annum. We employ 3 full-time people and 11 part-timers. Our wages are approximately \$200 000 a year. Our Workcover premium has increased from \$1600 to \$2400, an approximate increase of \$800. If that was the only thing that had happened to us, and admitting that we turn over \$2 million, you would be wondering why I am sitting here. We all know that an additional cost of \$800 will not send us to the wall, but this Workcover is like the brick on the top of the pyramid that will make us collapse. There are certain costs which we incur in small business and which we cannot pass on to our consumers. That is one point.

Because our vehicles do over 2000 kilometres per week on delivery runs, our fuel bill has increased by \$2600 with the recent fuel prices, and we cannot hand that on. The introduction of the GST cost us \$27 000. I had to borrow that money. The BAS is an additional cost to us. The tax reforms are a joke. The old system is still there; it was not touched at all. A lot of people do not realise that we have GST on top of what we already had.

Professor Fels said that what we were doing in our industry was not in the public interest — that is, that delivering newspapers under licence is not really free trade, as we are granted these particular areas. When we took the newsagency over two years ago we had two contracts. Now with what Professor Fels has said we have 115 separate contracts, which I have to go out and personally obtain from our suppliers. What is Workcover going to be for me next year? It has gone up \$800, so what is next? Who knows?

I am not going to sit here and leave it at that. I do not like people who make comments and do not offer a solution. My solution, because I believe in small business, is simply this: return your Workcover premiums to what they were. The community is expecting far too much of taxpayers being able to provide endless benefits in the event of them being injured. It is not a bottomless pit, it is my pocket. Abolish stamp duty completely. Increase the threshold on payroll tax to \$1 million and reduce the rate. Last but not least, introduce the right to terminate an employee.

Last week we had two perspex panels break on the advertising panel at the front of the counter. I went to a glasscutter to have them fixed. I knew he worked on his own. He was in his shed, and he said he had put on an extra person. I asked him how many more people he would have if he were able to terminate employment. He said he would have another three. Small business can solve unemployment in this country if people accept that there are people like myself who, for example, are prepared to spend \$1 million on a newsagency and work 75 hours a week — at present for \$40 000 — because they like doing it. If we could make a bigger profit than that we could solve unemployment.

Thank you for giving me the opportunity to have my say. I know I have overstepped the parameters of this committee, but I would like you to look at small business as a whole, as Workcover is only part of it.

The CHAIRMAN — We appreciate that and thank you. You understand that the questions we ask you will be related to Workcover rather than to the other issues you raised with us. In terms of the increase in your premium from \$1600 to \$2400, do I assume that part of it may have been the result of increases in staff or claims that were incurred at your premises? Are there any reasons that you are aware of for its going up to that amount, other than the additional funds due to the reintroduction of common law?

Mr SANDNER — The answer is no, there have been no increases in staff over that period, and there has never been a Workcover claim in the six years, touch wood.

The CHAIRMAN — You are talking about a 50 per cent increase.

Mr SANDNER — That is correct.

The CHAIRMAN — Have you made any inquiries of anyone to ascertain why it went up by that amount?

Mr SANDNER — No, I have not, other than what I have read in the newspapers. I am aware that there has been a change in the benefits people can receive.

Mrs COOTE — You would have a lot of people coming into your newsagency. Are you aware of whether a lot of businesses in Bendigo have found that their Workcover premiums have gone through the roof since the reintroduction of common law?

Mr SANDNER — Not from customers, no.

Mrs COOTE — Are you hearing it from business groups, et cetera?

Mr SANDNER — I hear it from other businesspeople that I associate with.

Mrs COOTE — From your own experience, were you aware that there would be changes and that you and other businesses would be facing quite significant premium increases?

Mr SANDNER — Yes, I was.

Mr THEOPHANOUS — I am sorry I missed the earlier part of your contribution. Would you say that the Workcover increase has been a bigger factor in your company than the GST and other issues that are affecting your industry at the moment? Or is it just one of a number?

Mr SANDNER — It is one of a number of items affecting the business. All right, it is \$800, and I did say that was out of \$2 million. If it was just that and it was the only thing that was happening, I would probably survive all right. But it is that along with everything else that is happening. My concern with Workcover is what it will be next year. The effect on my decision is that I have to expand the volume of business I am doing to remain profitable. I have to start delivering more newspapers. I will have to say to my existing staff, 'We have to do it with the staff we have, because to put another person on is just not economical'.

Mr THEOPHANOUS — Did the amount of money you paid for either your existing staff or any new staff you put on go up last year?

Mr SANDNER — No, the staff level stayed the same and the wages level stayed approximately the same.

Mr THEOPHANOUS — Are you sure about that?

Mr SANDNER — Yes, positive.

Mr THEOPHANOUS — So it went up from \$1600 to \$2400?

Mr SANDNER — In round figures, yes.

Mr THEOPHANOUS — Do you have any problem with us contacting the Workcover authority and getting your details so we can look to see what — —

Mr SANDNER — None whatsoever.

Mr BEST — Is your industry rate 1.04 per cent, and do you fall under the newsagents, stationers and booksellers category?

Mr SANDNER — I presume so.

Mr BEST — Do you know what your rate was for the previous year?

Mr SANDNER — No, I did not look at that. I just got the premium, smiled and wrote the cheque.

Mr CRAIGE — You smiled?

Mr SANDNER — What else can you do?

Mr BEST — I find it odd that you were prepared to accept an \$800 increase without even inquiring of your insurance company or the Workcover authority as to why it had increased.

Mr SANDNER — I had presumed that its calculation was correct.

Mr BEST — That is a very trusting attitude.

Mr SANDNER — Well, yes.

Mr BEST — The increases were to be 15 per cent for the return of common law plus 2 per cent for a GST component, which meant that they would rise by 17 per cent. But you had a rise of 50 per cent, with no claims and no additional remuneration to your staff.

Mr SANDNER — When you are not aware of the figures you have just given me and you are running a business, you know that Workcover premiums are going up. When you have expected an increase and you receive it, what can you do?

Mr BEST — I suppose you would describe yourself as symptomatic of many small businesses in that you heard about the increase but you are more concerned about your own operation so you pay it and get on with it.

