

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Broadford – 29 March 2001

Members

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

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

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

Staff

Executive Officer: Mr R. Willis

Witnesses

Mr Ian Haines, General Manager, Corporate and Community Services; and
Mr Shane Brown, Human Resources Manager, Shire of Mitchell.

The CHAIRMAN — I declare open this hearing of the parliamentary Economic Development Committee. We welcome to the hearing the mayor of the Shire of Mitchell, Cr David McCulloch. I thank you and your officers for making the facilities of Mitchell Shire Council available to us. As we move around the state to various municipalities the kindness of the councils is very much appreciated.

Cr McCULLOCH — I am pleased to offer the facilities of Mitchell Shire Council to the parliamentary Economic Development Committee. Welcome to Broadford. I hope you find our facilities adequate for your purpose and that your deliberations are conducive to an outcome that is suitable to us. Thank you for your time.

The CHAIRMAN — Thank you very much. We appreciate your coming along to welcome us.

All evidence taken by this committee is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act.

We welcome Mr Haines and Mr Brown, who are going to talk with us about Workcover. If you would each like to make an opening statement or just one of you, we might then we ask some questions. We have a bit over 15 minutes to do that.

Mr HAINES — I will kick off initially. I will talk briefly about Workcover premiums and their impact and then Shane will talk specifically about hearing loss claims, which is a particular issue from our perspective.

This fiscal year the advice we got from our insurers about our initial Workcover premium was that it would be a tad over \$562 000. Naturally there was a GST component in that. While we get an input credit for that GST, when you compare the initial premium for this year with the premium for last year you can see that there was a sizeable increase. I note that our premium for the last financial year was \$370 000. Even allowing for the reintroduction of common-law claims that represented a sizeable increase in premium in our view. I guess from our point of view that was of concern to us. We like to think we have devoted a fair amount of time to improving our management of claims and risk management generally. We have put a fair amount of time and effort into return-to-work programs, specific training for our people and generally raising awareness among our staff of risk management as an issue.

Something we do each year with our Workcover insurers is have a fairly close look at our Workcover establishments and our ratings and remuneration and those sorts of things to ensure that they are appropriate. We do that from an operational perspective. I guess we were able this year to pare back our initial premium to one which we think is more manageable. We do not like it, but it is a better outcome than what it might have been. At this stage we have got it back to around about \$338 000. The point we make is that this opportunity might not be available to everyone; some employers may not have that opportunity to review their workplace from an operational perspective as we can.

That is all I want to say from that point of view. You might want to delay any questions you might have on my brief talk until Shane goes through his issue, and then we could take any questions you have.

The CHAIRMAN — Okay, I am happy with that.

Mr BROWN — Another area of concern is the number of hearing loss claims which have been lodged by former council employees in recent months. The council has had seven claims that come under sections 98 and 98A of the Accident Compensation Act. We have been perturbed by the administrative process adopted to manage claims of this nature and the notion that the last employer should assume full accountability for this type of claim.

Dealing with some of the matters sequentially, it would seem that better administration of part 7A of the Accident Compensation Act which refers to prohibited conduct relating to touting for claims may lead to a decline in the claims that the council and maybe others are experiencing. All the claims received by the council to date have been initiated by law firms, six of which have actually come from the one firm.

The CHAIRMAN — Which firm is that?

Mr BROWN — Roth Warren solicitors. They are Melbourne-based, and I can get some more details for you if you wish.

Secondly, the status of these claims seems to be quite low within the industry; it would seem that they are regarded as being of nuisance value. They seem to be accorded the minimum amount of scrutiny and administrative input to deal with them. It would appear also to give the impression to some people that they can access easy money without necessarily having a legitimate claim. While the amount of these claims may be small compared to

other types of claims, several of these claims can amount to a significant premium impact for an employer. Such is the case with us.

The final issue of concern is the fact the council has to bear the full responsibility for employees' past, and in certain cases past, employment history, not just their time with the council. It is a concern that where an employer is the last employer that employer would assume full responsibility for a particular claim where there are circumstances that I will go through now which should perhaps be reviewed.

This aspect has to do with the example of a former employee of the council who has long since resigned. That person has commenced private works and assisted associates with other endeavours and placed a claim for hearing loss with the council. As there was not necessarily an employment relationship between the person and their associates when they undertook certain works, they are not covered by the Accident Compensation Act: there was no employer-employee relationship established, so the act does not apply to that circumstance. That effectively resulted in the person leaving the council, doing some other works, maybe in a high-risk, high-noise environment, but then making the claim on the council as the last employer. We understand there is no way of reviewing that.

Also I guess the issue of hearing protection as I alluded to during the years of activities the person has undertaken has effectively been left unquestioned. That is of concern.

Another scenario is where an employee suffers a hearing impairment with another employer, commences with the council and leaves or retires before a hearing test is completed — we do complete hearing tests for our employees. If they happen to leave before that hearing test is conducted they remove any adequate defence that we may have to the claim. If they have the hearing test we can provide that as evidence of the status of the claim. If the person does not return to the work force and the council is the last employer, the council is actually accountable for the resulting hearing loss claim.

In summary, any of the older and indeed any of the revised administrative procedures dealing with these sorts of claims must not necessarily be so expeditious that they prevent any facility to scrutinise and differentiate some of the disingenuous claims. Looking at the unfair proportioning of the onus of those claims on the last employer is a crucial issue to us at this stage.

The CHAIRMAN — How do you believe these lawyers recruited their clients? How come it is that the same lawyers are appearing for all of your former staff? How did they get in contact with each other do you believe? How did they form that relationship?

Mr BROWN — That is an awkward question because the answer is purely anecdotal. Some of the stories you hear are about people going to a social event, a place where people congregate and word getting around that, as I alluded to earlier, easy money can be made because of the lack of administrative processes in place to deal with these claims. People just put a claim in, it would appear that everyone gets a slice of the action and the employer is left to bear the brunt of that.

The CHAIRMAN — Do you believe the lawyers are encouraging the claims or the impetus to claim is coming from this social environment where the word is that there might be easy money available?

Mr BROWN — It may be that good news gets around. I am not too sure of the actual process of sharing that information. It seemed to be unusual that there were several claims in a very short space of time. Usually even the grapevine does not work that quickly, and it would take some time.

Mr CRAIGE — Did you say six?

Mr BROWN — We had several claims and six of them are from one law firm.

Mr CRAIGE — Were the six in that short period of time?

Mr BROWN — Over the past few months.

Mr CRAIGE — That is a short period of time. So it is six, not several, over a couple of months?

Ms DARVENIZA — I thought you said 78.

Mr BROWN — That is a lot.

Ms DARVENIZA — How many have there been?

Mr BROWN — We have had several. For a small council — —

Ms DARVENIZA — How many is several?

Mr BROWN — Seven, and six of those are through the one firm. The other is through another law firm.

The CHAIRMAN — Are any of those settled yet?

Mr BROWN — Yes. A couple of them have gone through and been processed, hence our concerns about the administrative process adopted.

The CHAIRMAN — Do I assume that the settlement was that the former workers received some compensation?

Mr BROWN — I can illuminate some of what I understand to be the process for you if that would assist.

The CHAIRMAN — I would be interested to know about the settlements and how long it had been since the two former employees had worked with the shire.

Mr BROWN — In a lot of the cases it has been 5 or 10 years. There are reasonable periods of time since they left the council.

The CHAIRMAN — The ones on whom settlement has been made, how long ago was it since they had worked with you?

Mr BROWN — It could be between 5 and 10 years.

The CHAIRMAN — You are not exactly sure?

Mr BROWN — I can get specific examples if you wish, but I do not have that detail with me now.

Mr CRAIGE — I do not know who is going to answer this but you mentioned in your introduction about the size of the increase. You would have been aware that there would be an increase in Workcover premium simply because of common law being reintroduced, but you would not have been aware of the category changes and the other things that were done. How did the council deal with those extra increases when it would not have budgeted for that? What did it do? You cannot go and make money.

Mr HAINES — In those sorts of situations we would have a budget review and something that may have been a priority may not be a priority any longer.

Mr CRAIGE — So you had to change your budget?

Mr HAINES — I guess in this case we have not had to this year, we were able to work with our insurers and positively impact on things. If we had not been able to do that and we had not provided sufficient money in the budget, that is the option you have to pursue.

Mr CRAIGE — In view of the claims that have been settled and the ones pending, it is difficult for you to make a calculation of how much your premiums are going to go up, because they will. How does the council deal with that situation? Do you then work out the priorities in the budget process and cut other things out?

Ms DARVENIZA — Or put the rates up?

Mr HAINES — That is the option you have to follow. We are trying to be fair about it but minimise that sort of effect.

Ms DARVENIZA — Can I just clarify the premium increase? You were told by your insurers that your premium would be \$562 000 including the GST, and that was up from \$370 000 last year?

Mr HAINES — The \$370 000 was the confirmed premium for the previous year.

Ms DARVENIZA — However, the \$526 000 was not confirmed and your confirmed premium for this

year, if I understand what you were saying, is \$338 000.

Mr HAINES — That is right.

Ms DARVENIZA — Even though initially you were told it would be \$562 000, at the end of day your confirmed premium was \$338 000, so you have had a decrease, even though you have gone up a couple of categories in a couple of areas like community health centres. Paramedical has gone up one category, library has gone up as a category, as have community support services. You have also had the increase of 17 per cent for the reintroduction of common law and the GST. You have done pretty well. Even though you have had increases in a range of areas you have been able to bring your premium down.

Mr HAINES — The point I was trying to make is if we had not been able to look at our operations and those sorts of things closely with our insurers the impact would have been as we initially stated. The point I was trying to make was that that opportunity may not necessarily be available ad infinitum or to other employers. That is the opportunity we had this year.

Ms DARVENIZA — What we have found in the submissions made to us is that there have been a range of opportunities for some organisations to, with some rejigging, significantly decrease their premiums. In fact, 35 per cent of businesses had no increase in their premiums this year and a number of them experienced decreases as well. What about your remuneration? How does that compare with last year? Is it about the same?

Mr HAINES — Off the top of my head, I think it may have been a tad down in comparison to last year. I think we were looking at remuneration of about \$5.9 million. Superannuation is included in that, and that was about \$450 000. I think our remuneration for this coming fiscal year was about \$5.8 million. I think there might have been a slight decrease.

Ms DARVENIZA — What about the claims generally? You have talked about these hearing claims, what was your claims record last year compared to this year?

Mr BROWN — We have put in place a number of proactive activities in relation to Workcover and risk management generally. Our claims management record is quite good at this stage.

Ms DARVENIZA — So your claims management is on the way down?

Mr HAINES — There is not an increase in claims — well, there had not been until fairly recently.

