

# CORRECTED VERSION

## ECONOMIC DEVELOPMENT COMMITTEE

### Inquiry into Workcover premiums for 2000–01

Swan Hill – 31 January 2001

#### Members

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

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

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

#### Staff

Executive Officer: Mr R. Willis

#### Witnesses

Mr G. Lowe; and  
Mr C. Wood, Lowes Windows.

**The CHAIRMAN** — I welcome Mr Wood and Mr Lowe. All evidence taken by the committee, including submissions, is subject to parliamentary privilege and is granted immunity from judicial review subject to the provisions of the Constitution Act and the Parliamentary Committees Act. I understand you wish to address the Workcover issue. Would you like to explain the nature of the business in which you are engaged and then make a statement?

**Mr LOWE** — Our annual Workcover bill has increased in the past four years from \$14 700 to \$25 200. In the past 12 months it increased from \$15 500 to \$25 200, which is a large increase for a small business. Our company manufactures aluminium windows and kitchen cupboards. We employ 20 people, 6 of whom are administrative staff.

I have always wondered what Workcover is really about. I always believed it was an insurance scheme, but in the past 12 months I have come to believe it is only a levy on business. It seems to me that if you have a Workcover claim you finish up paying it back anyway over the following two or three years.

**Mr WOOD** — About four years ago we were paying about 3 per cent of our wages bill on Workcover; the average is now about 4.5 per cent. That amounts to about a 50 per cent increase. We had a long talk to a Workcover representative who was concerned, like everybody else, about the dramatic premium increases this year. I have had extensive experience with Workcover over many years as I was previously with a large Geelong company.

Workcover is extremely complicated to understand. We are trying to do many things and spend only a small amount of time with Workcover, but the more you look at it, the harder it is to get a handle on the picture. Our impression is that in the past we thought Workcover was an insurance against accidents and workers' problems. However, the levy means that you pay back at least what you may claim. There is no insurance aspect, which is disappointing.

The discussions we had with the Workcover expert who visited here led us to believe that we would indirectly pay back any claim amounts. It is not a matter of our initial medical expenses or wages portion but a claims cost that will affect future levies, and we will end up paying it back.

Ours is a small company. I understand that in order to cover the administration of Workcover the bigger the company, the more dollars it will pay. I heard figures bandied around indicating that companies pay up to six times the medical costs for their workers. We have been told by smaller mid-range companies that they pay two to three times as much. We are under the impression that we pay back at least the amounts our claims would originally have cost. We pay the levy as well as the cost of any claims. Is there any relevance to the size of our business and/or our percentage of wages payable to Workcover?

**The CHAIRMAN** — We are not in a position to provide you with answers but to hear your submission. We are clearly hearing from you, as I understand it, a lack of understanding of how Workcover operates in the business world?

**Mr WOOD** — The mathematical side of it.

**The CHAIRMAN** — We will take that on board.

**Mr WOOD** — I have a good understanding of such things, but as much as I have tried to examine the Workcover system I have given up trying to understand it. I understand how the figures are arrived at, but it is too complicated.

**Mr THEOPHANOUS** — You said you had 20 staff. What is the size of your payroll?

**Mr WOOD** — In the most recent financial year it was around \$528 000.

**Mr THEOPHANOUS** — You are a medium-size business?

**Mr WOOD** — Yes, I suppose so.

**Mr THEOPHANOUS** — I am not sure exactly what issue you are raising with the committee because you have not provided us with figures to support your argument. You may want to provide the committee with exactly how much you have paid in premiums over the past four years.

**Mr WOOD** — I have that in front of me.

**Mr THEOPHANOUS** — And provide to the committee the cost of your claims in the past four years. You would need to do that to support your claim that the amount of the claims is less than the amount you paid in premiums. We do not have those figures.

**Mr WOOD** — We had short notice of today's hearings. There was no time to do a lot of research, but I have a large file with me; it would take you quite some time to read it.

**Mr THEOPHANOUS** — How many claims have you had in the past four years?

**Mr WOOD** — Over the five years I have been with the company, one example of note that springs to mind is that of one chap who had a cut on his face, and that involved a few weeks off. Another chap cut the tendons in his hand; he had 8 to 10 weeks off. One had a back injury, which led to a couple of months off. The second claim was denied by the insurer. That is not a high incidence of claims.

**Mr THEOPHANOUS** — It sounds as though they were minor claims. If you had a serious claim — say somebody became a paraplegic and the overall cost was to be \$4 million — could your company afford that if you did not have Workcover insurance?

**Mr WOOD** — No, in that sense at the upper level it is insurance. Our perception is that at the level we are operating at it seems there is no insurance aspect. That is how we feel, but if we have the wrong perception we should have the information to enable us to change that.

**Mr THEOPHANOUS** — Hopefully you will not have a serious accident.

**Mrs COOTE** — What is your industry rate? Is it classified as a dangerous industry?

**Mr WOOD** — There is machinery involved and we work with glass. There must be some danger attached to the work; it is not like an office job.

**Mrs COOTE** — I wonder if the industry rate has increased significantly. Your industry classification may have meant an increase.

**Mr WOOD** — I do not think there has been a surge within the industry. It is not as though the industry has performed badly and premiums have increased in proportion to those in other industries.

**Mrs COOTE** — Do you have an occupational health and safety education process in your company?

**Mr LOWE** — No.

**Mrs COOTE** — If Workcover were to give you, say, a bonus if no claims were made would that give you the incentive to educate your staff better on occupational health and safety procedures?

**Mr LOWE** — Our staff members are conscious of their own bodies and their safety.

**Mrs COOTE** — But would a bonus on your premiums help you?

**Mr LOWE** — I do not think a premium would help with our staff. The staff believe, 'It's all right, it does not cost us', and that the company gets the money back from insurance. That is rubbish.

**Mr WOOD** — Our classification is C3142L.

**Mr BEST** — Can you explain the physical nature of your operations? Are the administrative staff in the same location as the work force in the factory?

**Mr WOOD** — They are. I sit in an upstairs office most of the day. We are paying 4.5 per cent of my wages, as we do for everybody, but to have the administrative staff rated at 0.8 per cent, because that is their risk, you need to have separate premises away from your workplace.

**Mr BEST** — Which is impractical in your circumstances?

**Mr WOOD** — Because of the size of our works we could not have head office away from our 15 workers. In a larger organisation you can have a separate head office and other outlying operations.

**Mr BEST** — It seems unfair that 6 of your 20 work force are classified as working in a dangerous industry.

**Mr WOOD** — With the same danger as the bloke operating a saw in the factory.

**Mrs COOTE** — Your classification is architectural aluminium products manufacturers. The premium for your industry increased by one category.