Mr SANDNER — I have to because I have no alternative. We handle 28 000 newspapers and \$30 000 worth of magazines a month. We had three supermarket trolleys worth of magazines in our shop this morning at 6.30 a.m. Three people worked on those for three hours to get them invoiced. You have to get on with your job.

Mr BEST — I sympathise with you; I am not in any way challenging you. I just find it unfortunate that somebody in your position is bogged down by paperwork and by having to check every detail to its nth degree and is sacrificing making what is a legitimate inquiry for the sake of getting on with running your business.

Mr SANDNER — I take your point. It would appear that I am not a good business manager in that regard.

Mr BEST — It is not an offence — —

Mr SANDNER — No, I take your point. From where I am sitting, I was expecting an increase. It is done through an insurance company. All right, what do you do? If you don't accept it, you ring up. What do you get? You get an answering machine saying, 'Your call is important to us; you have been put in a priority queue'. God help those who are in the ordinary queue! Given the time you waste on it, it may end up costing you more than \$800.

I take this attitude a lot in my business. I look at something and I make a value judgment. All right, if somebody who owes me \$100 for newspapers says, 'I am not going to pay', I put the phone down. There is nothing I can do. If you sue it costs you \$285 to get a warrant, and in the end you do not get your money. So you just smile, write it off and keep going. That is basically the same as I have done with the Workcover premium. I have assumed that it is correct. Now that you have raised this issue, maybe I will have another look at it.

Mr BEST — I do hope you spend 20 cents to phone your insurance company and ask it to look at your premium and find out why you have incurred a 50 per cent increase.

Mr SANDNER — Point taken.

Mr CRAIGE — I want to continue on that line. You were paying \$1600 and you ended up with a bill of \$2400. I know you said that in the scheme of things — given a \$2 million turnover — \$800 was not a lot. I look at that and immediately say, 'There is a 50 per cent increase, and that is a lot', okay? I wonder whether you would have had the same attitude if it had occurred with council, water or electricity rates, or whatever? Do you trust that Workcover has got it right, or do you just accept your lot?

Mr SANDNER — I have accepted it and trust that it has got it right. With council rates, whether they go up or down, going through the objection process is, once again, a cost. All things are relative. Do I spend my time trying to save \$800, or do I spend my time expanding my business so that I can recover an amount of gross profit to cover that \$800? My attitude towards our business is that I chase the business. Maybe I have to have another look at that. But with council rates — —

Mr CRAIGE — We suggest that to you.

Mr SANDNER — As for council rates, how many people are successful with council rate objections?

Mr CRAIGE — It would be great if you were successful with your Workcover though, would it not?

Mr SANDNER — Well yes, it would.

Mr THEOPHANOUS — What is the actual remuneration that you pay? What is the basis of the calculation for the \$2400? You are paying \$2400 in premiums. On how much salary is that based?

Mr SANDNER — It is based on approximately \$200 000. We have 3 full-time and 11 part-time people.

Mr THEOPHANOUS — And it was about the same, \$200 000, last — —

Mr SANDNER — It was about 180, somewhere around there. It was 180 or 190. It was around that figure.

Mr THEOPHANOUS — It is important to be accurate on these things: 180 is not the same as 200.

Mr SANDNER — No, it is not.

Mr THEOPHANOUS — And you would have to pay the extra on the extra \$20 000.

Mr SANDNER — What I am saying is — —

Mr THEOPHANOUS — Can I just finish? If you are paying \$2400 on \$200 000, my calculation is that that puts you at about or maybe even a bit below the industry rate. The previous government had a longstanding policy to increase small businesses gradually — 20 per cent, capped each year — to get them to the industry rate. The experience aspect does not come in for small businesses. You must have had a few increases over the past few years. Is that how you have experienced it?

Mr SANDNER — What, increases in salaries or the premium?

Mr THEOPHANOUS — No, in the premium. It has gone up by 20 per cent each year?

Mr SANDNER — No, to the best of my knowledge I have not experienced premium increases to that extent.

Mr THEOPHANOUS — I will put it to you another way. You have indicated a 50 per cent increase in your premium. Ten per cent of that \$2400 is for GST, which you get back, which reduces it by \$240.

Mr SANDNER — Yes.

Mr THEOPHANOUS — So that reduces the 50 per cent.

Mr SANDNER — Yes.

Mr THEOPHANOUS — Then the maximum increase that I believe a small business in your situation is capable of getting is 15 per cent for the introduction of common law, which everybody understood would happen, 2 per cent for the GST administrative component, which makes 17 per cent, plus a further 20 per cent, which is the maximum possible capped amount for a small business to attempt to get it to the industry level. I think your industry rate went up by one grade, which would explain the 20 per cent. I think your increase is actually 37 per cent, and I think that 37 per cent reflects the fact that your whole industry has had an increase in its industry rate. What do you think about all that?

Mr SANDNER — I have not researched Workcover to that extent, and I cannot make any comment.

Mrs COOTE — From your answer to Mr Best it was established that your premium has gone up 50 per cent. In your initial comments you said that it was the final brick on the pyramid. If your Workcover premium was to go up another 50 per cent next year, where would that brick stand then so far as the current staffing levels are concerned, et cetera?

Mr SANDNER — It would stay exactly where it is, and it would reduce the chance of putting on more staff, because you think very carefully about the cost of doing it.

Mrs COOTE — You would manage to keep your own staff, but it would certainly put a focus on your decision making in the area of expansion, is that right?

Mr SANDNER — It certainly would.

The CHAIRMAN — Mr Sandner, thank you very much for coming today. Hansard has recorded what we have been talking about, a copy of which will be sent to you. Will you make any alterations you wish to it and then send it back to us? Thank you for your time.

Witness withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Bendigo – 13 December 2000

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
Research Officers: Mr M. Ryan and Ms K. Ellingford

Witness

Mr A. Moyle, Owner, Colonial Leather.

The CHAIRMAN — We welcome Mr Andrew Moyle, the owner of Colonial Leather. The evidence is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act.

I invite you to make an opening statement, after which we will ask you some questions.

Mr MOYLE — I will open by giving you a brief description of what we do, so you can get a picture of it. Colonial Leather was established in March 1988 with the aim of filling a niche in the music industry. That niche was the supply of a quite varied and large range of musical instrument straps of good quality to the music industry. In the following years we did such a good job that we like to pat ourselves on the back. By 1998 we had an estimated 82 per cent of the Australian market.