Mrs COOTE — In comparison with some of the other shires around here, how do you compare in your premium? Was it about the same or was yours higher? Do you know whether they have been able to give a firm amount?

Mr HAINES — I personally have not done any benchmarking to see how other municipalities are going.

Mr BROWN — Again, it would only be anecdotal. Some of them have made significant savings through very hard work, and some have suffered.

Mrs COOTE — I assume your insurer is not HIH.

Mr HAINES — No, it is not.

Mrs COOTE — When discussing the hearing claims you said that it was last place of work and that in an administrative sense there did not seem to be any way of addressing that issue. Do you have any suggestions about how that could be looked at in a better way?

Mr BROWN — I understand that basically there is a panel of law firms or legal representatives set up to deal with these claims in a fairly expeditious way. Because they do not derive a lot of income by processing these claims or spending a lot of time on them, from what I understand the process is that there is a medical assessment done by either side and there is somehow some halfway house so they basically come to an average of the two results and there is a determination as to whether it is above or below the threshold. If it is above the threshold then a percentage is applied and a calculation made and there is a dollar at the end of the sausage machine.

Mrs COOTE — I was not so much interested in that part, it was really the assessment of the last

employer. You were implying before that it was unfair because he was with you and there might have been a history. Do you have any solutions to offer as to how that should be more closely analysed?

Mr BROWN — Internally, through our own processes, we have hearing testing processes. In that particular example if we had not caught up with that particular individual, then that would have been the likely outcome in relation to that. The fact that we do regular testing prevented that from happening, but that is not the case elsewhere.

Mrs COOTE — So you test them for hearing before they start?

Mr BROWN — It is part of the medical process. It is probably not a full, comprehensive audiogram, but we do conduct medicals when they commence. The audiogram is now done on an annual basis.

Mr CRAIGE — In respect of the hearing issue, I will use my words and you do not have to necessarily agree, but the process allows for rorting of the system at the moment simply because of the way it is. The thing that I find difficult to understand in hearing loss in particular is there are two forms, one is noise induced and one is a natural hearing loss that can occur for other reasons. It is very difficult to determine between those, so you are saying that they assess a degree of either high or low frequency noise-induced deafness or natural deafness and then make an assessment on that.

They say because of that they will allocate a certain amount of money to that degree without any real science to it. I think that needs to be looked at. Clearly there are different categories in deafness, one is clearly noise induced, and that is easy identifiable. I think it is scandalous that employers are having to foot the bill for 'deafness' and it being arbitrarily decided upon whatever degree it is or whatever causes it.

Mr BROWN — We had an example where a hearing test was completed before a person retired from the council. The audiogram supported the fact that the person had not suffered a hearing loss during their time with council. They had a test done several years later, and now it is found that they have suffered some hearing loss, but we have some grounds to defend that given that we have records.

Mr CRAIGE — Why do we not just give them a hearing aid rather than money?

Mr BROWN — Perhaps we should support them in some way.

Ms DARVENIZA — Of course the procedures and processes which are now in place and which you are going through in dealing with these claims are not new processes or procedures.

Mr CRAIGE — Common law is.

Ms DARVENIZA — Common law is, but that is the only element which is new. These procedures have been in place for a considerable time.

Mr BROWN — Our processes?

Ms DARVENIZA — No, not your processes, the Workcover processes — the processes you have to go through to make the claim.

The CHAIRMAN — We have run out of time. We appreciate the time you have provided to us today. We will send you a copy of the Hansard record of what has been said and you can check that out. Thank you for your time.

Witnesses withdrew.

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Witness

Mr B. Melbourne, Proprietor, Seymour Family Videoland.

The CHAIRMAN — All evidence taken by this committee is granted immunity from judicial review and is subject to parliamentary privilege pursuant to the Constitution Act and the Parliamentary Committees Act. I understand you will be talking with us regarding both Workcover and GST. We need to separate those subjects. I have Workcover listed first so if you would like to speak with us about that we might then ask some questions and get on to the GST later.

Mr MELBOURNE — I was not given much information about this inquiry and I have been a little bit busy so it would suit me better if you were to ask me questions on Workcover.

The CHAIRMAN — We are happy to do that.

Ms DARVENIZA — Do you know what your premiums are for this year?

Mr MELBOURNE — Yes, mine went up by \$29.

Ms DARVENIZA — So it was a fairly small increase.

Mr MELBOURNE — I only had one staff member.

Ms DARVENIZA — Have you had a reduction in staff?

Mr MELBOURNE — I did have two.

Ms DARVENIZA — Your category of household appliance stores went up a category.

Mr MELBOURNE — I have had a reduction in the staff.

Ms DARVENIZA — Have you had any problems with Workcover?

Mr MELBOURNE — No.

The CHAIRMAN — You are the president of the Seymour Chamber of Commerce. Has the chamber discussed the issue of Workcover? Can you give us any evidence in regard to experiences of other business people in Seymour?

Mr MELBOURNE — We have not discussed it at any formal meetings. We did have a meeting with one of the ministers who came up to Seymour. She received a number of questions on Workcover; people were not happy with the rise. The main thing that they asked was whether it would rise again given that there has been one rise. They wanted to know whether it would be ongoing or a one-off.

The CHAIRMAN — What was the answer?

Mr MELBOURNE — She was going to come back to us but has not as yet.

The CHAIRMAN — How long ago was this?

Mr MELBOURNE — Two months.

The CHAIRMAN — And you are still waiting for an answer?

Mr MELBOURNE — It has not come through from the chamber as yet.

Mrs COOTE — From your position in the chamber can you say whether people were concerned about the impact of the reintroduction of common-law rights? Were they aware of those issues?

Mr MELBOURNE — I do not think so.

Mrs COOTE — On the whole, have Workcover and the insurers been in touch with the chamber members? Were they given information about the changes that were going to impact on them?

Mr MELBOURNE — A number of items came through but businesspeople do not have time to read about them. That comes down to GST also. A lot of information has come out, but getting the time to read all of it is hard.

Mrs COOTE — Are you aware of whether any of the people from the chamber of commerce might have been using HIH as one of their insurers?

Mr MELBOURNE — No.

Mr CRAIGE — What sort of business is Seymour Family Videoland?

Mr MELBOURNE — It is a video rental business. That is one business: I have three. I have a surf clothing business in Seymour and another in Bright which also sells surfwear.

Mr CRAIGE — Is this the hiring of videos?

Mr MELBOURNE — Yes.

Mr CRAIGE — Your category here is called household appliance stores. Did you know you were in that category?

Mr MELBOURNE — No.

Mr CRAIGE — Do you sell household appliances?

Mr MELBOURNE — No.

Mr CRAIGE — May I suggest that you look at that issue with your current insurer and ask whether you are in the right category? It strikes me that if you are not a household appliance store — I do not know whether videos are household appliances; I doubt it very much — you may need to look at that in particular. You may be in the wrong category and you may get an even bigger decrease. Do you pay Workcover separately on the other two businesses?

Mr MELBOURNE — Yes, we do.

Mr CRAIGE — How many employees do you have in those businesses? Are they retail outlets?

Mr MELBOURNE — Yes, they are. We have one in Seymour and three in Bright.

Mr CRAIGE — Have you had any claims in any of those three premises?

Mr MELBOURNE — No.

Mr CRAIGE — Not in all the time you have been going?

Mr MELBOURNE — No.

Mr CRAIGE — Are you aware of the premium for the store in Bright?

Mr MELBOURNE — No. I run the books on the three businesses but I sit in front of the computer and away I go and it becomes a blur. In the end all I do is punch in numbers and I do not know where they are going or what is going on.

Mr CRAIGE — Do you have a view on the reintroduction of common-law rights to the Workcover system?

Mr MELBOURNE — No.

Ms DARVENIZA — There are some people from Workcover here and you might want to talk to them about your category and whether it is appropriate. They may have information here to be able to help you today.

Mr CRAIGE — I have had a look at the Workcover classifications here and I want to raise this because I think Workcover is on a money-making venture and incorrectly classifying people. It seems to me that the rip-off here is that the category of household appliance stores, which you clearly are not, has a rate of 2.23 per cent, and if you look at the classification listed as L9132T, motion picture film hiring, which is fairly close to a video, I would assume, you see its rate is only 1.04 per cent. If there is a view that video rental stores should be in the category of household appliances it is incorrect. Clearly the rate for the classification of video rental places should be at

1.04 per cent, which would reduce your premium in that place by over 50 per cent.

The CHAIRMAN — Did you have a question?

Mr CRAIGE — The question is, do you think that is a fair and reasonable position?

Mr MELBOURNE — Yes.

Mr CRAIGE — Thank you. Take it up.

Ms DARVENIZA — The people from Workcover are here so you can have a chat with them.

Witness withdrew.

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Witness

Mr D. O'Dwyer, O'Dwyer's Horseshoes.

The CHAIRMAN — We welcome Mr Dan O'Dwyer. All evidence taken by this committee is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act. I understand that you are talking with us regarding Workcover. The way we usually handle this is for you to make an opening statement and then we might ask you some questions.

Mr O'DWYER — I will give you a little bit of background. We are based in Kilmore. We process over 400 tonnes of steel into horseshoes and export about 15 per cent to various countries around the globe.

The CHAIRMAN — Per annum?

Mr O'DWYER — Per annum. We also have a wholesale importing and distribution business. We import material that we cannot get in Australia.

Mrs COOTE — What sorts of things are imported?

Mr O'DWYER — Horseshoe nails, files, specialty horseshoes. There is quite a different range.

My concern today, I suppose, is with regard to Workcover. We employ 22 employees at the moment. We had 30 employees four years ago. As I am sure you are all aware, with manufacturing and the way our federal government, both Labor and Liberal, has over the past decade gone to reduced tariffs, it is extremely competitive. So we are now competing with people from New Zealand, Malaysia, Holland, Sweden, the United States and China to produce quality efficiently and cheaply. A lot of these are Third World countries and labour is extremely cheap, as I am sure you are all aware.

In terms of our reduction in employees, we had to do that to stay in business. We have streamlined our production. We have become more efficient. We are producing more than we did when we had the 30 employees. Consequently, the Workcover premiums, I suppose you could say, have been a bone of contention. From 1998-99 we were at \$27 000, which was a 30 per cent increase on the previous year. Then we had a 20 per cent increase in 1999-2000 to nearly \$33 000. Our initial premium for 2000-01 excluding GST was \$38 000 and represented a 16 per cent increase. Our concern is that that is well above inflationary rises and is extremely difficult to budget for.