**Mr WOOD** — That means the industry as a whole is performing poorly?

**Mr CRAIGE** — Yes.

**Mr WOOD** — Maybe not us?

**Mrs COOTE** — Yes. That is one reason why it would have increased.

**Mr BEST** — That amounts potentially to about 20 per cent?

**Mr THEOPHANOUS** — Even without a claim, yes. It would have increased by 20 per cent even if you did not have a claim because the industry rate increased. Your business is not so large that the industry rate does not count. It is a complicated matter, but as it was set up under the Kennett government your industry counts more than your own company's performance. At the moment we are looking at those aspects to see whether that should be changed.

**Mr WOOD** — Our concern is that it increased by more than 60 per cent in one year, which is \$10 000 off the bottom line of a business of our size. It is a large amount. We asked about the size of the increase. I recall we were told it was because of the reintroduction of common-law rights. I said, 'I don't recall the premiums decreasing when common-law rights were removed'. The chap had an answer for everything and said, 'It was to have increased at around that stage but taking away the common-law rights held it down'.

**Mr THEOPHANOUS** — The premiums went down for big businesses but not for small businesses.

**Mr CRAIGE** — As business operators no doubt you are aware that the Bracks Labor government reintroduced common-law claims. It also decided to do a few things with Workcover which it did not tell you about, and that is why the premiums have gone up so much. The reality is that your classification was changed as well and was rounded up. There were a lot of changes that you did not know about, or did you? Were you fully aware of the extent of the increases in your Workcover premiums before you received the notice?

**Mr WOOD** — No.

**Mr CRAIGE** — As business operators you were not able to plan financially for the huge increase — it hit you like a ton of bricks?

**Mr WOOD** — Yes, that is correct.

**Mr CRAIGE** — Now you have to make financial plans to try to make the payment. You are not an oversized business; how do you meet those costs? What do you do? Do you take it off the top line and not employ somebody in country Victoria?

**Mr LOWE** — I am against not employing people, because I think that is negativity. The increase in Workcover and in superannuation definitely makes you consider employing more people, but I am against that.

**Mr WOOD** — No knee-jerk reaction has happened to date because we have not had to bear it for long. The bank balance is bearing it to date, but if other actions have to follow, they have not happened yet.

**Mr CRAIGE** — If there is an increase in Workcover premiums next year you would soon have to think about it, wouldn't you?

**Mr LOWE** — Yes, for sure.

**Ms DARVENIZA** — A 60 per cent increase is a fairly significant increase. Would you mind if the committee asked Workcover to look at your records to check what has happened to you so that the committee can get a handle on the reasons for your increase?

**Mr WOOD** — We would welcome that.

**Mr BEST** — I continually question the reason behind small business having to pay the same rate for administrative staff.

**Mr LOWE** — There is one question I would like to ask, and I do not think anybody here will be able to answer it, but I find it extremely difficult to understand: for example, if one of our guys cuts himself, goes up to the hospital and gets a bandaid put on his finger or whatever, it costs our company \$85. If that person cuts himself on Saturday morning and goes up to the hospital and gets a bandaid, it does not cost him anything. Why is that?

**Mr CRAIGE** — Because it is a Workcover claim.

**Mr LOWE** — Why is that?

**Mr THEOPHANOUS** — In the first example he is on the job. You would not expect to be paying people when they are at home.

**Mr LOWE** — When he goes up on Saturday morning to the hospital, why doesn't he have to pay \$85? He does not pay a cent.

**Mr WOOD** — The perception is that the system can afford it so we can charge the system.

**Mr THEOPHANOUS** — No, it is a question of the federal government paying against employers paying for accidents on the job. In the second case the payment is made by Medicare. In the first case Medicare does not pay for an accident on the job; it is paid by the employer.

**Mr CRAIGE** — I think the point you are making is that, whether it is Medicare or Workcover, the charge against Workcover is \$85 and Medicare charges whatever the consultancy rate is. Why is there such a high charge when it is a Workcover on-the-job accident, when the treatment is the same; is that what you are trying to say?

**Ms DARVENIZA** — There is a charge made in both circumstances: one is made against the employer as part of Workcover and the other is made against Medicare. Everyone pays their Medicare levy but the charge is still made.

**Mr LOWE** — On Friday I had go up to the hospital to get a blood test and the girl wanted me to put it on Workcover because I had my uniform on, and I said, 'No, it is not a Workcover claim'.

**The CHAIRMAN** — Mr Wood and Mr Lowe, thank you for coming along today. We appreciate the time you have given to us. The committee will send you a copy of the transcript of this section of the hearing for you to make comment.

**Witnesses withdrew.**

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## ECONOMIC DEVELOPMENT COMMITTEE

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Chairman: Mr N. B. Lucas  
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#### Staff

Executive Officer: Mr R. Willis

#### Witness

Mrs S. Duguid, A. Duguid and Co. Pty Ltd.

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

Mrs Duguid, I welcome you and ask you to make an opening submission expressing your views.

**Mrs DUGUID** — I represent A. Duguid and Co. Pty Ltd, Swan Hill's oldest engineering firm, which was founded by my late father-in-law, Alex Duguid, in 1946. During the 1960s and 1970s the company employed 32 staff and worked on projects throughout Victoria and southern New South Wales and into South Australia. The staff is now down to four, including me, the office girl.

Some of the reasons for the decline include more competition and better education through technical schools and TAFE colleges where people learn to weld, et cetera, and therefore do their own repair work, whereas once they would have employed a tradesman to do it. Because of this trend, in 1973 we established Duguid Industrial Suppliers, an industrial retail business. This business now employs three full-time and two part-time persons.

Competition in the workplace is good. It establishes good workmanship practices and it keeps checks on pricing. However, when it comes to pricing there are factors that affect some more than others, namely, Workcover and superannuation. How can a business employing staff and paying award wages, Workcover premiums and award superannuation compete with a one-man operation or the backyard boys who pay none of those? Overhead costs have to be factored into an hourly charge-out rate, which then makes us not viable compared with those who have no such imposts.

Workcover is one such impost that has been particularly odious, not only cost wise but because of the accompanying paperwork. In March I will be sent the 2001–02 estimate of remuneration, to be completed and lodged within 28 days. Then if at any time I think wages exceed that estimate by more than 20 per cent I have to advise the insurer within 28 days of that fact or be liable for a penalty of up to \$2000.

Premiums this year have included a increase of 17 per cent to cover the reintroduction of employees' right to make claims under common law. Why, I ask, should every employer have to pay because of the practice of a few irresponsible individuals? Surely, those who are found guilty should be the ones to pay. I also ask: why do employees get a double dip, Workcover and common law?

There appear to be many other anomalies in the present Workcover system. There is no system of no-claim bonuses for employers who have no claims and run a safe workplace. There is nothing to reward employees who use commonsense within the workplace and do not rort the system. A lot of employees think the boss has plenty of money and he will pay, little realising they are putting their jobs in jeopardy. There should be differentiation within the workplace — for example, the office girl is rated the same as the tradesman, and the insurance company's answer to this is, 'Oh, it averages out over the sector'.