Since 1998 we have seen that market reduce — to approximately 68 per cent this year. The decrease has been due mainly to imported products coming in from the US and, most significantly, from China. As the quality of the product from China increases I can see our market share reducing even further. China is slowly becoming a quality producer, and it will push people like me slowly out of business.

To combat that we are undertaking a growth in import wholesale — which I will get to further on in my brief statement — which will hopefully see us remain in the industry we are in, although our operations may considerably change.

I will give you an idea of the annual Workcover premiums in relation to remuneration. In 1997–98 remuneration was \$89 870 and Workcover was \$2803, which was an industry percentage calculated on our payments of 3.12 per cent. In 1998–99 remuneration was \$101 465 and Workcover was \$3211, which gave us an industry rate of 3.16 per cent and a growth of 1.3 per cent over the previous year. In 1999–2000 remuneration was \$115 560 and Workcover was \$3698, and we had an industry increase to 3.2 per cent, which is a 1.2 per cent increase on the previous year.

This year our remuneration has gone to \$132 252 and our Workcover bill is \$5907, excluding GST — I make that point, ‘excluding GST’ — which gives us an industry rate of 4.47 per cent, or an increase of 39.7 per cent. For me, on a business of mine that turns over approximately \$700 000 a year, it is scary stuff. Given that in the past 18 months we have had such things as Y2K — —

Mr THEOPHANOUS — Sorry, I did not quite get the figure. You had \$5907 for \$132 000?

Mr MOYLE — That is correct.

Mr THEOPHANOUS — The year before was \$3698 for how much?

Mr MOYLE — It was \$115 560. I have always had a policy of overstating our remuneration to the Workcover authority or the insurers. I never like to leave myself in a position where I have understated it and I end up with a fine or anything of the like. Generally at the end of each year we have a credit in the system, which allows us that comfort zone. A remuneration this year of \$132 000 is estimated, and given the current downturn in business the remuneration will probably come out at around \$124 000.

The need for the extra staff for our business that generally happens in November–December has not happened. I think that has a lot to do with the GST and the costs. As you can understand, as the costs of the GST flow through to all other businesses and to individuals, there are people out there who are extremely concerned about where their next dollar is coming from and how much they have to spend on consumable items and luxury products, which is what we sell.

To give you an idea of the competitiveness, we see this current 39.7 per cent increase in Workcover as eroding further our competitiveness in the market in Australia and our export markets. To give you an example, I was in China in October. I have a company over there wanting my expertise to set up a joint venture in China. I did some investigating. It is not compulsory to take out Workcover in China, but to insure a worker there costs A\$185 a year. It is not based on salary, it is per employee. When you calculate my Workcover it works out at \$1180 per person per year.

You think we can operate smarter than the Chinese at this point. We make better products, but when I suggested that maybe we start sending our products into China to establish the market before we set up a manufacturing plant there, I was informed that my product carries 40 per cent import duty into China. The equivalent product coming from China carries 5 per cent. I do not mind competition or fair play, but when I have to get into the ring I do not

like both my hands being tied behind my back. That is effectively what this whole thing is doing. It is making me uncompetitive.

As far as Workcover premiums and remuneration go, our company employs five full-time staff. Two of those staff are involved in manufacturing, and one staff member does the dispatching of both manufactured and imported goods. I have one staff member in administration and one staff member in sales, which is me. More than 50 per cent of my staff are not involved in manufacturing, yet I have to pay manufacturing rates on my administration staff. If I get rid of my two factory staff and set up a plant in China and bring it in from there, all of a sudden I am on a quarter of the Workcover rate for the three staff I have left. What incentive is there to continue to grow my manufacturing?

From what I have seen in the past three years, the sales of my manufactured products are decreasing. I have already shipped some of the products we manufacture here into a factory in China because I could not compete with a competitor I have in the market. That competitor decided to take some of my products into China and copy them and bring them back into Australia. I had no choice but to ship that manufacturing into China; otherwise I had to walk away from the whole market.

To give you an idea of what our company turns over in relation to manufactured and imported goods, manufactured goods represent 56 per cent of our total turnover this year so far, and imported goods, 44 per cent. I am almost to the point where only 50 per cent of what we sell is manufactured here, yet I am still paying the top manufacturing, textile, clothing and footwear rate to run a business that involves only half the turnover and not even half the staff. Because they are under the same roof I get slammed. I have to wonder where all this goes. That is what I have to say.

Mr THEOPHANOUS — I hope you are not suggesting that we should be paying our workers what they get paid in China.

Mr MOYLE — I have seen the working conditions over there and I would not wish them upon anybody, but our government has to stand up and say that while you are operating your employment in that way and not insuring workers and supplying a safe workplace, we will impose the same import duty on your products into Australia as you impose on our products into your country.

Mr THEOPHANOUS — That is a federal government issue, and the current federal government is going in the opposite direction. I can understand why you have concerns.

Mr MOYLE — Maybe the state and federal governments need to communicate more to ensure that this does not happen.

Mr THEOPHANOUS — As I said, it is a federal government issue. I want to ask you about Workcover, and about your premium in particular. You have said that your remuneration rose from \$115 000 to \$132 000, which is an increase of about \$17 000, or an approximate 15 per cent increase on the previous year. You would have to discount that 39.7 per cent you are talking about by 15 per cent.

Mr MOYLE — I have calculated an 39 per cent increase on \$132 000. I do not have my hand calculations with me, but that is the way I calculated that.

Mr THEOPHANOUS — Tell us what your premium was for the previous year and we can do the calculation.

Mr MOYLE — I have calculated that percentage increase — —

Mr McQUILTEN — It is \$3698.

Mr THEOPHANOUS — It is \$3698 up to \$5907?

Mr MOYLE — That is correct.

Mr THEOPHANOUS — The difference there is 39.7 per cent.

Mr MOYLE — If you want to calculate the rate from 3.2 per cent, which was last year's industry rate that I paid, what is 4.47 per cent as a percentage increase on 3.2 per cent? It is 39.7 per cent.

Mr THEOPHANOUS — Of course it is, but that also reflects the increase in your remuneration.

Mr MOYLE — I have not included the remuneration in that.