The other thing we find hard to swallow is that both governments seem to change their policies on the way that Workcover is going. A few years ago we were directed in one direction, then with the change of government we are now back into another direction. It costs money. The people that are paying for this are the employers. I suppose what we at O'Dwyer Horseshoes are after is consistency. We do not seem to have had it over the past few years.

In terms of Workcover, I think it has been very proactive. We have been on an improvement program to improve our workplace. We have spent approximately \$30 000 to bring it up to scratch. I do not believe it was unsafe, but it was certainly a very good exercise to go through because often in business you do get one-track minds. You can often find it difficult to step outside the boundaries.

There were a few issues during that improvement program that I would like to bring up with regard to the Workcover field officers. We were on the program for 12 months and we had two officers. One thing we would like to mention is that the first officer we had had no prior experience with manufacturing. It is difficult when you are trying to work with someone who has the best intentions of improving the workplace, but with all due respect to that person, he did not really have an appreciation of manufacturing. Halfway through the 12 months we did get a different guy who was experienced in fitting and turning and, in particular, manufacturing.

I would like to suggest that in future field officers should be given their area of expertise. It is no use having someone who is experienced in, say, hazardous substances coming into manufacturing or into an administrative role because it is just a waste of resources. The reason for that is because the first guy had to spend money on issues that the second guy had different views on, so we had to backtrack and rectify those. But all in all, I thought it was a good thing that all employment areas should go through that program. It should be on an ongoing basis, which it already is.

With regard to claims, I have a few issues there. One is that I believe lawyers and legal representatives should be kept to a minimum. They seem to be the only winners in the whole process. We all know they are quite expensive in their hourly rates, and the employees can often be disadvantaged by what they get from the compensation.

I would like to raise something that did affect us. We had a claim for loss of hearing recently from a former employee who left our company in 1992. He was deemed to have had 10.9 per cent loss of hearing. The cut-off 566

is 10 per cent. Because he had worked for himself since 1992, the claim came back on us. But it was also written in the claim form that he had spent prior instances with other employers in noisy environments without hearing protection. That seems to be a real problem, because when you get the claim, insurers look at it. Because the claim was under \$10 000, they think, 'Well, why fight it? Let's pay it and minimise the cost'. Generally, the employer has no rights.

The CHAIRMAN — Do you recall who the lawyers were who acted for the employee?

Mr O'DWYER — Roth Warren, I think.

The CHAIRMAN — Thank you very much. We have heard that name before for the same type of claim. That is why we are interested.

Mr O'DWYER — I was told by a senior member of the insurer company that there are quite a few loopholes in the claim process. For example, if someone comes to my premises and gives me a claim form and they are not an employee, I have to go through the process of processing that claim and sending it to the insurer, which all takes time, costs money and is unproductive. Then the insurer tells me if there are any further associated costs and I have to foot that bill. I do not see that there is any justice in such a thing. I think Workcover is getting there to a degree, but there are quite a few issues involved: premium increases and field officers need to be looked at, and the lawyers are the only winners.

The CHAIRMAN — It appears that this legal firm, Roth Warren, is pretty active in this area. We have heard this morning that they have had a number of claims. I believe it was seven, was it?

Mrs COOTE — Six.

The CHAIRMAN — The claims were with the shire where they are representing people on hearing. Have you heard of that happening in any other businesses in this area?

Mr O'DWYER — No, not in the immediate vicinity of Kilmore. I have not heard of that.

Ms DARVENIZA — Thank you for your very good suggestion about having the field officers work within their area of expertise. You said that three years ago you had as many as 40 employees?

Mr O'DWYER — Thirty.

Ms DARVENIZA — Now you have 22.

Mr O'DWYER — Yes.

Ms DARVENIZA — You gave us the increases in your premiums over the past few years. In those three years has the number of employees increased, decreased or stayed pretty much the same?

Mr O'DWYER — I think it was due to the fact that the government introduced superannuation into the premium calculation.

Ms DARVENIZA — Part of it would be due to the 17 per cent increase for the reintroduction of common-law rights, and then there is 2 per cent for the GST. I think in your category of iron and steel forging, that went up a category, so there would be an increase associated with that. Have you asked Workcover the reasons why your premiums have increased?

Mr O'DWYER — Yes, I have.

Ms DARVENIZA — What do they say?

Mr O'DWYER — Basically exactly the same — the steel forging industry has gone up, I think, 1 per cent, the 17 per cent rise in common law and the 2 per cent was the GST.

Ms DARVENIZA — You have talked about the money you have spent and the efforts you have gone to in improving health and safety. What is your claims record like? Has that gone up?

Mr O'DWYER — The only claim we have this year is from the 1992 employee.

Mr CRAIGE — The hearing loss?

Mr O'DWYER — Yes. No doubt improvement in the workplace in theory is going to definitely do it. It is a must. No-one should be subjected to an unsafe workplace. I think it is a good program, but we need a consistency in the field officers to ensure we are not unnecessarily spending money where we should not and then having to spend it in another area.

Ms DARVENIZA — Would you have any difficulty if the committee talked to Workcover about exactly why your premiums have gone up in this way?

Mr O'DWYER — Not at all.

Ms DARVENIZA — Thank you very much.

Mrs COOTE — How long have you been in business?

Mr O'DWYER — My father started the business in 1971. I joined the company three years ago.

Mrs COOTE — You said before that your major competitors are from Third World countries, plus New Zealand. I would not put New Zealand quite into that category yet. You said Third World countries are an area of concern because they are able to keep the costs down.

Mr O'DWYER — Yes.

Mrs COOTE — You have had these premium increases. If there were to be an increase in your premium at the same rate for next year, what impact would that have on your exports?

Mr O'DWYER — It would eat into profit. I think some people get disillusioned that profit goes straight back to the owners. To get to the stage where we have automated our production processes we need profits to reinvest back. An increase in premiums will eat into those profits, leaving less money to invest back into the manufacturing process, which makes us even less competitive. The only way we are surviving is automating. All you have to do is go to a company dealing in presses or just general manufacturing equipment. They are so cheap. It is a dying industry.

Mr CRAIGE — I refer you to the hearing claim. The employee last worked with you in 1992?

Mr O'DWYER — Yes.

Mr CRAIGE — Is that claim being settled?

Mr O'DWYER — Workcover settled it. I think it cost me \$7400.

Mr CRAIGE — How do you feel about that? As an employer how do you as a business adjust? What do you do when you are confronted with those things? And also if your premiums go up next year, what are you doing to do?

Mr O'DWYER — Increase the price and become less competitive.

Mr CRAIGE — That is the scenario you face?

Mr O'DWYER — It is. It is a very real threat with manufacturing. You are in a different scenario than you would be with service industries, but I am sure if you look at the Workcover rates that service industries are on, you would see that they are a lot lower than manufacturing, and I suppose rightly so, but there needs to be some form of protection for manufacturing. If industry is to survive in Victoria — and we have seen over the past 6 to 12 months the number of companies that have packed up and gone either interstate or overseas from Victoria — there needs to be some relief. I think the former Business Victoria and those programs are good, but they are not enough. You have got the problem of payroll tax — this is getting a little bit off the subject — amounting to \$17 000. If I had the opportunity to say, 'Okay, if I employ someone it is going to cost \$30 000 but I will have to pay \$17 000 payroll tax', it is a no brainer.

Mr CRAIGE — Aside from the 1992 claim for hearing loss, have you had any other recent claims?

Mr O'DWYER — During our Workcover improvement program, the field officers identified that we needed to do a noise survey. We did that. We are aware now, but we were not back then.

Mr CRAIGE — Have you any claims?

Mr O'DWYER — No.

Mr CRAIGE — Other than this 1992 claim for the hearing loss which was recently settled, your record has been fairly good?

Mr O'DWYER — In terms of hearing, yes.

Mr CRAIGE — What about other claims?

Mr O'DWYER — We had one elderly employee who had osteoarthritis that was aggravated by a job she was performing. We accepted full responsibility for that. That was definitely the problem. We had another guy with a carpal tunnel problem. He was a shearer. That was a little bit suspect.

Mr CRAIGE — And both of those claims were approved?

Mr O'DWYER — Yes. The problem with Workcover is where it is reasonably prominent that the employer contributed to the injury. It is quite ambiguous really — 'reasonably', more than likely. It is a grey area. You get a good lawyer — —

Mr CRAIGE — Before somebody else says it, this is pre-existing legislation, prior to the current government getting in, and we recognise that. You also recognise carpal tunnel syndrome is one of those things that shearers suffer from enormously, and quite clearly — —

Mr O'DWYER — Would contribute to it.

Mr CRAIGE — Absolutely.

Mr O'DWYER — But because we are the last employer who has paid the premium, we cop it.

Mr CRAIGE — If because of the hearing loss case Workcover premiums do go up next year for you, can you give a thumbnail sketch of what that really means? If it goes up by a certain amount of money and you have to try to find that, what will happen?

Mr O'DWYER — I will give an example of what happened last year. Our initial premium for 1999–2000 was \$26 000. The initial premium, which we got before our confirmed premium for 1999–2000, was \$42 000, including GST for 2001. That represented a \$16 000 increase. Then we got our confirmed premium for 1999–2000, and they added an extra \$6000 to that, so there is \$22 000. I increased the product by 10 cents to cover the actual Workcover rate — an across-the-board abnormal price increase. We had one already three months before. How do you budget for \$22 000?

Mr CRAIGE — Does it threaten your ability to employ as well?

Mr O'DWYER — Yes. For example, at the moment we are producing from 6 o'clock in the morning till 8 o'clock in the evening because the demand is there. We are doing everything within our power to stop employing someone because it is not only the base rate; if you put a casual on, the amount has now gone up from 20 to 25 per cent. It is Workcover, the 5 per cent or a little bit over, which we are on, payroll tax of 5.25 or 5.57, plus superannuation.

Ms DARVENIZA — And GST?

Mr O'DWYER — And GST.

Mr CRAIGE — And besides all that, you are still doing well as a business?

Mr O'DWYER — We are still boxing through it, yes.

Ms DARVENIZA — What has been biggest cost to you — the introduction of the GST or Workcover?

Mr O'DWYER — As far as GST, in terms of sales, it has not affected us, but I would say the implementation costs are very much lineball. I think \$25 000 is what we spent on new computers and programs to handle the GST. We are employing a tax collector to calculate the BAS statements and what-have-you. One of our employees is spending probably a day a week on the GST, so it is a definite, real cost.

The CHAIRMAN — Thank you for coming along today. We appreciate the time you have given to us. We will send you a copy of the Hansard record for you to look at and return.

Witness withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Broadford – 29 March 2001

Members

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

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

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

Staff

Executive Officer: Mr R. Willis

Witness

Mr B. Nicholls, Managing Director, Chadcorp.