The original Workcover payment plan was much simpler. Every registered employer was issued with a booklet of payment chits. Each month, based on the actual wage that had been paid, a percentage based on the industry sector was paid to the Victorian Workcover Authority. At the end of each financial year a reconciliation statement, similar to the group tax reconciliation, was completed and any difference was either paid or claimed. Each successive year the industry percentage was either raised or lowered depending on claims made within that industry, and there was also a no-claim bonus factored into the charge, which related to whether the individual employer had had any claims. This system eliminated any need to try to estimate wages in advance; it also took into account seasonal rises and falls in employment.

With business now being registered for GST, it would be simple to go back to the old system. Every registered business would be contacted and asked to justify why it should not have to pay Workcover premiums. If people are self-employed maybe they should be paying some kind of insurance or Workcover premium to cover any unforeseeable circumstance.

With Workcover I would like to see, similar to the situation with superannuation, the amount of Workcover that is paid for that individual employee shown on the employee's pay slip. I would also like to see that both employers and employees are rewarded for not making claims. In the case of the employer that could be a reduction in premiums, and maybe for employees a no-claim bonus could be paid into their superannuation fund assessed on a yearly performance basis as a reward for adhering to safe workplace practices.

With businesses now being forced to contend with an ever-increasing amount of paperwork, surely there has to be some way to make things simpler and maybe cheaper for small business in particular, because with the ever-increasing impost being placed on small business by governments, small business, one of the largest employer sectors in the country, will fast get to the stage of saying, 'We have had enough'.

**Mr BEST** — Can you give the committee some idea of your staff remuneration on an annualised basis, together with the cost of your Workcare premiums?

**Mrs DUGUID** — I cannot give you the exact figures but I can tell you that on A. Duguid and Co. for the 2000–01 year there has been a 35 per cent increase over the previous year.

**Ms DARVENIZA** — In staff?

**Mrs DUGUID** — No, the Workcover premium, and in Duguid Industrial Suppliers there has been a 59 per cent increase.

**Mr BEST** — Have you had any claims on either of those sections of your business?

**Mrs DUGUID** — In Duguid Industrial Suppliers, which has been in operation since the 1970s, we have never had a Workcover claim, and in A. Duguid and Co. Pty Ltd, since 1946 we have had three claims and no claims in the past 20 years. Of the three claims, two were suspicious. One was from an employee 20 years after he had left the company; he decided to claim for industrial deafness against all his former employers. That was settled out of court. A second claim was by a staff member who was a footballer. He came in on a Monday morning with an injured shoulder. Later in the week he went to the doctor, who said, 'You need to have an operation under Workcover'. The third claim was a legitimate Workcover case when a man broke his arm after falling off a ladder. But Duguid and Company have had no claims for 20 years.

**Mr BEST** — In the past 12 months have you had an increase in staff numbers in your industrial supply section?

**Mrs DUGUID** — I used to have an assistant working two days a week; now I have one working four days a week.

**Mr BEST** — An effective full-time equivalent of about 0.1?

**Mrs DUGUID** — Yes.

**Mr BEST** — That has contributed to your increase of 59 per cent?

**Mrs DUGUID** — That and the 17 per cent for common law. That is still a huge increase.

**Mr BEST** — Are your industrial suppliers on the same site as your engineering works?

**Mrs DUGUID** — They work side by side, yes. There is a connecting door.

**Mr BEST** — Do you have the same insurer for both?

**Mrs DUGUID** — Yes, but the businesses are run as two separate businesses.

**Mr BEST** — Do you know the industry category under which you fall?

**Mrs DUGUID** — They cover us under hardware; an industrial retail business does not come under anything else.

**Mr BEST** — You would not have your group number or industry classification with you?

**Mrs DUGUID** — No.

**Ms DARVENIZA** — Do you know whether your premium category has had an increase?

**Mrs DUGUID** — Yes, it has.

**Ms DARVENIZA** — You have had increases in your companies of 35 per cent and 59 per cent?



**Mrs DUGUID** — Yes.

**Ms DARVENIZA** — Do you mind if we ask Workcover for information on your companies and why the increases have occurred so the committee can get a handle on why your premiums have increased in both businesses to that extent?

**Mrs DUGUID** — That is fine.

**Ms DARVENIZA** — You spoke earlier about an employer having to pay a Workcover premium when the company had no accidents, is that right?

**Mrs DUGUID** — No, I do not say Workcover should not have to be paid. I am saying a lot of self-employed people and those who do weekend or after-hours work pay no Workcover. They do not need pass on the costs we are required to pass on.

**Mr THEOPHANOUS** — Should they have to pay Workcover?

**Mrs DUGUID** — Why shouldn't they cover themselves? Take, for example, an employee of my company who does some work on the weekend; theoretically, he should not be doing it. What if he gets steel in his eye while he is doing that work at the weekend. He comes in to work and claims Workcover on us. We should not be held responsible for something he does in his own time.

**Ms DARVENIZA** — Do you support an experience rating system where employers who have higher rates of accidents pay more and those employers who have a lower rate pay less?

**Mrs DUGUID** — Yes.

**Mrs COOTE** — Thank you for your submission. Some of the suggestions you have made were positive. To elaborate on what Ms Darveniza said about the reward system for those who have no claims, you said both employers and employees should have some incentive. Can you elaborate on your suggestion of payments being made to superannuation for employees?

**Mrs DUGUID** — Many insurance companies have no-claim bonuses or bonus systems. At the end of every year they send you a certificate which pays you a bonus because your policy has been with them for so many years. Perhaps in the case of Workcover the employee could have a certificate at the end of each year in the remuneration form I have suggested. The question could be asked, 'Have you had any claims?' and the company must answer yes or no. Then the employee could be given a bonus certificate. The bonus would not be paid in cash or credited to his or her superannuation at that time but would become a bonus when superannuation is finally paid. But if Workcover claims are made, the bonuses are removed.

You cannot put all the responsibility on the boss. We provide safety equipment for workers. We tell them they must use it but we cannot stand over the men all day long and make them use it. The employees must be made responsible for their own actions. They also have been known to do silly things. The workers cannot be forever using the excuse, 'The boss should have stopped it'. The boss does not have eyes in the back of his head.

**Mr THEOPHANOUS** — There used to be a scheme called the bonus and penalty scheme. The Kennett government changed that to the current scheme so that the total industry's record or experience is taken into account rather than just the experience of a small business; in fact, it is hardly taken into account at all for small business. Would you prefer to see a return to a system of bonuses and penalties that used to apply for small businesses?

**Mrs DUGUID** — I would. Businesses that run a safe workplace should be rewarded for doing that.

**Mr THEOPHANOUS** — That should apply for small and large businesses? It now applies for large businesses.

**Mrs DUGUID** — Definitely. Small businesses have so many imposts put on them that they need some sort of help. If you run a safe workplace you should be rewarded, not penalised, for it.

**Ms DARVENIZA** — In your submissions you talk about the system that was in place in the past. Are you talking about the system prior to the Kennett government changing it?

**Mrs DUGUID** — Yes.

**Mr THEOPHANOUS** — The government is looking at changing that system. You are telling the committee you would prefer to have something closer to a bonus and penalty system for small businesses?