Mr THEOPHANOUS — It has to include the increase in the remuneration, because you are talking about 3.2 per cent of a smaller amount.

Mr MOYLE — What I have calculated — —

Mr THEOPHANOUS — I do not have a calculator; but as for \$5907 as a percentage increase on \$3698, is that or is that not 39.7 per cent?

Mr MOYLE — No. What my increased percentages have been calculated on is the fact that my industry percentage, the percentage of Workcover against remuneration, was 3.2 per cent last year and this year is 4.47 per cent. I do have a calculator.

Mr BEST — You are spot on.

Mr MOYLE — If you take away the remuneration and the Workcover premium and look at the percentage of my remuneration, it is an increase of 39.7 per cent, excluding GST.

Mr THEOPHANOUS — I put it to you that your industry rate rose from 3.95 per cent to 5.78 per cent. I know that is not your fault — it is an industry-wide issue — but the way the premiums are calculated for small business is based on the industry rate. You cannot do it any other way unless you say that you pay on experience rating. If you were going to pay on experience rating, you could have one accident that costs \$6 million and you would go broke. It is done on an industry rate. Your industry rate rose from 3.95 per cent to 5.78 per cent, and despite that increase your increase was from 3.2 per cent to 4.47 per cent.

Isn't the real issue that your industry is an unsafe industry that has not been performing in terms of safety records and that that is what has driven it up? You might be someone who has done the right thing, but the industry as a whole has gone up from 3.95 per cent to 5.78 per cent, and all that comes from the fact that the industry is less safe. Does the industry not have a responsibility to get its act together and become a bit safer than it is?

Mr MOYLE — Do you know what will happen in the next 10 years? That industry will be taken out of the book because it will not exist. It is being driven out of the country.

Mr THEOPHANOUS — If it becomes increasingly unsafe, that is correct.

Mr MOYLE — Let us ship to China, where they do not care. I have been operating this business for nearly 13 years. Neither I nor my staff have ever made a claim or had a serious accident in 12 years. We have never made a claim. Why can industries like mine that work hard to be safe not be rewarded by more than a 39.7 per cent increase?

Mr THEOPHANOUS — That was the system set up by the previous government, and nothing other than the application of that system has occurred. The alternative is the one I put to you.

Mr BEST — In the three previous years it has gone from 3.12 per cent to 3.20 per cent, and then you have copped the 39 per cent increase in one year.

Mr THEOPHANOUS — Because the industry rate went up in one year by the same percentage.

Mr MOYLE — I am told I have to be a good manager. I am told I have to budget and have cash-flow forecasts. I try as hard as I can, as well as running my small business, managing the manufacturing, managing the sales, managing the import and the export, and trying to get to see all my customers. I work a good 60 to 80 hours a week. I will swap any of your wages for mine. I do it because I love it.

What I do not appreciate is trying to balance the books and have a cash-flow forecast when these sorts of things are lumbered on me. The government has created a cash-flow problem by reintroducing the common-law right to sue. Your answer to that problem is to take it from business. They have to pay for it, so I get lumbered with it. Who will I take it from? If I put my prices up any more, I will be driven out of the market by imports, so I will have to take it out of my own pocket because there is nowhere else to take it from.

Mr THEOPHANOUS — I am suggesting that of that 39 per cent increase, only 15 per cent is common law; the rest of it has to do with the fact that your industry has become less safe over the past 12 months. What we would rather do is try to address the safety issues in your industry. One of the things you should do is write to your industry body and ask it why its safety record has gone backwards instead of getting better.

Mr MOYLE — I can do all those things, I think I have a spot between 2.00 and 3.00 tomorrow morning. I am sorry, I do not get time to do everything that is thrown on me. With the GST, you people know from what you hear how much time, effort and money this has lumbered on me.

Mr THEOPHANOUS — Has that affected you worse than Workcover?

Mr MOYLE — I am not going to say it has been more or less. It is one of those things that is lumbered on us and we have to deal with. I do not rate things like that.

The CHAIRMAN — We are running out of time.

Mr BEST — Congratulations, you are one of our success stories. I appreciate the niche you have been able to create. What you have demonstrated today is a that while the current industry rate is 5.78 per cent, the rate for your company is 4.47 per cent. That demonstrates that you are a responsible employer and that you have a very good claims record.

I suppose the issues for me are: how does it affect your cash flow; did it come as a surprise; and as a small business operator, have the banks been sympathetic to you in continuing to assist your operation?

Mr MOYLE — I will take the opportunity to praise the Bendigo Bank. In previous years when operating with the ANZ, when things like this have occurred I have been left out in the rain. I will admit that the Bendigo Bank has been extremely sympathetic in helping me with cash-flow shortfalls — yes, not a problem at all.

At the end of the day that money still has to be paid back. I have an arrangement with Workcover that I pay it \$1000 a month, because the pot is empty. The estimated cost for us to set up for the GST was about \$14 000, on top of Y2K and having to replace two computers earlier in the year. When the Workcover premium came in — I think you mentioned razor blades before — it was like, ‘Where does this end? This is almost a nail in my coffin. I cannot ring the bank people again and tell them that I need an extension on my overdraft, or they will think I am a bad risk. They will look at me and say, “This guy cannot manage his business or his funds. We cannot just keep forwarding him extra cash whenever he needs it”’.

My concern is that these sorts of things will affect the overall running of my business. I come back to saying that when only two people in my organisation are employed in an unsafe industry, why am I penalised for the other three?

Mr BEST — Particularly with the difference between the two rates — the current industry rate at 5.78 and your corporate rate at 0.48. Sixty per cent of your employees work in administration or sales and the other 40 per cent work in manufacturing, but all are being charged at the same rate.

Mr MOYLE — That is correct. If I get rid of my manufacturing, my industry rate comes down.

Mr THEOPHANOUS — Has it always been the case that you have been charged the same rate for all your employees?

Mr MOYLE — Yes, it has.

The CHAIRMAN — Mr Moyle, we will have to finish on that point. Thank you for coming along today, giving us your time and providing your information in such a forthright manner. We will send you a copy of the Hansard transcript, to which you are able to suggest amendments. Thank you for coming.

Witness withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Bendigo – 13 December 2000

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
Research Officers: Mr M. Ryan and Ms K. Ellingford

Witness

Ms K. Kyle, Secretary, Bendigo Trades Hall Council.