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. My understanding is you will be talking with us regarding Workcover and GST. We need to separate those topics and deal with one and then the other with a clear break for Hansard and our records. If you would like to start with Workcover, we might then ask you some questions and we will get onto GST after that.

Mr NICHOLLS — Perhaps it would be of interest to those present to know that I am here both as a member of the Mitchell Business Forum — a recent initiative of the Mitchell Shire Council; the chairman, Mark Amos, was hoping to attend but was unable to and asked that I visit in his stead — and as the managing director of the Chadcorp group of companies. Our principal business is some Optus telecommunications franchises in Victoria and New South Wales and Chadcorp Infrastructure, a company involved in risk analysis for public infrastructure projects. I am drawing partly on our experiences in Chadcorp Communications, where we are an employer of 24 staff in a small family company having invested in Optus communications franchises, and on the anecdotal contributions of other members of the Mitchell business community.

The CHAIRMAN — Thank you.

Mr NICHOLLS — I do not want to obfuscate my contribution on the Workcover issue by getting into all the issues there, because I am sure many other people would have focused on obvious aspects of it. The experience we have in our telecommunications business is that we have made no claims over a period of six years. We manage a number of retail showrooms with comfortable airconditioned surrounds and carpeted interview rooms, and I guess the closest we get to a risk scenario is somebody slipping on a wet entrance to our showroom. That concerns us because we have had to go forward with the significant increase in premiums that has been applied generally across the board.

We would argue that Workcover is in fact an insurance product, and in the normal context you have an actuary assessing risk and the contribution to the cost of that cover is borne proportionately to the risk. We believe that there is some disproportionate burdening of small business where the risk profile of those small businesses is particularly low. If you view the entire insurance facility available to business across the broad spectrum of industry we would argue that employees at a BHP steel furnace or walking between yellow lines with tonnes of steel carried on overhead cranes are in a much higher risk situation than somebody in a quiet, airconditioned, carpeted retail showroom. There is an issue of equity, and the cost burden should be placed where the burden of risk is greatest.

That is the most simple and compelling point I was hoping to make on Workcover. I am happy to address any other issues that arise, but we do not regard Workcover costs as a huge part of our total overheads. In a pre-tax scenario you can always swallow a little bit more in the overhead department. Nobody likes any overheads at all, but I would not say that it has been a crippling burden. However, I think the small business sector generally is outraged by the size of the increase. That view has been expressed in many different forums.

The CHAIRMAN — I take it from what you said that you believe the distribution of the costs of Workcover premiums between employers should be weighted more heavily to higher risk industries and less so to lesser risk industries? You are questioning the very make-up of the basis of the premiums across the whole range of industries.

Mr NICHOLLS — Yes.

The CHAIRMAN — In terms of your businesses, do I assume you had significant increases this year or that you had an increase despite your having more or less the same number of staff and no claims?

Mr NICHOLLS — There was an increase in premiums despite a history of no claims.

The CHAIRMAN — What sort of increase?

Mr NICHOLLS — I was hoping to have quantified the exact figures and I am happy to provide them after this meeting, if that is of assistance to the committee, but I'm afraid I did not get them in time.

The CHAIRMAN — In terms of the members of the business forum, are you able to categorise the experiences of those members in terms of the sorts of increases they were facing?

Mr NICHOLLS — The business forum includes every conceivable category of local endeavour, including the farming community, people in retail, people in mechanical repairs and those in farm produce-type supply enterprises. It is that typical sort of matrix. I suggest that the risk profile and the claims history would be 572

significantly different for each of those people because of the diverse spread. We agreed that rather than get into those issues of detail for each member of the forum we would address the general question of whether the premiums were a significant burden and whether they fell equitably. We did not discuss it at great length. I must confess that I was asked at the eleventh hour to attend. The scenario that occurs to me is that if government were contracting out this service to a prudent private sector insurer it would be addressing the risk/return mismatch rather than trying to apply a flat benchmark across premium payers.

Mr CRAIGE — Which one of these areas do you believe your business should fit into, household appliance stores or telecommunications services? Which do you believe best explains what you do?

Mr NICHOLLS — More in the nature of the household appliance store.

Mr CRAIGE — Why do you say that?

Mr NICHOLLS — Although we hook people up to a telecommunications network and we take our reward in terms of commissions on monthly billing, we deal face to face on the footpath with retail customers.

Mr CRAIGE — Selling the product?

Mr NICHOLLS — Yes.

Ms DARVENIZA — You said that your Workcover premiums have gone up but you do not have the information with you. Would you have any difficulty with the committee getting some information from Workcover about your premiums and finding out why they have gone up and by how much?

Mr NICHOLLS — No trouble at all. We bought the national headquarters site under the Optus tower in North Sydney, and two years ago we expanded our business to two sites at the Westfield Shoppingtown in Airport West and the Brimbank Central Shopping Centre. We have expanded our business. We headquartered it out here because we believed that we could use e-commerce, the Internet and cyberspace to manage our interstate business from the country.

Ms DARVENIZA — We will get that information from Workcover. Would it be true to say that you support the experience rating system where employers who have a higher rate of accidents pay more and those employers who have a lower rate of accidents pay less?

Mr NICHOLLS — I would support that general proposition.

Mrs COOTE — You have had a busy week with all the news about Optus and Singapore.

Mr NICHOLLS — Yes, as we sit here I am not sure who owns us at the moment.

Mr CRAIGE — Guess what, we do not know either!

Mrs COOTE — Neither do the shareholders. I want to ask two questions in relation to competitiveness within your own business and the representation of the Mitchell Business Forum. Will the increase in premiums in your business affect your competitiveness within the telecommunications sector that you are dealing with? You spoke about New South Wales, for example.

Mr NICHOLLS — The obvious answer is we have had to adjust our business to accommodate new costs as they arise. Whether you are an Optus World, a Vodafone outlet, a T-store or a Harvey Norman selling mobile phones and fax machines and so on — the products of the category we are in — there is a reasonably even burden of premium on those sorts of outlets. That is the way the cover is applied. You are not competitively disadvantaged by paying more.

Mrs COOTE — So it is fairly similar in your industry. With your Mitchell Business Forum hat on, anecdotally or in explicit examples, have people said that their businesses or competitiveness will be affected by the increase in the premiums they have had to accept? If there were to be further increases next year, would that have an impact?

Mr NICHOLLS — Without doubt. The anecdotal evidence is that people in rural and regional Australia are fragile; their businesses are fragile. They do not have the same robust demand that we have in our major capital cities. They have a much more fragile local demand structure which will be far more sensitive to any increase in

cost of any sort. Typically, rural communities that were able in the 1950s to support significant lifestyles off the back of their wool exports are struggling to manage on the land, and families have had to employ one or two members of the family on the land or invest in a local subsidiary source of income such as a small business, a cafe or whatever it may be. That is the change in climate that we all know is there. We know that demand is fragile so any additional cost impact will be felt immediately in a rural or regional community.

Mrs COOTE — Have they shown any concern about what might happen next year as far as their premiums are concerned? Have they discussed that as an issue?

Mr NICHOLLS — I think the retort would be simply that many of them feel exasperated by the burden of additional costs. I do not think we have discussed it at that level of explicitness.

Witness withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Broadford – 29 March 2001

Members

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

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

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

Staff

Executive Officer: Mr R. Willis

Witness

Mr T. Dobson, Owner and Operator, Kilmore Caravan Park.

The CHAIRMAN — All evidence taken by this committee is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act. I understand you are talking with us regarding both Workcover and GST. We need to split those two items so we can have separate transcripts of our discussions, because they are two separate inquiries. Would you like, firstly, to talk to us regarding Workcover. We will ask you some questions, and then move on to the GST.

Mr DOBSON — I am not as big a person in the business world as Bruce Chamberlain. I operate a small business in Kilmore. I own a caravan park. I am president of the local golf club. With my son I develop properties and have a plumbing business. We are quite diversified and are affected by Workcover in a number of different ways. In my caravan park I have 2 full-time employees and 1 part-time employee; at the golf club we have 5 full-time and 12 part-time employees; and in the plumbing business we have 3 full-time people.

So far as our caravan park is concerned, we have never, ever had a claim against Workcover. We continue to pay our premiums, like any other form of insurance. For example, we insured my home the other day. I was offered a no-claim discount because I have never, ever claimed against my policy. Because I put three policies with one company, they offered me a discount. I do not get any sort of recognition in any way whatsoever from the place I currently deal with — CGU is my insurer. I do not see that as being fair. The golf club has a fellow with a crook back and he continually goes off work and on to Workcover. The premiums are continually adjusted. It seems to be the case that a person who makes no claims compensates those who do. I know we are all involved in that system, but surely there has to be some sort of recognition of people who do not make a claim.

In the plumbing business we have never ever claimed. I have been in that business for 31 years and have never, ever claimed, under both systems, the old one and this one. The biggest bugbear I have with the Workcover system is how they work out the remuneration. Yesterday I received one of these. They have decided they will work out my income for next year. They want to know how much money I am going to earn next year so they can work out how much my premium will be next year. I ask each one of you — you all might work for someone else, but if you work for yourself, you do not know how much money you are going to earn next year, no-one does. Probably a good example would be those fellows in Canberra who sold what Bruce was talking about earlier — they sold that telephone system, didn't they? — and they were \$1 billion short. Everybody said, 'That's okay, that's fine'. According to these blokes, if I did that something would be drastically wrong.

Every year I modify what they say I will earn and send it off to them, and then they modify it again and send it back. I pay them some money. They say, 'No, you have to pay your premium on this amount', which I do, and that exceeds my income. They send me a cheque for the balance, probably nine months down the track. If I don't pay them their money upfront, I pay interest. Do they pay any interest for the use of my money in the meantime? No, they do not. I think it is very much a one-way street there. The insurance companies, to me I see them as big brother taking over and it is not fair to people in small businesses.

Maybe large companies can wear that cost, but in my role as a plumber I work as a part-time lecturer at RMIT in the city. At night I deal with people who come from other countries to bring their qualifications into line with what is required in Australia. Part of that is helping them to establish their own businesses and to look after themselves. Essentially that is what we all want to do. When you go through some of these processes that they have to go through, they throw their hands in the air and say, 'Hang on, where am I going to get the money to pay all of this?'

I do not think there is any real encouragement within this system to help people initially set themselves up in business or to understand how the system works. My son is a good example. He runs a plumbing business. There was no helpful sort of parcel of information to show how you actually become a Workcover payer. All of a sudden you go along to your accountant, in our case, and he says, 'You have to pay Workcover', and, bang, off you go and pay it with no comprehension of what is required or why you are actually paying it. That is an inadequacy in our education system, be it back in school or when people are being trained, but there is a gross inadequacy there, because young people coming into the system do not understand why.