**Mrs DUGUID** — Yes, you should pay premiums on the actual wages paid for, say, the previous month because it can be difficult to estimate your wages. It is hard to say three or six months in advance whether your staff levels will increase or decrease.

**Mr THEOPHANOUS** — You understand that only 15 per cent of the increase you referred to was related to common law?

**Mrs DUGUID** — Wasn't it 17 per cent?

**Mr THEOPHANOUS** — No, the other 2 per cent is the GST. Any increases above that 17 per cent are associated with the change in your industry rate, which has nothing to do with your business as such. Do you prefer to see that aspect examined for small business?

**Mrs DUGUID** — Definitely.

**Mr CRAIGE** — The Bracks Labor government has reintroduced common law into Workcover. How do you perceive that Tattslotto mentality? For argument's sake, your former employee who had industrial deafness would be able to double-dip. Is that not a return to the old common-law days?

**Mrs DUGUID** — Yes.

**Mr CRAIGE** — How do you, as an employer, feel about that?

**Mrs DUGUID** — I do not like the reintroduction of common law. Either you have common law or Workcover, but not both.

**Mr CRAIGE** — Is it a real impost on you as a small business person?

**Mrs DUGUID** — It is not just the monetary cost loaded on to our premiums. It is also a psychological matter as it is implied that all employers are breaking the law and not doing the right thing. If Workcover is working properly why should people have to resort to common law? If somebody is breaking the law it is up to Workcover to prosecute that person, but not every business should be made to pay for a few.

**The CHAIRMAN** — Thank you for attending, Mrs Duguid. We will forward a copy of the transcript to you; you may suggest minor corrections to it.

**Witness withdrew.**

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Chairman: Mr N. B. Lucas  
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#### Staff

Executive Officer: Mr R. Willis

#### Witnesses

Ms W. McAllister; and  
Ms T. McKenzie, Grizzly Engineering Pty Ltd.

**The CHAIRMAN** — Welcome, Ms McAllister and Ms McKenzie. All evidence taken by the committee, including submissions, is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the provisions of the Constitution Act and the Parliamentary Committees Act. Would you like to make an opening statement to the committee?

**Ms McALLISTER** — I cannot see the point in this because things are usually decided by the government without too much input from anybody else. Our Workcover payments went from about \$36 000 to \$83 000 annually. The reason given was that we had a recent claim and something else was added. Premiums increased by a heap. We thought, ‘That’s the legislation and we have to live with it’. When the Kennett government changed Workcover we thought things would change. It seemed that if a worker submitted a claim, everything was the same as before — that is, that the insurance companies said, ‘It has to be paid’. Their solicitor would say, ‘You pay this amount, don’t bother fighting it’ and things went on from there.

**Ms McKENZIE** — From an employer’s point of view the Workcover legislation is in place but when you tried to apply the legislation it always worked in the worker’s favour. We have a claim that has been running for two years. We had a conciliation meeting last Monday which was moved from Melbourne to Bendigo, which is the closest convenient place to Swan Hill. We have since changed insurers, as we believe the claim did not have merit. We believe it is probably an act or pretence. WorkCover is open for abuse by the employee in our experience. Small business employers do not have time to spend on Workcover because a lot of book work is involved. From our perspective it is there to be abused. If we try to fight it, it is a lot of time, energy and costs. Ultimately, accepted claims with no merit affect our premium at the end of the day.

**Ms McALLISTER** — Workcover payments made to people with genuine claims are fine. Things have changed. We employ an occupational health and safety guy who comes up two days every fortnight and he repeats to me every fortnight, ‘You can go to jail if you do not do whatever’, so they are trying to put the fear of God into you all the time.

**Ms DARVENIZA** — Who is this?

**Ms McKENZIE** — A health and safety consultant.

**Ms McALLISTER** — He is letting us know that is the law. If the employer is found at fault, he goes to jail. I think it is important for businesses to do that these days, otherwise they are not covered. Members of the committee might think it is funny, but I do not think it is funny at all.

**Ms DARVENIZA** — I do not think it is funny. You are right, you need people to give you advice. It depends on whether he is giving you other useful advice rather than just advice that makes you anxious and fearful. I guess you just zeroed in on that one tiny bit of advice which makes you very anxious and fearful.

**Mrs COOTE** — Can you tell the committee about some of the changes you have made as a result of what this consultant has told you to do to keep out of jail?

**Ms McKENZIE** — We have been doing written working procedures. We are a manufacturing company so we actually have to have written procedures for each job done in the factory to show we are addressing everything there and that it is a safe way to do it. We have put up safety signs, we have carried out various tests in the past three years — things such as that.

**Mrs COOTE** — If you were to get a bonus because you had no claims, would you put that towards more health and safety procedures?

**Ms McALLISTER** — It is constantly ongoing now because we have our quality assurance, apart from the health and safety part of it, and now we are working to put the health and safety in as part of quality assurance.

**Ms McKENZIE** — We see health and safety as not just one aspect, but it is a vital aspect of running a business. It is not just about putting money into health and safety. Health and safety is included in our whole costs.

**Mrs COOTE** — Would a bonus be an incentive to your business? If you were to get a bonus for no claims, would that be something you would be interested in?

**Ms McALLISTER** — Yes.

**Ms DARVENIZA** — How many employees do you have?

**Ms McKENZIE** — Fifty.

**Ms DARVENIZA** — The increase in your premiums went up from \$36 000 to \$80 000

**Ms McKENZIE** — The remuneration increased by around 8 per cent.

**Ms DARVENIZA** — Would you mind if the committee spoke to Workcover to find out more detail on the reason for your increase from \$36 000 to \$80 000 in order to understand exactly why that increased, according to Workcover?

**Ms McALLISTER** — No.

**Mr BEST** — I refer to your insurance company and the level of satisfaction or dissatisfaction you have with its performance. Obviously you have a questionable claim that they are prepared to get off their books, at your expense, and therefore not allowing you to have your day in court. Can you take us through the issue of the questionable claim and the insurance company's procedures?

**Ms McKENZIE** — We employed the worker for 11 months, during which time he was absent for 26 days. He abandoned his employment and we did not hear from him until three months later when he put in a claim. The claim was for a chronic respiratory condition, basically. We knew the worker was an asthmatic and he was a heavy smoker. However, the claim was put in three months after he abandoned employment.

We are also aware of different things in this person's history. The insurance company basically said that because the work had contributed to his condition we had to accept the claim, so we had been paying him, I think, about 95 per cent. It has been reduced to 70 per cent. We have changed insurance companies because I was dealing with six different people who were handling the claim and no-one was aware of all the detail. Since we have changed insurance companies we have had action taken and surveillance undertaken. The man has been seen doing all the things he has said he cannot do.

On Monday we took part in some conciliation. We were not at all satisfied with that because while we made the effort to travel to Bendigo for the meeting, after we requested it to be held in Bendigo — it had been rescheduled from Melbourne — the worker did not turn up nor his solicitor. The conciliator could not operate the telephone so we could not have a conference call. The worker spoke to the conciliator for about 40 minutes and we had probably about 3 minutes.