The CHAIRMAN — I welcome Ms Karen Kyle, the secretary of the Bendigo Trades Hall Council. We are pleased to have you with us today.

All evidence taken at this hearing, including submissions, is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act.

I invite you to make an opening statement, after which we will ask you some questions.

Ms KYLE — I listened to the previous speaker with a good deal of sympathy and concern. I understand that a lot of small businesspeople are having a struggle at this point in time. However, his problems seem to be caused by issues apart from and in conjunction with Workcover premiums. He has some very big problems — competing with cheap overseas labour in China without tariff protection, the GST and the cost of starting it up, and so on.

Many big problems are faced by small industry at the moment, and I think the Workcover premium, in a business like that that is becoming increasingly marginal, would have an effect. But overall, given the fact that there have been about 8000 new manufacturing jobs in Victoria over the past year — or is it 8 per cent new factory buildings — —

Mr THEOPHANOUS — I think it is more like 80 000 new jobs.

Ms KYLE — Given the 80 000 new jobs, and given the fact that General Motors-Holden is starting a new plant, which will create more jobs and directly employ about 1000 and indirectly employ about 5000, I guess Workcover premiums are a minor point for anybody who is coming into Victoria and who wants to invest in new manufacturing and new jobs. Okay, got that?

Mrs COOTE — I thought it was about 500 jobs and 1000 indirect jobs? It is in my electorate.

Ms KYLE — Right. According to the television news last night — and it may or may not have got it right — it was 1000 new jobs with a spin-off of about another 5000.

The CHAIRMAN — Do you want to talk to us on the Workcover issue?

Ms KYLE — Yes. I think that, given the fact that there is nearly an \$800 million hole in it caused by the Kennett government's sleight of hand, the smoke and mirrors and so on — —

Mr BEST — Did you read that, too?

Ms KYLE — Yes, that's right, Mr Best. Most of what I am saying to you I have read, okay?

The nearly \$800 million hole in the system has been caused by premiums that were consecutively lowered by the Kennett government while it was in power in order to do a favour to manufacturers and a favour to employers in this state. It has left the system in a hell of a hole, and it has to be got out of in some way. The only way I can see of getting out of it is by increasing the premiums. That is inescapable, and it is a matter of hard-core economic reality.

Looking at the terms of reference before me, I am very surprised that they are so exceedingly narrow, because I suspect that one cannot do anything constructive about Workcover or any other type of system by looking at one small aspect of it. I think it should be considered overall. I think this exercise is negative and is basically a political point-scoring exercise on the part of the coalition parties. That is basically what I think of it. I think there is — —

Mr BEST — I did not think there was a coalition.

Ms KYLE — The coalition parties.

Mr THEOPHANOUS — They are partners now; they are not the coalition.

Ms KYLE — I see.

Mr THEOPHANOUS — They are in partnership.

Ms KYLE — They are in partnership.

The CHAIRMAN — Is that the end of your submission?

Ms KYLE — No. I think the only way to tackle the very serious problems of work injuries, diseases and deaths is to improve safety. During the years of the Kennett government safety went by the bye to a very large extent. Not only did it drop the premiums to an unsustainable level, but safety was neglected and injured workers were absolutely neglected, particularly with regard to common-law rights, and that has had a dramatic effect. Now small business and other businesses in Victoria have to bail the system out. They had a party for about seven or eight years, but I am afraid they now have to pay to make it right.

The CHAIRMAN — That is it?

Ms KYLE — I think so.

Mr THEOPHANOUS — Thank you for your contribution. Obviously I would agree with a lot of what you say. I want to ask you about the feel you are getting out there with employers. One of the ways the premiums went up was through the reintroduction of common law, which costs 15 per cent of overall premiums.

Two issues relate to that. The first one I would like you to address is whether you think the fact that common law has come back has meant that some employers have started to think, 'Well, I had better start having a safer workplace because I could easily be hit with a substantial increase in the premium with this new common law', and is it likely to make a difference?

Ms KYLE — I am sure that that will make a big difference. I am sure the way to motivate employers is by hitting them in the pocket — which is exactly what this system does with industry rating, and so on — by taking note of which industries are safe and which industries are not performing well and hitting harder the industries that are not performing well. I think the only way to do it is to put fear into employers — well, I think that is one way. I think another way is by making adequate occupational health and safety information available to them; having inspectors who are able to go out and give them advice and so on; and having inspectors who have policing powers and who can and will prosecute when necessary. I think that is vitally important.

Mr THEOPHANOUS — So you think the 60 extra inspectors who have been put on will help to reduce accidents and therefore premiums?

Ms KYLE — I would hope that that would be the effect. It depends on what instructions the inspectors are given about carrying out the duties. In previous years they have been given very soft instructions; they have been given instructions to soft pedal with employers. We have had horrific occupational health and safety situations in Bendigo, where an occupational health and safety officer or delegate has put a PIN notice on and then the inspector has come along and taken it off immediately — sometimes with horrifically dangerous circumstances.

We have also had cases when, during the Kennett years, I would ring up the local Workcover authority with the most horrendous cases of occupational health and safety breaches within workplaces and the inspector would say, 'Well, I will get around to it. It is at the bottom of the list. There are several hundred visits I have to make before then.' All the while I was getting the feeling that basically he would not bother at all. The Workcover authority was very hard to move when the Kennett government was in power.

Mr THEOPHANOUS — My final question is this. Back in 1994 or thereabouts, the Workcover premium was 2.25 per cent. It was dropped by the previous government to a low of 1.7 per cent, which cost about \$800 million in forgone revenue to the Workcover system. We are now facing an \$800 million black hole in the scheme. We have now brought it back up to 2.18, so we are not even back to what it was in 1994. Do you think the actions in reducing it to 1.7 per cent were essentially irresponsible?

Ms KYLE — I think they were criminally irresponsible, because we now have a system that is not viable without jacking up the premiums considerably, even though we still have the second lowest premiums of any state in Australia. So much of the argument that this lot are putting forward with regard to international competitiveness and so on is crap. I think that basically we will get out of this with careful management, but I think that the only way to improve the system overall is to really take employers to task with regard to occupational health and safety.