Getting back to the remuneration matter — and I have gone back over it a number of times and discussed it with my wife — last year's tax return is a simple way of doing it. If you went back to the insurance company and said, 'Right, here is my taxable income.', which has to be your remuneration, doesn't it, for last year, 'Why not use that as the basis on which to base your premium for the number of employees?', they do not want that. They want you to look off into the wide blue yonder and base it on that.

A good example of this is that at the golf club last year between June and November in the local area here we had 14 weeks where it rained on Sunday mornings. Now, the farmer over the hill reckons it is terrific because it has

rained, but from the golf club's point of view that cut our revenue by \$30 000. In a small country community that meant that all of these casual workers did not get any work, so the total amount of remuneration changed. Were we compensated back? No. We waited nine months before we received a cheque back. I think the whole thing is up the putt. No-one can crystal ball gaze. I am sure each one of you who runs a business could not tell me precisely what you are going to earn in the next 12 months, no-one can, but that is what they expect you to do and I do not think that is fair.

In conclusion, so far as Workcover is concerned, the rate of remuneration should be based on the previous year's figures. Pay your premium and maybe they put a margin on top of that. I think that would be fair for all concerned, especially for small business operators, because a large increase in premium can mean the difference between giving someone a job and not giving someone a job. Some form of recognition should be made for those who do not claim on the policy over a period of years. To me that is just a commonsense thing — reward those who do not use the system, be it even some small amount it is some form of recognition. Telstra did a similar thing recently. Because they wanted to put all your bills in one envelope they discounted your bill 5 per cent. Surely Workcover could do the same.

The CHAIRMAN — How do you change the system in relation to remuneration to make it fairer from your point of view? You pointed out to us that you pay on a particular figure, and where it is too high, which you find out later on, you do not get interest on your money nine months down the track? How would you change it to make it fairer in your view?

Mr DOBSON — If we took the last year's taxable income, which has just occurred — at the moment we are paying whatever the rate is — if that were to be increased marginally for the CPI or inflation, whichever yardstick you want to use, that would provide your next year's remuneration. If it did not meet the requirements in exactly the same way they could remit a cheque back to you or you could remit a cheque to them for the difference. At the moment everyone is trying to crystal ball gaze. The insurance companies crystal ball gaze better than the small businessmen. They think you are going to have a wonderful year next year when they come back to you, I can assure you of that. From a small business person's point of view, it is like big brother coming down from above. I think we are all in it together, to try and look after one another really, aren't we?

The CHAIRMAN — You say the golf club, where there was rain for 16 weeks and — —

Mr DOBSON — On Sunday mornings.

The CHAIRMAN — Your remuneration at the end of the 12-month period is down compared with what you expected. Given the increase in premium and that situation, what is the total effect on the financial affairs and the affairs generally of the golf club?

Mr DOBSON — It hurts — no question of that — especially in a golf club. It is a balancing act, because we do not have gambling machines, and choose not to have gambling machines. We think that is better for our members, so we are not compensated in that respect. It is a good golf club and caters for a lot of people. It is a real balancing act. It turns over only about half a million dollars a year, so by the end of the year there is no money left. I can assure you that what comes in goes back out. When you are \$30 000 down, and you have paid your premium up front, I would say two-thirds of that money would go back out in salaries and you have already paid your premium up front on that money. It is only a small amount of money in total terms, but that can make a difference.

At the moment we want to employ a new trainee groundskeeper under the new apprenticeship scheme. Sure, we can get the relief under the Workcover system as it stands for that person, but we have to ensure we have the money to pay them their wages as well. When the insurance company is holding on to small amounts of money and you put them all together, it all adds up.

Mrs COOTE — I was interested in your suggestion about the setting up of a new business and the Workcover explanations in setting it up. I would like you to elaborate on this because I thought it was an excellent suggestion, about educating and where that would fit as to what Workcover should be able to do. You spoke about your son going into the plumbing business and that it was a big surprise when he got there. Do you believe in that education process that Workcover should be doing more at the outset of the starting of a new business?

Mr DOBSON — I think so. You can see at the moment where Workcover has attempted to try to move with the employers that currently pay their premiums. They are always sending little brochures that say, 'Come along and understand how this works and how that works'. I think that is healthy, but from the original point of view, it would help if they could have a little parcel, so to speak, that said, 'Once you move in to look after

yourself, you are required to do this'. I can assure you the number of people out there who are working who do not pay Workcover is quite a number, especially within the building industry, I would think.

Mr CRAIGE — Is that because the margins are so fine, for historical reasons or because of the people?

Mr DOBSON — It is because they do not know. If they realised what the benefits were, because predominantly within the building industry someone at some stage ends up with a sore back, or whatever, I am sure they would be more than happy to pay their way. Don't get me wrong, I am not saying everybody, I am saying that most people who want to run and structure their businesses to last long term in the industry would be more than happy to pay their way, but they do not understand it.

In the education system, which I have just gone back to be involved with, there is nothing there, nothing whatsoever. When you get one of these forms, you tick on the top where it says, 'Do you employ an apprentice?'. You tick the top and you do not calculate the remuneration. That is fine. But surely in time, as we all know, that person who is currently an apprentice will take the other person's place. It is part of the evolution. I see that as their role not only to collect the premiums but to provide the education to those people who will pay the premiums in the future.

Mrs COOTE — I think that is a really interesting comment. Thank you very much indeed. I hope Workcover is listening to this.

Ms DARVENIZA — The processes that you are talking about and the procedures that you have to go through that you are unhappy about are not new, are they?

Mr DOBSON — No.

Ms DARVENIZA — They are ones that have been part of the Workcover system for a long time and were put in place under a previous government?

Mr DOBSON — Even the other system was the same.

Ms DARVENIZA — Have your premiums increased?

Mr DOBSON — Yes, they keep on going up, and I have never claimed, ever.

Ms DARVENIZA — You have no claims, but your premiums have gone up. Would you have any difficulty with us having a word to Workcover and getting some information about the extent to which your premiums have gone up and why they might have gone up?

Mr DOBSON — None whatsoever.

Mr CRAIGE — You have two people at the caravan park?

Mr DOBSON — Yes.

Mr CRAIGE — Three in the plumbing business?

Mr DOBSON — Yes.

Mr CRAIGE — And the golf club, permanents and part-time people?

Mr DOBSON — I have 5 full-time people and 10 to 12 part-time people.

Witness withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Euroa – 29 March 2001

Members

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

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

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

Staff

Executive Officer: Mr R. Willis

Witness

Mr D. Asquith, Manager, Euroa Newsagency.

The CHAIRMAN — I declare this hearing of the Economic Development Committee open. We welcome you and thank you for coming along to see us. All evidence taken by this committee is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act. I understand you will be talking with us regarding both Workcover and GST. If you would like to start out on Workcover, we will then move on to the GST. What usually happens is that you make a statement and we ask some questions. We will keep the issues separate.

Mr ASQUITH — Basically I have prepared a couple of quick notes regarding Workcover. For the year ended June 1999 the Workcover payments for our business - -

The CHAIRMAN — Is that the year ended June 1999?

Mr ASQUITH — Yes. The amount was \$482.51 on a salary base of \$72 000. In 2000 that amount rose to \$1034.14 on a salary base of \$88 000, an increase of 114.3 per cent in Workcover levies on an increase of 22 per cent in salary.

The CHAIRMAN — Was that for the year 2000-01?

Mr ASQUITH — Yes.

The CHAIRMAN — So the first one you gave us was 1999-00.

Mr ASQUITH — Sorry, yes.

Ms DARVENIZA — Can you run through those figures again? What was the increase?

Mr ASQUITH — The increase in Workcover levy was 114 per cent.

Ms DARVENIZA — Do you know how much that was?

Mr ASQUITH — It was about \$500. The previous year we paid \$482 and last year we paid an adjusted premium of \$1034 — that is after a 5 per cent discount negotiated by the newsagency association.

Ms DARVENIZA — What was your final figure?

Mr ASQUITH — It was \$1034.

Ms DARVENIZA — That was for 1999-2000.

Mr ASQUITH — I have copies of what I have here which I can pass around. They are fairly rough, because I only threw this together in the last hour and a half so I would have a few things to talk to. Basically our wages went up 22 per cent at that time and our Workcover payments went up 114 per cent. We found that rather difficult to accept.

Mr THEOPHANOUS — Does your increase of 114 per cent take into account your increase in wages?

Mr ASQUITH — These are the down-the-line figures. Basically the Workcover has gone up 114 per cent while our wages went up only 22 per cent.

The CHAIRMAN — Is that basically the submission you wanted to make on Workcover?

Mr ASQUITH — They are the figures I have to talk to.

The CHAIRMAN — Did you want to say anything further?

Mr ASQUITH — The newsagency industry is run by owner-operators. I would say we would be one of the lower claimers as far as Workcover goes. I am not sure of what the figures would be, but with us all being predominantly owner-operators I see that as a fairly pertinent issue. I do not know how that sort of rise can be justified. That is all I have to say on that.

The CHAIRMAN — Were there any claims during the year?

Mr ASQUITH — No.

The CHAIRMAN — To clarify, your salaries went up 22 per cent and the increase in your premium was 114 per cent and there were no claims. Were there claims before that?

Mr ASQUITH — No.

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

Mr ASQUITH — As with everything with running costs, competition is getting harder. These days everything is getting harder in business. It is yet another thing making it very difficult for small business.

The CHAIRMAN — Does it come off the bottom line?

Mr ASQUITH — It comes directly off the bottom line.

Mrs COOTE — If there were to be the same sort of rise next year, would that have a direct impact on the people you employ?

Mr ASQUITH — It would. We try to employ as many people in our store as possible, but with rising costs you really have to look at everything in your business. We try to employ as many people as possible to maximise service and reduce workload, but it is pretty tough when the cost of everything keeps going up.

Mr THEOPHANOUS — Despite Mrs Coote's hope that you would get an increase like that next year I can assure you that you will not. I am trying to understand why your premium has gone up that much this year. In understanding that, your industry rate has gone up by one category. That means that the category called 'newsagents, stationers and booksellers', of which you are a part, has had a deteriorating record in relation to accidents so the whole lot goes up. You get charged as well because you are a small business. One of the issues we are looking at is whether your premium should not go up necessarily when your industry rate goes up but whether your own record of accidents should be taken more into account. Do you have any view on that? Would you prefer to follow the industry rate or to simply have the premium reflect your own accidents?

Mr ASQUITH — I think it should be a combination of both, ideally. There would be more risk in some industries than in others, just as each individual business would operate more or less efficiently than others. I think it should be a combination of both.