**Mr BEST** — Is there any further conciliation planned or set down for discussion?

**Ms McKENZIE** — Not at this stage. The conciliator has asked us to review the situation. We are about to reduce the payments to 60 per cent, and notional earnings also. The conciliator asked us to review because the guy had a fit over the phone and different things.

**Mr BEST** — What happened with the evidence you had on videotape?

**Ms McKENZIE** — The conciliator looked at that. However, the worker said he had a very good excuse for each one of those.

**Ms McALLISTER** — He said that the day they videoed him was a good day.

**Ms McKENZIE** — We were not dealing with facts; we were dealing with hearsay and all the flowery stuff.

**The CHAIRMAN** — I think we have had enough discussion on the particular case.

**Mr BEST** — I am keen to pursue the level of support as a company that you have received from your insurance companies and the reasons for your changing insurance companies.

**Ms McKENZIE** — The insurance company now has been very good and helpful and professional.

**Mr BEST** — Who was your previous insurer?

**Ms McKENZIE** — CGU. and it is now VACC.

**Mr THEOPHANOUS** — As the Chairman said, is it a bit difficult for the committee to adjudicate on a individual case without hearing both sides. I am more interested in the general principle. Do you support the principle that those companies where there are more accidents in the workplace should pay more in their premiums and that those companies with fewer accidents in the workplace should pay less?

**Ms McALLISTER** — It could be possible but perhaps the merit of whatever happened should be recognised. There are accidents and there are accidents.

**Mr THEOPHANOUS** — But there are conciliators and courts and all sorts of people to determine that. If we accept that on balance there is a process that has to be gone through, the fact is that some companies have accidents and others do not. Do you support the principle that those that have the accidents should pay more and those that do not should pay less?

**Ms McALLISTER** — Yes.

**Mr THEOPHANOUS** — Do you understand that 35 per cent of businesses have had a reduction in their premiums because they have not had accidents? It would be a bit unfair to increase their premiums in order to pay for the ones that have had accidents, would it not?

**Ms McALLISTER** — Yes.

**Mr CRAIGE** — Were you aware that your premiums would go up as much as they did, and can you explain to the committee what your understanding is as to why in fact Workcover went up so much?

**Ms McKENZIE** — We were aware they would increase. We were flabbergasted when we realised they had increased by 110 per cent. We have been given as reasons for that occurring the reintroduction of common law, the GST, and our past claims history. We understand that.

**Mr CRAIGE** — How do you feel about the introduction by the Bracks Labor government of common law?

**Ms McKENZIE** — As the health and safety consultant is always telling us, we have to always make sure we are doing everything in our power to prevent the accident and not admit liability under common law. As Mrs Duguid was saying earlier, if you have the Workcover system operating, a common-law process should not be needed. It feels like another threat to business.

**Mr CRAIGE** — Another impost and another threat to business?

**Ms McKENZIE** — Yes.

**Mr THEOPHANOUS** — You are aware that only 15 per cent of the increase in your premiums was as a result of common law and the rest was related to other factors, are you not?

**Ms McKENZIE** — Yes.

**Mr CRAIGE** — As small business operators in regional Victoria, what does the reintroduction of common law mean to you so far as employing people in this region? Does it make you somewhat cautious now?

**Ms McALLISTER** — The whole process makes you cautious. The question should be asked, 'Do you want to come to work?'. Some days are good days; some days are bad days.

**Ms McKENZIE** — You can enforce things such as pre-employment medicals and assess whether they have a previous disability or an injury that may be aggravated by the work, but then there is the equal opportunity policy and you have to be careful. It is always a juggling act.

**The CHAIRMAN** — Thank you, Ms McAllister and Ms McKenzie, for coming along. The committee appreciates the time you have given. The committee will send you a copy of the transcript taken of our discussions.

**Witnesses withdrew.**

# CORRECTED VERSION

## ECONOMIC DEVELOPMENT COMMITTEE

### Inquiry into Workcover premiums for 2000–01

Swan Hill – 31 January 2001

#### Members

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

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

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

#### Staff

Executive Officer: Mr R. Willis

#### Witness

Mr I. Fisher, Alcheringa Hostel, and Chief Executive Officer, Swan Hill District Hospital.

**The CHAIRMAN** — Welcome, Mr Fisher. All evidence taken by the committee, including submissions, is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the provisions of the Constitution Act and the Parliamentary Committees Act. Would you like to make an opening statement?

**Mr FISHER** — Thank you for the opportunity to address the committee about Workcover. I represent two organisations — that is, Swan Hill District Hospital and Alcheringa Hostel. The hospital received an increase in Workcover premiums charged for 2000–01 as a result of changes to the system. At this stage there has been government support to fund the acute sector of the premiums increase, which is fine. As yet we have not seen the money, but it should come through. We have not received any advice about the sorts of dollars that will impact on the aged care component of our business.

The hospital's premiums are about the industry rate. The hospital has a good track record. The premiums have been reducing in the past two or three years; from that point of view it has been a positive component of our business, but like all issues related to cost it is of concern when costs rise and funding does not follow at the same level.

The Alcheringa Hostel is a not-for-profit organisation. The impact of the increased premiums will be greater on it than on the hospital. It has no other means of generating revenue to support any increases. The increase for the hostel only was about \$30 000.

**Mr THEOPHANOUS** — From what to what?

**Mr FISHER** — It went from \$51 000 to \$81 000. It is a serious issue for the hostel to try to make up that gap because most aged care organisations are already struggling to meet the costs involved in aged care. The extra Workcover impost makes it difficult for it to break even and provide the sort of care needed in such agencies.

**The CHAIRMAN** — In relation to the hostel, my limited understanding of these areas is that it is always tight when you do your budget. Do I assume that when you did the budget for the current year you were not aware of the \$30 000 premium increases?

**Mr FISHER** — We had warning of it, but until we did the sums we were not aware of the actual extent of the increase. In the hostel business it is not easy to generate an extra \$X to cover significant increases in costs. You have a number of residents classified according to the commonwealth scale and it is difficult to have other avenues of revenue to cover the costs if, for example, the commonwealth fees do not increase at the same rate.

**The CHAIRMAN** — What is the consequence in the provision of care and running of the hostel when you have such an increase?

**Mr FISHER** — From the hostel's point of view we eat into our investments a little more. There are only a couple of options including either to raise revenue, which is restricted, or to reduce costs. While we always consider all avenues of our costs and opportunities for decreasing them, the major component of our expenditure in the hospital and hostel is salaries and wages. The dependency on the organisation of its residents is increasing. That means we will have to put on even more staff. The opportunity to reduce costs is limited. From that point of view, you have to suffer the consequences. It adds \$30 000 onto the deficit.