The CHAIRMAN — Ms Kyle, thank you for coming along today and for the forthright way in which you have given your evidence. We will send you a copy of the Hansard transcript, to which you can make corrections if anything is wrong in any way. Thank you for the time you have given us.

Witness withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Bendigo – 13 December 2000

Members

Mr R. A. Best
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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
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Staff

Executive Officer: Mr R. Willis
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Witness

Mr C. Barton, Owner, Rositas.

The CHAIRMAN — I welcome Mr Charles Barton, the owner of Rositas. All evidence taken by this committee, including submissions, is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act.

Mr BARTON — Does that mean I cannot be sued for what I say about anybody?

The CHAIRMAN — That is correct.

Mr BARTON — Hang on. If I name a name, he cannot sue me?

Mr THEOPHANOUS — The Chairman can stop you if he wishes.

Mr BARTON — Fine, that is okay. That was one question. I don't intend to make it a slanging match.

The CHAIRMAN — I invite you to make an opening statement, after which we will ask you some questions.

Mr BARTON — You know who I am. I read the little thing I got saying, 'Please keep it short', or whatever. I am from a company called Rositas. We have been in business nearly 10 years. We employ just over 100 people, and from an annual turnover of about \$800 000 a year we will sneak into the \$14 million to \$16 million a year turnover. In 1998–99 our premium was \$39 000. This year it will be something like \$270 000 for the year.

Mr THEOPHANOUS — Can you give us your remuneration figures for 1998–99?

Mr CRAIGE — Your salaries and wages.

Mr BARTON — I did not bring that with me, but I can tell you that this year they are about \$3 million.

Mr THEOPHANOUS — You must have had a bit of growth.

Mr BARTON — Yes, I just said we went from \$800 000 to nearly \$15 million.

The CHAIRMAN — You said that was 1998–99. From the figures for this year do I assume you are talking about 2000–01?

Mr BARTON — There has been a dramatic increase in our turnover and the way we have been assessed.

The CHAIRMAN — There is another year in between. What about 1999–2000?

Mr BARTON — It was pretty much the same. We are being assessed on that at the moment. That is part of the delay in the actual payment of the thing. We are being reassessed.

The CHAIRMAN — So you do not have a final figure for 1999–2000.

Mr BARTON — We are arguing about that at the moment. I will not win the argument.

Mr THEOPHANOUS — What is the new one?

Mr BARTON — This year we are looking down the barrel of \$270 000.

Mrs COOTE — What do you make?

Mr BARTON — Corn chips, tortillas, taco shells.

Mrs COOTE — Okay. They are very delicious!

Mr BARTON — The only way we can handle that is through an increase in price. That will make us less competitive against the imported product, which is about 90 per cent of our competition. The possibilities from that are that I either lose the business, employ fewer people or go out of the business altogether. The average small businessman does not go out of business altogether all that easily. I do not think we will be going out of business. As for the most likely option, in the past year or two I have resisted selling to a larger company. I am not pointing the finger just at Workcover, but enough is enough. I am pretty tough. Mr Best can tell you what I looked like 20 years ago. I have paid a price, and there is only so much I can pay. If you drive the likes of me hard enough, you will get rid of me. You are working hard enough at it.

I have twice resisted offers from a fairly large American company. If he asks a third time, I do not know that I will say no. The result of that will be that the business will leave this town. I would say it is more than likely that it will wind up in Malaysia, but it will definitely leave this town.

Mrs COOTE — How many people do you employ?

Mr BARTON — Just over 100.

Mr THEOPHANOUS — Do you know what industry category you came under?

Mr BARTON — I would call it food processing.

Mr CRAIGE — Do you know what rate you pay?

Mr BARTON — Too much.

Mr CRAIGE — Is it 5.78 per cent?

Mr BARTON — That is what we are arguing about at the moment. I will answer your questions. I have about a minute and a half and then you can do what you like.

I think somebody said absolute power corrupts absolutely. Right at the moment it is in the insurance company's best interest to pay fraudulent claims. The other beneficiary of that is a doctor. There is nothing better than a guy who walks in and says he has a crook shoulder. The doctor says, 'Good', and writes it out, and the insurance company keeps putting up my premium. They cannot lose. The more they get in that claim, the more they can add to our bill — as with anybody who has no competition and no opposition.

You good people trumped it up between you when you were here and you were not here, and you are here now. You legislated that I have to insure with these people. Let me go and insure with a private insurer. I walk in with a \$300 000 premium and see what sort of deal I can get. It will not be this sort of rubbish.

Mr THEOPHANOUS — I thought you had a long memory. Go back to pre-Workcare. The private insurers were charging 30 per cent.

Mr BARTON — Of what?

Mr THEOPHANOUS — Of the remuneration in some cases.

Mr BARTON — I was in business 20 years ago and I never had a bill like this.

Mr THEOPHANOUS — When it was brought in Workcare was applauded by the employers for that reason.

Mr BARTON — I was one of the people who thought it was a good idea.

The CHAIRMAN — Please continue. We are not trying to conduct a debate; we are trying to listen to your submission.

Mr BARTON — He wants to keep putting his 5 cents worth in. Do I sit here and cop it from him?

The CHAIRMAN — We do not want to have a debate.

Mr BARTON — Direct it at him. I have to read through this. You can tell him to shut up.

The CHAIRMAN — You have the call.

Mr BARTON — The doctor who keeps writing out the bogus certificates — I see them every 5 minutes from one guy — cannot lose. He tells them to come back and see him in four weeks' time. I will not name the guy just in case. I thought he was struck off. He got done for molesting little girls years ago, and I did not think anyone ever went to him anymore. Mr Best would know who he is. He is still there. No-one else would go to him. The joke around my factory is that he is called Dr How Long. You want to get time off, you go and see him off. He says, 'Come back and see me in four weeks'. It is monotonous. The insurer cannot lose and the doctor cannot lose, and they come to the one poor bunny who has to pay for it every time.

This is for your own information. The only money that we have cost our insurer is \$15 000 over the past two years for a fraudulent claim. We did not accept the claim. The insurer told us we had to accept the claim. Later when I took him to task he modified that by saying we did not really have to accept it but he told me I had to because if I did not accept it I probably would have to accept it. He was in no hurry to knock it back.