Mr THEOPHANOUS — It is, but for smaller businesses it is more heavily weighted to the industry and for larger businesses it is more heavily weighted to their own experience. That is the current situation.

Mr ASQUITH — In that situation I would rather see it turned around.

Mr THEOPHANOUS — A bit more weight to your own experience?

Mr ASQUITH — Exactly.

Mr THEOPHANOUS — Apart from the increase in your salaries, which is 22 per cent, the explanation as far as I can see is the fact that your industry rate has gone up. Maybe there needs to be some input from people like you into the whole industry to ensure that it improves its record. If the industry rate comes down next year your rate will also come down.

Mr CRAIGE — How many people do you employ on a full and part-time basis?

Mr ASQUITH — My parents are the partners in the business and I am the manager, so we have two full-timers, probably three part-timers and a number of paper deliverers and casuals. Overall, there are half a dozen full time and the rest are part-timers or casuals.

Mr CRAIGE — It really does not matter how one tries to put the position, your increase has been significant. When you look at the number of people you employ, trying to argue logically why the increase has occurred with the common-law rights situation and rate increases means little because in a small country town like this it has a huge impact on your potential to employ.

Mr ASQUITH — It does, because it comes straight out of your bottom line.

Mr CRAIGE — Especially when you have not had any claims. Can you recall when you last had a

claim?

Mr ASQUITH — I do not know if we have had one.

Mr CRAIGE — You do not think you have ever had one?

Mr ASQUITH — I cannot remember one. This is our third newsagency, and as far as I am aware we have not had a claim at any of the newsagencies.

Mr CRAIGE — Your market is fairly regulated in the final commodity price. There is a set price you can charge for magazines et cetera. How do you cope with an increase the size of which was unexpected? Even though the government predicted there would be a rise when it reintroduced common-law rights, you were not aware that other things would happen. As a business whose bottom line is determined already on what you can charge, how do you cope with an increase like this?

Mr ASQUITH — It just makes it more difficult. Your profitability decreases.

Mr CRAIGE — You have to take it off your bottom line.

Mr ASQUITH — That is where it comes from directly. We also have the issues of deregulation. They are pretty huge issues which I will probably talk about later. They are all influencing and reducing your bottom line.

Mr THEOPHANOUS — Do you have any problem with us getting hold of information from Workcover to try and work out why your premium has increased so much?

Mr ASQUITH — Not at all.

Mr THEOPHANOUS — Are you aware that everything other than a 15 per cent increase, which was a result of the reintroduction of common-law rights, is the direct result of rules established by the previous government in relation to Workcover? Do you understand that?

Mr ASQUITH — Right.

Mr THEOPHANOUS — Thank you.

Witness withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Euroa – 29 March 2001

Members

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

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

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

Staff

Executive Officer: Mr R. Willis

Witness

Mr C. Burton, Burton's Stores.

The CHAIRMAN — All evidence taken by this committee is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act. I understand you are talking with us regarding both Workcover and GST. We need to separate those two subjects. If you would like to start by talking about Workcover, we will ask some questions, and then we will do the GST.

Mr BURTON — Firstly, in relation to Workcover, I probably really do not have a great problem with Workcover. Our industry rate at present is 1.7533 per cent for the year 2001-02. That is based on our industry and our claims record. Given our remuneration figures coming through now, we look like being up 12 per cent in our Workcover costs in the next 12 months, based on a remuneration figure of \$1.2 million, and it is going to cost me \$21 000 for the year.

Ms DARVENIZA — That is what you estimate in the next 12 months?

Mr BURTON — Yes.

Mr THEOPHANOUS — So you have had a 12 per cent increase in Workcover?

Mr BURTON — It will be. Over the past two years, it is very close to a 20 per cent increase.

Mr THEOPHANOUS — But in the last year it is 12 per cent?

Mr BURTON — The next remuneration period is the 12 per cent increase. The previous one was about 8 per cent, so we are looking at about 20 per cent over two years.

Mr THEOPHANOUS — With the 12 per cent, did you have an increase in your work force or remuneration as well?

Mr BURTON — No, that is based on the same remuneration figure.

Mr THEOPHANOUS — Basically it is a 12 per cent increase?

Mr BURTON — Yes. The way things are at present, you are looking to retain your remuneration figure. You cannot afford to increase it the way things are at present.

The CHAIRMAN — Is that it?

Mr BURTON — That is probably all. The main problem I have with Workcover is the duty of care thing. There is something in there that is not quite right as far as employers go. It is very difficult. We seem to have a fairly big duty of care placed on us in the workplace, but it is difficult to see that same duty of care being applied to our employees. I think we have to get to the stage where there is an evening up of the duty of care between both parties.

The CHAIRMAN — Do you think the duty of care placed upon employers is appropriate, keeping the employee side out of it?

Mr BURTON — Yes, I think it is appropriate. It is certainly fairly onerous, too, the way it is worded at present.

The CHAIRMAN — How would you change the rules to make it a more even responsibility?

Mr BURTON — In the workplace when you have rules and regulations in place, the way things are to be done, and they are blatantly not done that way, it is all very well; you can say, 'We can sit down and do this, do that', but I think there has to be a duty of care on the employee as to the way he does things, that when he does things, they are done according to the accepted rules and regulations.

The CHAIRMAN — The act is worded that there is a duty of care on both the employer and employee, but would you believe that generally speaking employees are either unaware of that, or that it is not enforced, or employees are not generally educated that they have a responsibility, too?

Mr BURTON — There is no great reason for them to follow their duty of care under Workcover.

Mr THEOPHANOUS — What about the fact that they might be injured in an accident? Isn't that a

motivation?

Mr BURTON — To a certain extent, but if they are injured, I think they realise now there is pretty good coverage on them, which I don't have a problem with, but it is fairly easy for them with that.

Mr THEOPHANOUS — They would not get common-law coverage if they were responsible for the accident. I would have thought that with the introduction of common-law rights they have to prove that it is the employer that is at fault; otherwise they do not get it. So there is an incentive not to be involved in accidents where it is your own fault.

Mr BURTON — Probably as far as the common-law situation goes, but I am thinking in the shorter term of the claims. They are certainly there — bang, 20 weeks or something, don't quote me — 20 weeks full pay without really much worry about their duty of care in that period of time.

The CHAIRMAN — Are your concerns in this area as a result of employees of yours who have claimed, or is it anecdotally heard from other areas?

Mr BURTON — It is my own concern and also concerns I have from fellow retailers who talk about exactly the same problems.

The CHAIRMAN — When you say it is your concern, is that as a result of claims experienced with your business?

Mr BURTON — It was in relation to one claim in particular, yes.

Ms DARVENIZA — You understand that the only change that this government has made is to reintroduce common-law rights, and that the reintroduction has cost you an extra 17 per cent on your premium?

Mr BURTON — With the GST.

Ms DARVENIZA — That is with the GST. Two per cent of it is for the GST and 15 per cent of it is for common law. In the issue that you raised about duty of care, what you are really saying there is that employees, you believe, are not taking enough responsibility and you feel as an employer that more of the responsibility rests with you to have a safe workplace, and that is certainly the case that you do have some responsibility. But none of that has changed. None of the procedures or processes, apart from the reintroduction of common-law rights, have changed with the change of government. So you understand?

Mr BURTON — I do, yes, but it is an ongoing problem. Just because you have a change of government does not mean the problem is not there.

Ms DARVENIZA — No, I am not suggesting it is not. I am saying that the common-law rights situation is the only change that has been made by this government.

Mr BURTON — Yes, I appreciate that.

Ms DARVENIZA — The reintroduction of it.

Mr CRAIGE — We saw what happened to the last system.

Mrs COOTE — Anecdotally, is there a concern about people rorting the system? We have heard from other people who have indicated that there are concerns about people abusing the system. Have you heard that around here from retailers that you talk to?

Mr BURTON — It is certainly a very easy system to rort, don't worry about that.

Mrs COOTE — And ongoing?

Mr BURTON — Yes.

Mrs COOTE — It has not been tightened up at all, and there are more concerns now that the common law — —

Ms DARVENIZA — I have another question.

Mrs COOTE — Sorry.

Ms DARVENIZA — Sorry, I thought you had finished.

Mrs COOTE — You have heard it anecdotally or from other people that they are more concerned with the reintroduction of the common-law aspect because of the possibility of rotting and going back. Are they concerned?

Mr BURTON — I think there is a greater concern since common-law rights have been reintroduced, for sure.

Ms DARVENIZA — One last question. Do you have any objection to us talking to the Workcover authority about the reason for your premium increases, exactly what they are and the reasons why they have occurred that way?

Mr BURTON — No, I don't have a problem.

Ms DARVENIZA — Thank you very much.

Witness withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Euroa – 29 March 2001

Members

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

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

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

Staff

Executive Officer: Mr R. Willis

Witness

Mr X. Thompson, Thompson's Carpet Choice.

The CHAIRMAN — I advise all present that all information given to this committee is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act. I understand you will be talking to us regarding Workcover, so it is over to you to make a statement and then we might ask some questions.

Mr THOMPSON — I have come without my paperwork. I have been under Workcover for years and this year I had an increase in premium from \$10 500 to \$19 090. One of my layers had a claim to the tune of \$72 000. He blatantly admitted that he suffered his injuries on a motorbike and playing football, but I was left to handle the case with Royal and Sun Alliance Australia. I have been to see Royal and Sun Alliance and spoken to them. At the moment I have paid \$9 000 of that \$19 000 but I refuse to pay any more because I think that is enough. They are sending me notices of fines every month — \$150 a month for late payment fees. I am at a standstill. I have spoken to Geoff Craige's office trying to get a hand from the parliamentarians, but I do not know where to go next. In small business the way things are being forced on us like superannuation, Workcover and all these increases, it is just about close-the-bloody-door time.

The CHAIRMAN — You mentioned the terms 'motorbike' and 'football' in relation to the claimant. Can you elaborate on that?

Mr THOMPSON — He admitted that he did not do this injury while laying carpet. It was a previous injury but I was left to pay the burden of \$72 000.

The CHAIRMAN — What was the injury?

Mr THOMPSON — It was his knee. I think it was a cartilage, but I have never heard of anything or had a document off any doctor as to what his injury is. That has been all hush-hush to me; it has just been, 'Pay, boy!'. I have not had anything in writing as to what the problem with his knee is.

The CHAIRMAN — He has indicated to you that he injured his knee playing football and on his motorbike previously and then his argument is that as a result of his work for you he exacerbated the injury?

Mr THOMPSON — On a Broadford job one morning he reckons he was carrying his carpet in and felt his knee was a bit sore and it went on from there.