**The CHAIRMAN** — It could well mean \$30 000 worth of wages that you cannot afford for additional staff?

**Mr FISHER** — It makes it harder to increase the number of staff. We are always under pressure, with the dependency of residents increasing, to provide more resources. When the bottom line is not looking flash you have to weigh it up. Often it is difficult to make the decision to increase resources when you are already operating on a deficit.

**The CHAIRMAN** — The hospital also had its premiums increased. What sort of dollar amounts were involved?

**Mr FISHER** — About \$20 000, but it is difficult to say that was the exact amount because the GST impacted — that is refunded, anyway. The net impact would probably be about \$8000 to \$10 000. It was not a huge impact on the hospital through premium increases because we have a good record plus we pay up front and get a discount. Last year we were lucky enough to obtain a refund from Workcover because our remuneration estimate was a little high. It clouds the actual costs a little, but \$8000 to \$10 000 is probably the net impact this year.



**The CHAIRMAN** — Your biggest concern is the hostel?

**Mr FISHER** — Yes, the budget of the hospital is about \$20 million while the budget of the hostel is about \$3 million to \$4 million. Its capacity to absorb those sorts of increases is limited.

**Mr McQUILTEN** — You talk about the hospital having a good claims experience. What about the hostel? Have you had problems there?

**Mr FISHER** — No, so far the hostel has had a good claims record. The industry rate is 4.7 per cent; the hostel's premium was about 4.1 per cent. It was below the industry rate.

**Mr McQUILTEN** — You have not had any claims in the past few years?

**Mr FISHER** — No.

**Mr McQUILTEN** — What about wage increases; have you put more people on? The difference is \$30 000 and we know 15 per cent is because of legislative changes and 2 per cent because of the GST. There must be a reason for the increase being more than that percentage. Have you asked Workcover why that is the case?

**Mr FISHER** — No. It is based on total remuneration estimates. Yes, we have had to increase staff.

**Mr McQUILTEN** — That is probably why you have had a large increase.

**Mr FISHER** — We have not put on a lot because the organisation is not large.

**Mr McQUILTEN** — What is 'a lot'?

**Mr FISHER** — Two or three.

**Mr McQUILTEN** — Two or three would amount to between \$120 000 and \$160 000.

**Mr FISHER** — Each would receive about \$30 000, on average.

**Mr THEOPHANOUS** — Your remuneration amount this year is \$100 000 more than in the previous year?

**Mr FISHER** — Yes.

**Mr THEOPHANOUS** — That would account for it.

**Mr McQUILTEN** — That is a reason why it has increased.

**Mr FISHER** — Certainly the remuneration estimate, as well as the premium, has increased.

**Mr McQUILTEN** — Have you talked to Workcover about that increase?

**Mr FISHER** — Personally I have not. I do not believe we queried the amount.

**Mr McQUILTEN** — Would it not have been sensible to have done that before you came here?

**Mr FISHER** — The total remuneration is always an estimate. At the end of the day you get a refund if your estimates are out. I do not believe it is a major issue but any cost increase is a problem for that size organisation.

**Mrs COOTE** — Mr Fisher, we knew that common-law claims would be introduced by the Bracks government because that was part of its policies. Did you have any warning, particularly in the area of aged care, that your premium would increase significantly?

**Mr FISHER** — I obviously read the papers. I do not know if any official advice came through. From the hospital's point of view it was flagged but I do not believe it was flagged for Alcheringa. At the same time the media reported that it was an issue and that it would happen. It was not known what the number of dollars would be.

**Mrs COOTE** — If in the future your aged care premium was increased at a similar rate, would that affect your attitude to employing new people in your aged care facility?

**Mr FISHER** — Any costs that occur during the year that impact on our bottom line mean that we have to look at our work practices, including employing staff, and if there was a similar increase and impact we would have to look at that. The other side to that is that we have a responsibility to care for the residents. We need to do whatever is required to provide good quality care. In many ways the organisation just absorbs that cost because it cannot afford not to meet accreditation standards for aged care, for example.

**Mr THEOPHANOUS** — Did your premiums for the hospital go down?

**Mr FISHER** — Our premium experience has been good and it has been falling, yes.

**Mr THEOPHANOUS** — In the last year it fell as well?

**Mr FISHER** — Yes.

**Mr THEOPHANOUS** — So you had a reduction in premiums in the hospital area, and an increase in the hostel area?

**Mr FISHER** — In the hostel area it has remained about the same.

**Mr THEOPHANOUS** — What about the \$30 000?

**Mr FISHER** — In terms of our industry rate and our experience, we have had no substantial claims to impact on our premium so really it has been the additional cost of the introduction of new Workcover charges and extra remuneration estimates.

**Mr THEOPHANOUS** — Your increases are either because of the common-law situation or extra remuneration?

**Mr FISHER** — And not because of Workcover practice or experience. We have no penalties there.

**Mr THEOPHANOUS** — You said that in the hospital area the government — I take it you mean the Bracks government — has told you that you will receive extra funding to cover the increase due to common-law claims, but you are not sure whether you will receive extra funding from the government for your aged care hostel. Aged care funding comes from the federal government, does it not?

**Mr FISHER** — The actual fees for the residents come from the commonwealth, but there is a top-up from the state government. We have a dual-funded nursing home, if you like, that is both commonwealth and state supported, financially and in other ways.

**Mr BEST** — What is the size of Alcheringa? How many beds?

**Mr FISHER** — It is a 74-bed resident, low-care organisation. The residents are ageing, which means progressively the residents are becoming more dependent. At the moment roughly a third of those are high-care residents.

**Mr BEST** — How is your trading position at the moment?

**Mr FISHER** — Last year was the first year for many years that it made a deficit. At the moment it is continuing to make a deficit.

**Mr BEST** — What is the level of its reserves?

**Mr FISHER** — It has reasonable reserves, but on the other hand it is also in a position where it needs to be redeveloped. The reserve funds are not sufficient to cover future redevelopment of the facility. The balance sheet might look fairly healthy, but when one looks at the restrictions on the reserves themselves in terms of being patient or resident trust funds and money set aside for future redevelopment, one sees there not a lot of reserves there to enable the hostel to trade in deficit for too many years.

**Mr BEST** — An increase of \$30 000 on your Workcover premiums is a real blow.

**Mr FISHER** — It is a blow, yes.

**Ms DARVENIZA** — Would you see any difficulty with the committee asking Workcover for some information about why you have had the increase?

**Mr FISHER** — No, I have no problem with that.

**The CHAIRMAN** — Mr Fisher, thank you for coming today. The committee will send you a copy of the transcript of our discussions for you to make any appropriate corrections.

**Witness withdrew.**

# CORRECTED VERSION

## ECONOMIC DEVELOPMENT COMMITTEE

### Inquiry into Workcover premiums for 2000–01

Swan Hill – 31 January 2001

#### Members

Mr R. A. Best  
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Mr N. B. Lucas  
Mr J. M. McQuilten  
Mr T. C. Theophanous

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

#### Staff

Executive Officer: Mr R. Willis

#### Witnesses

Mrs L. Packer; and  
Mrs W. Blair, Swan Hill Chemicals.