This guy claims he has a crook shoulder. I have to drive past his house, where he is mowing the lawn. He is lifting up a grass catcher that appears to be four times the normal size. He lives on 2.5 acres. He lives in the next street to me. He is out with the rotary hoe, yet he is supposed to be injured. He is on light duties because I jacked up and said that if he was doing that he could come to work. When you ring the insurance company people and suggest putting surveillance on him, they say they will have to put your premium up. Every time I have said anything to the insurers the response has been, 'We will have to put your premium up'.

These guys cannot lose. You have created a situation where the insurers say pay them anything. I was virtually threatened by the insurers that if I put surveillance on it would cost me and they would have to put the premium up. One or two doctors are willing to say privately that it is a bogus claim, but what general practitioner will fly in the face of another general practitioner who accepts the claim. No-one in his right mind would do that — he would be sued from here to next week. One GP will not say the other GP is wrong. He might be right, but in this case everybody knows he is wrong. The insurance company knows that this guy is a fraud. It has paid out \$15 000 over the past two years.

That is all I have cost them — I have not had a major insurance claim in 26 years of employing people. I have not cost the insurance company a cent, and it is going to charge me \$260 000. If you know anything about betting, that is not a fair bet. Even with the crooked gamblers at the casino, if you cannot win you cannot lose; they will not take your money. Even an SP bookie would not take your money at those odds. To be honest I cannot see a way out of it. The only thing I could suggest is that you go back to private insurers and make it competitive, but I do not know if that would work. I only came along to tell you what it is like to be in business.

This is probably more general, but as I said to one other guy about all the other taxes we cop, if in Sydney you had picked up Cathy Freeman's starting blocks and moved them back 150 metres or tied a brick to Kieren Perkins' feet, the country would have been in uproar, but you are doing worse to me and my kind. That is it folks.

Mr BEST — You have changed. Age has not treated us well at all.

Mr BARTON — I recognised you at least!

Mr CRAIGE — That is only because he had his name there.

Mr BEST — On a more serious note, the culture issue is of concern to me. It is something I am aware of in this town. I referred to it earlier as being like Tattsлото. There are circumstances where if somebody gets a big payout, other people feel inclined to copy the sorts of activities that person has done. You surprised me when you say that you have had only one claim.

Mr BARTON — In 26 years.

Mr BEST — That does not equate to the injuries inflicted on people with their habits, but I will not go into that because it is a private thing.

Mr BARTON — That is a different thing.

Mr BEST — I am more interested in your attitude on the shop floor and how you create a work force that minimises the culture creep, as I refer to it.

Mr BARTON — It is difficult.

Mr BEST — And whether the employees here are inclined to offer a fair day's work for fair day's pay.

Mr BARTON — In general, I would say that they offer a fair day's work for a fair day's pay. However, if you are somebody who is not earning a lot of money and you have people in your own street or nearby who are getting a full week's pay for not going to work — or, as you find out later, because you cannot find out prior to it, that this same guy with the bung shoulder has copped two payouts previously for the same deal — or if you are working alongside a guy who you know got \$20 000 five or six years ago and just prior to that got another \$35 000, you are the mug sitting there knocking your brains out every day and you have never collected a damn thing.

It has to be tempting. I do not blame them. I do not hold it against any of the guys working there at all. I am talking about a tiny, tiny number out of that 100, but by God they make everyone else pay.

The real hurt is that people start looking sideways at the genuine case. I was one of the ones who thought getting off workers compensation would get a better deal for the genuine case, but it has made it even harder for the genuine case because everybody is looking over their shoulders for the crook. It is all the bogus claims that are sucking all the money and resources out of the system.

Another woman fell over. Two weeks later I said I did not want her lifting something that way. That was fair enough, but the next day she came to work with a headache and a sore back. She went to the same doctor, my old mate. The report says there is nothing physically wrong with this woman and that if there is anything wrong it is psychosomatic. It probably is psychosomatic. When we rang her she was having a holiday with her husband, who is on Workcover, in Tasmania. She was working alongside a guy who in five years had not had a sick day. I told him to add up his sick days, and I wrote him a cheque paying him for his sick days. He can still have his sick days if he gets sick.

Mr THEOPHANOUS — I really do not know where to start. I thank you for the forthright way in which you are approaching the committee. I congratulate you on the fantastic growth in your company over the past two years. I do not know how much the growth is, but it must be phenomenal judging by the increase in your Workcover premium. I think you said your payroll was \$3 million; is that right?

Mr BARTON — Just over \$3 million.

Mr THEOPHANOUS — The amount of Workcover that you are being asked to pay on a bit over \$3 million is \$270 000, is that right?

Mr BARTON — Yes.

Mr THEOPHANOUS — Which is less than 1 per cent.

Mrs COOTE — It is 10 per cent.

Mr BARTON — It is a good thing politicians do not run businesses.

Mr CRAIGE — We were starting to think you were right in your figures, but now you are gone!

Mr THEOPHANOUS — I wonder whether, in the figures that have been provided to you, you have been given the rate you are on at the moment.

Mr BARTON — I did not bring it with me. I thought the idea was to be fairly short and sweet and get out of here. If you want to waste a day or two, come and see me.

Mr THEOPHANOUS — We could do that or we could ask the Workcover authority to give us the details, if you do not mind.

Mr BARTON — You can ask them all you like.

Mr THEOPHANOUS — You have a \$3 million-plus payroll. We have to try to figure out whether you have had an increase in the rate. According to this your industry rate is 5.78 per cent.

Mr BARTON — We are way over that.

Mr THEOPHANOUS — If you are over that 5.78 per cent, you would have to have a pretty bad record. You have told the committee that you have had only — —

Mr BARTON — I have a bloke who has been on Workcover for two years.

Mr THEOPHANOUS — One claim in 26 years; to me the whole thing does not add up.

Mr BARTON — You want to be sitting where I am.

Mr THEOPHANOUS — I am trying to understand it. You gave two or three examples of your workers having gone to some doctor — and please do not name the doctor. You also talked about people who had been

involved in accidents and so forth and about how you had to change the culture. What are all these examples? Were they not claims?

Mr BARTON — It depends on what you call a claim. When a guy cuts his finger and there is no claim but I pay his medical bills and what have you, if you want to call that a claim, then yes. But that does not affect it: I have not cost the insurer a penny. I have even gone to extremes.