The CHAIRMAN — The nature of the injury was not explained to you, you were not given any detail so you could put the other side of the story, so to speak?

Mr THOMPSON — I gave my side of the story. He admitted that he had done it that way and unfortunately when he went to this doctor he was told he could go through Workcover and he claimed on it. It is crap.

The CHAIRMAN — Was there a hearing at all?

Mr THOMPSON — For me? I had to go to an arbitration hearing. I only had a meeting with Royal and Sun Alliance and doctors.

The CHAIRMAN — It did not go to a court hearing?

Mr THOMPSON — No, Royal and Sun Alliance suggested to me that we would lose anyway if we went.

Ms DARVENIZA — What did they suggest to you? I missed what you said.

Mr THOMPSON — They suggested to me that if it went to court we would lose anyway because he last inflamed the injury on the job.

The CHAIRMAN — The payout was \$72 000?

Mr THOMPSON — I think that is what they had on their last report.

The CHAIRMAN — On what approximate date was that decision made?

Mr THOMPSON — On the \$72 000? All the way through it has cost \$72 000, all the costs of doctors,

hospitals and everything.

The CHAIRMAN — When did that finish?

Mr THOMPSON — I think they closed the case about January last year.

The CHAIRMAN — Do you believe that as a result of that case which concluded in January last year your premium has almost doubled?

Mr THOMPSON — Yes.

The CHAIRMAN — As you understand it, your premium increase is a result of the common-law rights coming back into the system, the claim that has occurred and maybe some other things that we are not sure of such as your industry rate going up?

Mr THOMPSON — Just to put you in the picture, I am fighting my category at the moment. I am under floor covering layers and I do not think I should be because most of my retail turnover is not through the laying of carpet but through sales, so I want to come down a bracket. Regardless of that, on the same -- — —

The CHAIRMAN — Percentage?

Mr CRAIGE — Classification?

Mr THOMPSON — On the same classification I am on now it has gone up from \$10 500 to \$19 090 with a remuneration increase of \$20 000.

Mr CRAIGE — Do you have a retail area, a shop, where people sell products?

Mr THOMPSON — Yes.

Mr CRAIGE — Do you also have another business or is it part of the same business where you have people out laying carpets?

Mr THOMPSON — We have two stores, Thompson's Carpet Choice in Euroa and Seymour. We have contractors who are contracted by us to lay for us, and of course we have indoor staff. I have three staff who work 100 per cent of the time for me in Euroa and contractors out to Kilmore.

Mr CRAIGE — How many contractors would you run?

Mr THOMPSON — Five; three full-time and the other two when I need them.

Mr THEOPHANOUS — Your premium went up by \$9000?

Mr THOMPSON — Yes.

Mr THEOPHANOUS — Forgetting for a minute about whether you claim the accident was a legitimate one on the job, the fact is that Workcover has had to pay \$72 000, hasn't it?

Mr THOMPSON — Yes.

Mr THEOPHANOUS — Your increase of \$9000 will not cover the \$72 000 that the claim has cost Workcover.

Mr THOMPSON — I know, but what do you take insurance out for? If you are driving a car and crash it you have an excess of \$500 to pay for that car, and if it costs \$30 000 to fix it then the insurance company pays \$29 500.

Mr THEOPHANOUS — What happens to your premium the next year?

Mr THOMPSON — Maybe it goes up, but it will not go up 50 per cent.

Mr THEOPHANOUS — I do not know about that. I just had an accident — — —

Mr CRAIGE — We all know what sort of driver you are.

Mr THEOPHANOUS — I understand the point you are making. However, it is also the case that in a \$9000 increase only a small amount — in your case it would be about \$1500 — is in there as an increase for the purpose of common law and the changes to the system. The rest of it is about the accident.

Mr THOMPSON — No-one can prove me that.

Mr THEOPHANOUS — Are you happy for us to get the information from Workcover?

Mr THOMPSON — You cannot speak to them directly. Every time I ring Royal and Sun Alliance they say they are sorry but they are directed by Workcover that that is my premium.

Mr THEOPHANOUS — You have the right to ring Workcover directly if you want.

Mr THOMPSON — We do not really know. I did not know that I could be classified under a different thing until I went down and sat with Royal and Sun Alliance in their office. How do you know these things?

Mr THEOPHANOUS — Do you have a problem with us getting hold of the information from Workcover and examining it?

Mr THOMPSON — No.

Mr THEOPHANOUS — I understand the point you are making about whether the accident was legitimate, but at the end of the day Workcover has had to pay out money and that is why there is a recovery system. Somebody has to pay for that; it comes out of premiums, and that is why yours has gone up. I do not know whether that helps you, but that is the explanation.

Mr THOMPSON — It does not help me at all.

Mrs COOTE — Are there any other carpet firms in Seymour and Euroa?

Mr THOMPSON — Val Greshner has a shop in Seymour.

Mrs COOTE — What are the implications of this additional cost of your premium? Will it affect your competition or impact on who you employ or whether you take on part-timers? How will it impact on you?

Mr THOMPSON — The laws have changed in the past 12 months. It really frightens me; you have overheads that you do not allow for like superannuation, which goes from 7 per cent to 8 per cent to 9 per cent to 10 per cent or wherever it is going to go. Because those three layers work more than 80 per cent of the time — I am only hearing this through VECCI — I have to pay them things. I have a layer who has worked with me for nine years and apparently I have to pay him long service leave pro rata for the 10 years next year. We have been paying them the top price per metre for years.

We are a little company; we turn over only \$1.4 million between the two stores. We have built our business up and we get a shot in the arm like this. You just wonder. I believe that a contractor is a contractor and he should pay all his own Workcover, but under this 80 per cent rule apparently we have to pay it and we have been all the way through. You pay the premium and be damned, but \$10 500 to \$19 000 just bugged me a bit. I am a bit obstinate: I do not mind paying what is right but I think that is just unfair.

Mrs COOTE — Will you be thinking about perhaps not putting someone else on?

Mr THOMPSON — I would never employ anyone any more. I have been in business for 25 years and I have always had an apprentice coming through, finishing, coming through, finishing. I have not been paid for the last kid that I employed. I was supposed to get a cheque when he started and another when he finished and I never got anything.

Mrs COOTE — Is this the one who hurt his knee?

Mr THOMPSON — Yes, he is now laying floor coverings for Harvey Norman. Work that one out! It has cost me and Royal and Sun Alliance \$72 000 and he is back laying carpets for Harvey Norman and having a ball.

Mrs COOTE — Do you check out any of them before they start?

Mr THOMPSON — You trust the kid. He was a third-year apprentice and came pleading on his hands and knees to finish his apprenticeship. I put him through his last year of schooling and a free year and this happens to me. Why would you employ anyone? Buggered if you would.

The CHAIRMAN — We have a situation where somebody injures themselves on the football field or their motorbike -- — —

Mr THOMPSON — A pre-existing injury.

The CHAIRMAN — They get a job and as a result of a twinge in the knee they are advised by the doctor to put in a Workcover claim and get \$72 000; your premium nearly doubles and then they go off and continue doing the same sort of work for another business?

Mr THOMPSON — That is it in a nutshell.

Mr THEOPHANOUS — When did the injury happen?

Mr THOMPSON — Probably February two years ago. He was off 12 months on Workcover by the time he had his knee operated on. I would say February 1999, but you do not want to tie me to that.

Mr THEOPHANOUS — If it was a bodgie claim why was it not picked up under the previous government?

Mr THOMPSON — It was under Workcover.

Mr THEOPHANOUS — That is right.

Mr THOMPSON — It is not a bodgie claim; admittedly the kid has done his knee. Whether he did it playing football or on his motorbike, I was the last one to employ him so I copped it. That is the way I read it.

Mr THEOPHANOUS — You would do a lot of kneeling when you work on the floor.

Mr THOMPSON — He never complained about it.

Mr THEOPHANOUS — It might be that he has had the operation and his knee is better and that is why he is back at work.

Mr THOMPSON — It could be.

Mr THEOPHANOUS — I know a lot of people in floor covering who damage their knees as a result of the work.

Mr THOMPSON — And their backs, like I have sitting here.

Mr CRAIGE — Have you had any other claims against you?

Mr THOMPSON — I did my back in 1987; I have a crook back now.

Mr THEOPHANOUS — Did you put in a Workcover claim?

Mr THOMPSON — I did only to find out under Roy Carey that I have three degenerate discs. I still work with it.

Mr THEOPHANOUS — Did you think you were entitled to get that Workcover claim?

Mr THOMPSON — They said I did it at work by too much bending and stooping.

Mr CRAIGE — What does it do to a business like yours here in Euroa and in Seymour where you create some economic input for the town and where you employ people? When you have an increase of this size it has to have an impact on you and the way the people in the towns feel about it. You would not go around crying off the top of the roof that this is a great thing to have happen.

Mr THOMPSON — I would rather stand up and give \$5000 for our football clubs, which are in big trouble, or \$5000 to do an extension to the Hunter Room, which is too small. I would rather do that than give it to Workcover, to put it mildly. I do not mind paying for Workcover, it is just that it has gone up so much.

Mrs COOTE — Do you have any suggestions about what you think would make it better? In your situation he had supposedly done it on the motorbike and football field. How could that be made better?

Mr THOMPSON — You talk about agreements; maybe he should have come to us and said he had a sore knee. To employ someone today you really have to give them the third degree, have them sign things to say that they have a strong back, and get doctors' certificates. That is the way the world is going, unfortunately.

The CHAIRMAN — We have run out of time. Thank you for coming in. We will send you a copy of the *Hansard* record.

Witness withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Euroa – 29 March 2001

Members

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

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

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

Staff

Executive Officer: Mr R. Willis

Witness

Mr D. Nicel, Euroa Clay Products Pty Ltd.

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. Mr Nicel, I understand you are talking with us regarding Workcover. Would you like to make an opening statement, and then we might ask you some questions?

Mr NICEL — I have put the information basically that I thought was relevant in this document.

The CHAIRMAN — We all have a copy in front of us, if you would like to go through that for us.

Mr NICEL — We were audited in 1996 by Pannell Kerr Forster for the Victorian Workcover Authority. I have never had a tax audit, but I found that audit quite frightening, actually. They went through everything. I thought it was rather over the fence, to be quite honest. The result of the audit showed we did not fit into any current classification. The present classification appeared to be the best one for us, they said. However, Workcover conceded that we were paying too high a premium. When I asked them what they were going to do about it, they said ‘Nothing. We are not interested whether you are paying too high a premium. We are only interested in whether you are paying too low a premium’. That is pretty much the words the Workcover person that phoned me said.