**The CHAIRMAN** — All evidence taken by the committee is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act. The committee invites you to make a submission, after which committee members may ask some questions.

**Mrs PACKER** — We were not exactly sure what we were saying yes to when we were asked to come before the committee. We are guided by the letter the committee sent us. I have an overview of what Swan Hill Chemicals is all about which I have printed off our web site. Basically, we are an agricultural supply business in Swan Hill. We service Swan Hill and the surrounding areas with pasture seeds, fertilisers and agricultural chemicals, and provide agronomic services to farmers. We also have a big storehouse at our premises. Swan Hill Chemicals is a licensed dangerous chemical store. We abide by all the regulations through the health department. We employ 25 people. We have another shop in Manangatang which is also a retail shop.

Workcover has varied over the years from when we first started. Reg and I have been in business since 1983. Before that the business was owned by Shell Chemicals Australia and it was also privately owned before Shell Chemicals Australia bought it. Since 1983, which is 17 years, it has been owned and operated privately by my husband and me.

I have a few notes that I wrote down about Workcover premiums. Naturally everyone was concerned. Our premium has increased by 70 per cent from this year compared with last year. In the calculations of the premiums, once upon a time you were classified. You were 1.5 per cent or 2 per cent depending on what category you actually fell into. There was no explanation given, no percentage or what classification you were; you just got your premiums from the private health insurance people and that was it.

In the past we got a premium reduction for not having any claims. We have been operating under Workcover and Workcare schemes for the past 20 years and we have never had a claim on Workcover. In the past, before the private companies took over Workcover, we used to be rewarded for having a safe work area, which has not happened since it was privately taken over. If it has, there has been no indication to show that we had had a reduction for having a safe workplace.

**Mr THEOPHANOUS** — Since when are you talking about?

**Mrs PACKER** — We have been working at Swan Hill Chemicals for 17 years. I am not exactly sure when AMP took over from the Victorian government. You would probably be able to tell me when that occurred better than my records. It was probably five or six years. Time goes so quickly sometimes, but within that time frame.

As for our own personal classification, we would classify our store as a retail store. We do not manufacture, but because we have the name 'Swan Hill Chemicals', perhaps somewhere somebody has this connotation that a chemical place is a dangerous place. We conform to all the dangerous goods regulations concerning the separation of dangerous goods, and we comply with all the various licences and things with which we have to comply. Quite often we are inspected by the health department and Workcover people to make sure all the areas we operate in are operated according to what we are supposed to do.

I can only assume the 70 per cent increase may be because somebody said, 'They are not a retail store, they are a chemical manufacturer'.

**The CHAIRMAN** — Are you aware of your classification?

**Mrs PACKER** — No, I am not.

**The CHAIRMAN** — Documents sent to you would have that on it.

**Mr CRAIGE** — Do you have a number or classification?

**Mrs PACKER** — Possibly, but I do not have that with me.

**Ms DARVENIZA** — Do you mind if the committee contacts Workcover and gets some information about your circumstances and why you have had that increase, because it can give us those details?

**Mrs PACKER** — No.

**Mr McQUILTEN** — What did you pay last year and the year before?

**Mrs PACKER** — Last year we paid \$13 700; this year it went up to \$20 500. The year before that we had slightly higher wages and I think it was about \$14 000. This year we had a decrease in the number of people we employed. Reg and I are no longer employed as salary and wage employees as we used to be. We operate out of loan accounts.

**Mr McQUILTEN** — What were the wages for the \$13 700 year?

**Mrs PACKER** — It was about \$800 000.

**Mr McQUILTEN** — What were they in the \$20 500 year?

**Mrs PACKER** — Probably around \$750 000, plus superannuation.

**Mr McQUILTEN** — What would that be with the superannuation?

**Mrs PACKER** — Basically the 8 per cent.

**Mr McQUILTEN** — That is more than \$800 000.

**The CHAIRMAN** — It is worth your while to look at your classification to ensure that you are not down as a manufacturer. Your figure may be a lot higher if you are wrongly classified and you could get that down if it turns out that your classification should be something to do with chemical retailing.

**Mrs PACKER** — When we first started in business we were classified as wool brokers because I do not think they had a classification for what we actually did. So far as I am aware, our numbers never changed. I think the number is the same workplace number we have always had. I do not know if the classifications are any different.

**The CHAIRMAN** — Have you finished your submission?

**Mrs PACKER** — There is another point that I wanted to raise about cross-border anomalies. Because we work on the border we have to take out New South Wales Workcare as well to the minimum level to cover our guys when they go across the river to work there. I am wondering if the two state governments could talk to one another about that.

**Mr THEOPHANOUS** — It is not within our terms of reference but I am sure the Chairman would want to take it up.

**The CHAIRMAN** — It is illogical to pay a premium for the same person twice.

**Mrs PACKER** — We have to take out a minimum Workcare cover in New South Wales to cover our guys going across the river. If we do not take that out, they are not covered.

**The CHAIRMAN** — Ms Blair, do you wish to say anything about Workcover?

**Ms BLAIR** — No, I have not been involved with the Workcover aspects.

**Mr CRAIGE** — You are no different from a pool shop that sells chemicals or a hardware shop that sells pesticides, and so on?

**Mrs PACKER** — Exactly.

**Mr CRAIGE** — Your classification should be at least similar to those. I imagine every product you sell would be sealed; you are not actually opening bags of chemicals or repacking them?

**Mrs PACKER** — No.

**Mr CRAIGE** — Your product is sealed and you act as a retail outlet?

**Mrs PACKER** — Exactly, and we do wholesale business with other retailers, but we do not repackage anything.

**Mr THEOPHANOUS** — Have you had any claims?

**Mrs PACKER** — None in 20 years.

**Mr THEOPHANOUS** — You said your payroll is about \$800 000?

**Mrs PACKER** — About that, plus superannuation.

**Mr THEOPHANOUS** — I am trying to figure out why your premiums have increased. Maybe you changed classification. If I were you I would inquire of Workcover. The premiums have increased by 17 per cent for common law and GST, but everybody faces those increases. Apart from that, unless your actual industry had a bad record causing its premiums to increase — and that does not seem to be the case — I am at a loss to understand why the premiums would have increased other than the industry under which you are classified had a change, as you indicated may be the case. The payment of double premiums across the border is something the committee should examine and make sure cross-border agreements are in place.

**Mrs PACKER** — It is not a lot to take out the minimum cover in New South Wales — it is about \$180 for 12 months — but it is something else that has to be done.

**The CHAIRMAN** — Thank you. We will now move to the GST reference.

**Witnesses withdrew.**

# CORRECTED VERSION

## ECONOMIC DEVELOPMENT COMMITTEE

### Inquiry into Workcover premiums for 2000–01

Swan Hill – 31 January 2001

#### Members

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

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

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

#### Staff

Executive Officer: Mr R. Willis

#### Witnesses

Mr T. Pumpa, Director; and  
Ms C. Khan, Accountant, Pumpa Engineering.