A young man was working for me down at a restaurant we had called Cha-Chi's in Carlton. He was a big, strong 19-year-old who was starting to play for North Melbourne. He always used to cut in towards his hand when cutting an avocado. I said, 'You're going to cut your hand and I'll have to take you up to St Vincent's'. He said, 'No, no, she's right'. I said, 'You'll pay. The day that you do, I'll get you'. 'Yeah, yeah, of course'.

The day came, so I took him up to St Vincent's and he got three stitches. He came back, and when he was walking past me I hit him on the elbow with the frying pan. He missed about six weeks of football. But for the next 10 years I lived off that. He used to say, 'Don't do that, mate. The old bastard will hit you with a frying pan'. I have kept injuries down with all sorts of things like that. They are as scared of me as they are of an injury.

Mr THEOPHANOUS — Are you promoting this as a safety tool?

Mr BARTON — Whatever works — if it works!

Mr THEOPHANOUS — A member of Parliament goes around with a frying pan sometimes!

Mr CRAIGE — Does it work if you hit people on the head?

Mr THEOPHANOUS — I nearly bumped into her in the car park.

Mr BEST — You did, actually.

Mr BARTON — I have had what I would call minor accidents, where people have hurt fingers or something like that, but Workcover — —

Mr THEOPHANOUS — We are talking about claims that went to Workcover.

Mr BARTON — We now have a second one — up until today I had one. We now have a second one, which the medical report says is psychosomatic. Jesus, how did I get caught for that? And my premium will go up again.

Mr CRAIGE — One of our terms of reference talks about what impact premiums will have on you. I take it that you are in a competitive market with corn chips and that you are a taker of the price you get — —

Mr BARTON — Yes.

Mr CRAIGE — Because if you do not you will be driven out of business by your competitors. So how do you absorb them, Charlie?

Mr BARTON — You don't.

Mr CRAIGE — What do you do?

Mr BARTON — With corn chips it is not so difficult, because it is local; I am up against local people. It is hard to import corn chips because of their shelf life. As for the tortilla, I do not know if you have seen the ads on TV for the Twister that KFC is doing, but that is all coming out of Bendigo. That shocks a few people: how does someone in the middle of no-where suddenly produce that? At the moment we are doing for McDonalds the wrap it is doing that I do not think is very good — but the Twister is an all right product. With that one we are up against an imported frozen product out of America. Now my Cathy Freeman and Kieren Perkins thing comes into play. You are not going to tie a brick onto Kieren and you are not going to put Cathy 150 metres behind at the start. But by Christ, you are doing it to me.

It is not just Workcover. When I heard about this I said, 'Well, I'll give them my bit about Workcover'. It is just another nail in the coffin. Why is Kraft sending milk to Malaysia to get it turned into cheese and brought back here? It is bullshit about how wages are too high. That is nonsense; wages are not too high. It is all the other

nonsense that goes with it, such as rostered days off — ‘I can’t work today because my grandfather’s great uncle’s aunt got sick and I have to go and pay him a visit’. It is all the add-ons.

I think the blokes in my factory are underpaid. I think what they get paid stinks. We do everything to pay. I pay them over the award; I have nearly sent the joint broke four times doing that. But it is not the wages that hurt; it is the add-on and the add-on — and on it goes. It is all the add-ons, and this is just one of them.

Mr BEST — How did you feel when the witness before you said that the only way to make employers toe the line is to hit them in the pocket?

Mr BARTON — In one way she is right, but eventually you sink them.

Mr CRAIGE — There will be no jobs.

Mr BARTON — They will go. If it were nice and easy — if you took out a gun and shot me now — they would say, ‘Oh, you just put Rositas out of business’. But it is more subtle than that. We are a tough breed. We keep coming back for more — why, I don’t know.

Mr CRAIGE — When the current Labor government was elected it was clear that it would reintroduce common law.

Mr BARTON — Yes.

Mr CRAIGE — You knew that, did you not? You knew that there would be a sting in the tail somewhere soon?

Mr BARTON — Yes.

Mr CRAIGE — Did you also realise that it had secretly signed off on Workcover increases in your category and your industry and that it rounded up — —

Mr BARTON — We were worried.

Mr CRAIGE — It did all those things. Have you spent time trying to work out exactly what it did with your industry and what happened to your rate?

Mr BARTON — No. We saw the rate, we got told the reasons why, and I got told why my rate increased — and it is because of a guy I have had collecting benefits. But I am still paying him; it has only cost them seven grand a year. But that is considered to be a long-term injury, and we all know it is not. But with a long-term injury, up goes the premium.

Although politicians might not like to hear something nice about the other side or whatever, that in itself is not the problem at the end of the day. There is no reason for common-law rights not to be there. If I go and disconnect a safety switch and a bloke feeds himself in there, I should go to jail. I have no problem with that: I should go to jail.

But then you give it to the lawyers, who then go before judges. They then take what was a good idea in the first place and start bending their Melbourne University education around it — and it ends up a whole different thing. That is what hurts. When someone escaping from jail hurts himself jumping over the fence, he sues the prison. There is the problem. It is not the common law. There is nothing wrong with someone being able to sue for somebody deliberately doing something that injures them.

Mr THEOPHANOUS — Do you support the new offence of industrial manslaughter that will be introduced?

Mr BARTON — Yes, I have no problem with that. But it is the interpretation that goes on it that is the problem, and it will get out of hand, like everything else. It will get out of hand.

The CHAIRMAN — Any more questions on Workcover?

Mrs COOTE — I love my job, but if I lose it I would love to come to work in your factory.

Mr BARTON — It is not that easy.

Mrs COOTE — And I will bring my own frying pan!

Mr BARTON — I cannot do that anymore.

Mrs COOTE — There has been a lot of debate about an additional increase in premium rates next year. How would that impact on you? Is it really getting to the stage, as you spoke about before, of selling out to a multinational. Is that the sort of catalyst that will do it?

Mr BARTON — We are there now. I got asked just four months ago, and I said ‘no’. If I get asked a third time — if I get asked today — the answer will be, ‘Yes, I will sell it’, and that is a tragedy.

Mrs COOTE — I will keep my frying pan!

The CHAIRMAN — Mr Barton, thank you for coming along. We will send you a copy of the Hansard record of our discussion, to which you can make corrections.

Committee adjourned.