**The CHAIRMAN** — Welcome, Mr Pumpa and Ms Khan. All evidence taken by the committee, including submissions, is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the provisions of the Parliamentary Committees Act and the Constitution Act. I understand you wish to discuss the Workcover issue?

**Mr PUMPA** — Yes. I am the director of Pumpa Engineering. Our interest in meeting the committee concerns Workcover. I have figures to point out the differences in our Workcover premiums.

**Mr CRAIGE** — How many people do you employ?

**Mr PUMPA** — We employ 36. I am concerned about the enormous increases in Workcover premiums. My company manufactures semitrailers and, like most manufacturing businesses, it runs on fine margins. Our premiums have increased by about 15 per cent.

**Ms KHAN** — We are a semitrailer manufacturer but we are under the classification ‘motor vehicle parts NEC manufacturing’. We manufacture the trailer, not the prime mover. I am not sure whether the classification suits us because I do not know the extent of the classification variations. Workcover assures me this is where we belong.

**The CHAIRMAN** — What classification is it?

**Ms KHAN** — It is C3234W.

**The CHAIRMAN** — I will look at that while you are talking.

**Ms KHAN** — Our increase has the GST included in it this year and also the common law and about 2 per cent for general increasing costs. They were standard industry-wide. Our industry rate this year is 4.78; last year it was 3.95, and the previous year it was 3.26. Our wages have increased by \$100 000 in 1998–99 compared with 1999–2000 and then only about \$40 000 between 1999–2000 until 2001.

**Mr THEOPHANOUS** — Have you got the completed figures there?

**Ms KHAN** — The estimate for our 2000–01 total employer remuneration is \$898 894. For 1999–2000 it was \$853 139 and for 1998–99 it was \$767 004.

**Mr THEOPHANOUS** — Can you give the committee the premiums for each of those three years?

**Ms KHAN** — The estimated premium for 2000–01 including GST is \$54 764.22; for 1999–2000 it was \$32 621.47; and for 1998–99 was \$24 645.57.

**The CHAIRMAN** — You have gone up about \$22 000 on \$32 000.

**Mr THEOPHANOUS** — You said included GST?

**Ms KHAN** — The last one included GST.

**Mr THEOPHANOUS** — What is it without GST?

**Ms KHAN** — GST was \$4978.57.

**Mr THEOPHANOUS** — So it was actually about \$49 000.

**Ms KHAN** — Within that there was also an increase in superannuation from 7 per cent to 8 per cent, so an extra 1 per cent had to be included.

**The CHAIRMAN** — I am interested in the effect on your business of the increase in the Workcover premium.

**Mr PUMPA** — One thing it has done is slow down our growth. I am very hesitant in taking on more employees and in business expansion. It means we have to borrow more money and it is harder to borrow and harder to make the repayments.

**The CHAIRMAN** — In a business of the size you are talking about with a \$800 000-plus payroll, this sort of increase has a detrimental effect.

**Mr PUMPA** — It does, yes.

**Mr BEST** — Have you had any claims during that period?

**Ms KHAN** — Yes. In 1998–99 there were no claims; in 1999–2000 there was one claim costing \$9008 and supposedly this year \$8508.

**Mr THEOPHANOUS** — That is another claim.

**Ms KHAN** — Yes.

**Mr BEST** — Can you explain to the committee the types of claims and are the employees back at work?

**Mr PUMPA** — Yes, they are all back at work. One was a hernia injury and another a knee injury.

**Mrs COOTE** — An election promise of the Bracks government was that it would bring back common law. Were you aware of that and were you surprised at the huge increase, or had you been warned before you got the bill that it would be so large?

**Mr PUMPA** — I was surprised at the huge increase. I was not surprised there was an increase but at the amount of it, considering we had a fairly hefty increase the year before.

**Mr THEOPHANOUS** — You are aware of the increase for common law, but your industry has gone up as an industry from 3.26 to 3.95 to 4.78. Do you understand that that is a significant reason for the increases that you talked about from \$24 000 to \$32 000 to \$49 000? Are you also aware that because you are a fairly small business, the Kennett government changes to Workcover meant you got tied to the industry? If you are a small business you keep going up with it. Do you think that is a fair system, or should we have a system that is related more to the experience of your company rather than just simply putting it up because the industry as a whole has had a poor record?

**Mr PUMPA** — I really cannot comment on that. We are just concerned that it is continually creeping up.

**Mr THEOPHANOUS** — Yes, but the whole industry is creeping up. Is that your fault?

**Mr PUMPA** — Our claims do not seem to say so, I suppose.

**Mr THEOPHANOUS** — You would prefer to see a bonus and penalty system for smaller business.

**Mr PUMPA** — That would be nice, yes. There is no bonus system at all now.

**Ms KHAN** — There used to be.

**Mr THEOPHANOUS** — Yes, there was before the Kennett government changed it.

**Ms DARVENIZA** — Would you have any difficulties with the committee talking to Workcover and getting some information about the increases that have occurred in your Workcover premiums and finding out exactly why those increases have occurred?

**Mr PUMPA** — No, I would not have any problem with that.

**Mrs COOTE** — How many trailers does your company make a year?

**Mr PUMPA** — About 50

**Mrs COOTE** — They are for semitrailers.

**Mr PUMPA** — Yes.

**Mr CRAIGE** — Are they specialised trailers?

**Mr PUMPA** — Yes. They vary from general trailers to race car transporters to grain carting.

**Mr CRAIGE** — You are not in competition with the other major flat — —

**Mr PUMPA** — We do make the same thing but we would not call ourselves competitors.

**Mr CRAIGE** — You were aware that the Bracks Labor government would introduce common law and that would increase your premium, but you were shocked at the size of the increase. You would not know that the Labor government, in the dead of night and without any warning, also allowed your industry classification to go up. You were not told about that; you were not told about a lot of other things.

**The CHAIRMAN** — Is that a question?

**Mr CRAIGE** — I will get to the question, Chairman. You were not aware of a lot of those other issues, and I suppose therefore the surprise was of the size of the increase. Did you have any inkling it would do all those other things it did to Workcover?

**Mr PUMPA** — No.

**Mr CRAIGE** — Do you support common law, double dipping, and the Tattslotto mentality? As an employer, how do you feel about common law being reintroduced back into Workcover?

**Mr PUMPA** — I do not fully understand it. Ten years ago we were steel fabricators and we were under a different classification. As soon as we mentioned semitrailer manufacturing, which is almost identical work, we were put into a different classification. I do not think our work altered.

**Ms KHAN** — Steel fabrication is the same; it is on 4.78.

**Mr THEOPHANOUS** — Did that happen about four years ago?

**Mr PUMPA** — I do not know.

**The CHAIRMAN** — Mr Pumpa and Ms Khan, thank you for coming today. The committee will send a copy of the transcript for you to look at. The committee appreciates the time you have given today.

**Committee adjourned.**