We then contacted our claims agent and were told that we would lose any no-claim bonus, so therefore we would be better to forget about it. Three years after that, we were visited by the Workcover inspector. The purpose of his visit was to investigate our unsafe workplace. The reason for the unsafe classification was because of our high premium. His assumption was that because of our high premium, we must have had a claim. I said to him, ‘Well, look on your computer and see how many claims we’ve had’. He looked it up said, ‘That’s strange, you’ve had none’. I said, ‘That’s it. We’ve had none’. So that was the sequence of events over those three years.

I have listed there from 1995 since Workcover came in to the present. You can see what we are paying. There has been about a \$4500 increase in premium for this year. We will see what happens when the year finishes. One of the things that really surprised me was that in 1997-98, when Workcover included superannuation in the remuneration, there was not a thing said about it. I am amazed that the community let it go. But it was really an increase in premium by stealth because prior to that superannuation was not included in the remuneration.

I think the concern I have about Workcover is, okay, it seems to be getting pretty large. We try to keep our workplaces safe, within the constraints of a small business. We make it a pretty high priority, but I get concerned when I see our premiums. I picked up my Rotary bulletin and there is a Workcover ad on the back of it. Our premiums are paying for that. I drive along the Tullamarine Freeway and I see a big Workcover ad. My premiums are paying for that. I see sporting fixtures where I see Workcover across the players’ uniforms. My premiums are paying for that. I can’t see what that has to do with our premiums and safe workplaces.

The CHAIRMAN — So you are questioning the expenditure of the Workcover authority on some of these issues which has the effect, obviously, of increasing Workcover premiums and you are putting to us, are you, that therefore the premiums are inflated as a result of this expenditure?

Mr NICEL — They must be to some degree.

The CHAIRMAN — You do not have a problem with Workcover’s ads, ‘Think it, work it’ — what are the right words?

Mr NICEL — ‘Think it, work it safely’, or something.

The CHAIRMAN — You do not have a problem with the message that safety is important? Are you suggesting that some of the advertising is not giving the message regarding safety?

Mr NICEL — I am not a psychologist to know what advertising does, but to me some of it seems irrelevant. Footballers or cricketers have got it on their uniforms. Really, what has that got to do with reinforcing a message? It is purely paying for sponsorship.

The CHAIRMAN — Your increase this year — I don’t know what the percentage is, 40 or 50 per cent, or something — what effect is it having on your business?

Mr NICEL — It is just one of the bites that everyone puts on you. It all adds to the overheads. What are we getting out of it? I have griped and contacted our insurance people and Workcover in the early days, because the literature straight out said if you are a safe workplace, you save. I have continually since 1995 said, ‘Well, tell me

where I am saving?'. It doesn't seem apparent.

I forgot to mention that piece on the bottom there. When we get our literature from them, you have really got to nearly screw them to the wall to try and find out what no-claim percentage you are getting or what your actual percentage is. It is never on premiums. They are sort of disguised.

The CHAIRMAN — So you are suggesting to us that when you get the premium, it needs to be more clearly set out on the document, how that is made up and what discount you are getting, if any, et cetera?

Mr THEOPHANOUS — Could you tell me, since 1995 no employee of yours has ever put in a claim?

Mr NICEL — Not even had an accident in the place.

Mr THEOPHANOUS — Congratulations for that. The increases have gone up from \$6000 back in 1996 and you are now at \$15 000.

Mr NICEL — Yes.

Mr THEOPHANOUS — A lot of that increase is because in 1997 under the previous government they included superannuation in the calculation of a premium, and you have that in your listing. You understand that?

Mr NICEL — Yes.

Mr THEOPHANOUS — Some of the latest increase is as a result of common-law rights, which have been reintroduced this year.

Mr NICEL — Yes.

Mr THEOPHANOUS — That makes up 15 per cent or, in your case, looking at the figure there, which is about nearly \$11 000, it's an increase.

Mr NICEL — It is more than 15 per cent, I'd say.

Mr THEOPHANOUS — The common-law part is 15 per cent. The rest of the increase, as you have correctly identified, has to do with two things. One is the GST, but the other one is the industry rate. You are listed at 5.19 per cent. You have said that is your current rate. Is that correct?

Mr NICEL — Because it is not on the documents that we get, we divided the premium by the wages. That must be the rate.

Mr THEOPHANOUS — According to our figures, your industry rate is 5.78 per cent, so you are a bit under the industry rate. It went up between 1999 and 2000 from 4.78 per cent to 5.78 per cent, and that is what is reflected in that. Do you understand that? I suppose my question to you is, what would you prefer to have — a premium which reflects when the industry goes up, you go up, and when it comes down, you come down, or would you rather have something which more closely followed your company?

Mr NICEL — I think it would be far better if it reflected our company. Why make the effort, to a degree? We have been told before, 'Your industry has claims', and this sort of thing, but — —

Mr THEOPHANOUS — This was a system established by the Kennett government. What you are saying to us is you would rather we changed it to reflect your own company, is it?

Mr NICEL — I would.

Mrs COOTE — Could you tell me two things: one is, are those 10 employees all full time?

Mr NICEL — No, that is our total number of employees. The 10 at the moment would be full time — no, sorry, we have two part-timers.

Mrs COOTE — In addition?

Mr NICEL — It is eight and two.

Mrs COOTE — When you had a decrease from the 11, is it about the same component of part time to full time within the 10 and 11?

Mr NICEL — Through those other years?

Mrs COOTE — Yes, about the same proportion?

Mr NICEL — I have to go by memory there. The year 1999 was the same. I'd say it would be close to it, yes. We have fluctuated in numbers quite a bit.

Mrs COOTE — So the premium increase, given that it is probably in addition to a number of other things, is that going to have an impact on whether you continue to employ part-time staff?

Mr NICEL — Not really. Part-time staff in our establishment get 20 per cent loading, which covers all the permanent things. I think we worked it out that a casual does slightly better than a full-time employee.

Mrs COOTE — Could you explain to me exactly what it is that you do?

Mr NICEL — We are a clay manufacturer. We manufacture specialty clay products for the building industry.

Mr CRAIGE — Like what?

Mr NICEL — Glazing. We make window sills, fence capping, and our biggest line now, which has changed in the past 10 years, is glazed bricks, so if you drive down Flemington Road, you see the Royal Melbourne Hospital is done with our bricks in the front of it. Sunshine Hospital has just been completed with our glazed bricks. It is the big yellow building over on the side. That is just to name a couple I can think of. We make all sorts of specialty shapes for other manufacturers — for instance, Nubrik. We make a lot of their specialty products — anything that is too hard to do in a mechanised factory today — because we are more old fashioned.

Mr THEOPHANOUS — You do things properly, in other words?

Mr NICEL — We concentrate on the things that other people find too hard to do.

The CHAIRMAN — Thank you very much for coming along and giving us your views on Workcover. We will send you a copy of the *Hansard* record of what we have been saying today.

Witness withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Euroa – 29 March 2001

Members

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

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

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

Staff

Executive Officer: Mr R. Willis

Witness

Mr S. McKernan, McKernan's Engineering.

The CHAIRMAN — All evidence taken is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act. I understand you are talking with us regarding both Workcover and GST. We need to separate those two topics because they are two separate references we are dealing with. We will deal with Workcover first, so if you could give us some idea of your views there and then we will ask you some questions.

Mr McKERNAN — I am probably not going to tell you anything new. I have just had a look at the list of eminent local business persons you have had here today already.

We are a small family business. We employ about eight people and have been going for just over 50 years. It has generally been about eight people that we have employed. We do not actually make a product. We are very much general engineers: we fix things. People ring up to say something is broken and we will fix it. We do service farmers, and have done for many years.

The droughts in the early 1970s nearly put us out of business, so we then had to diversify. We did gear cutting and sprocket cutting, buying some more machinery and so on, so we could get, not so much completely away from farmers, but back into other spheres that could keep us going, which worked all right. We still service farmers. They have their ups and downs, as you know. We service industry. We do quite a bit of work in Shepparton for companies like Bonlac and other big dairy firms. We still send quite a bit of stuff to Melbourne. We work in Sydney — mainly small items of five or six. We are not repetition engineers that stand there and watch thousands of things go out the door. Everything we do is interesting and different, generally.

We also service the general public, from welding up someone's golf buggy or some lady's pram, or whatever. We considered a few months ago knocking that on the head, but the gates are always open for everyone. We are fairly unique, I think. In a lot of towns if your golf buggy breaks, you throw it away and buy a new one, but we will repair it.

Mr CRAIGE — You do such a good job they bring it to you.

Mr McKERNAN — I suppose so. We are just so well known after 50 years. We are known far and wide.

Mr CRAIGE — We need you in Melbourne.

Mr McKERNAN — What are we dealing with first?

The CHAIRMAN — Workcover.

Mr CRAIGE — How many employees?

Mr McKERNAN — At the moment eight; it is fairly static, too.

Mrs COOTE — Full-time employees?

Mr McKERNAN — Yes. We are trying to employ apprentices as well. I see in the *Age* today that the apprenticeship set-up has nearly finished, which is a shame because we won't have anyone to wire houses in 20 years time or do a lot of things. Aside from that, we have to do something about apprenticeships.

I fully appreciate and realise the need for Workcover. I have had nearly 30 years back here in engineering. I had a break a few years ago and went down to Melbourne to work for a firm called Harry the Hirer, who, as you probably all know, does marquees and whatever. I had a very interesting time with Workcover down there. Their work covered heavy hammers and things they pulled down, temporary structures, and whatever, and I spent a lot of time in courts with claims. That is why I left Harry's — it just got too much in the end, the Workcover side of it — but I could see the good and bad of it as well. But certainly it is a necessary part of the make-up of industry in Australia, I suppose. It does seem now to be overpriced, I reckon.

In all our time with Workcover, we have never had a claim, but our premiums have gone up 26 per cent this year. I feel that firms that go for years with no claims should be rewarded rather than punished. We are a small business. We have gone from \$5000 last financial year to just over \$7000, and the extra \$2000 you have to find. Of course, once you have to pay the increased premiums on Workcover, you then have to recoup those costs, so your hourly rate goes up and there is nothing in it for myself or my brother Roger, who are the co-owners of the business. It just makes it harder. I wouldn't say we would lose a lot of work over it. People do say, 'Last month was \$10 and now

it's \$12', sort of thing. That is just an example. It just keeps kicking into the cost of things.

I know from Harry the Hirer that Workcover is a big thing and does cost a lot of money. I suppose I am repeating myself — if you do not have a claim, I think you should be rewarded. We did not have time to go into the nitty-gritty of why our premiums went up 26 per cent because we are too busy doing other things. I have heard of other places where their premiums have gone up far more than 26 per cent.

I also feel it is fairly harsh — I think it has only been in a couple of years — paying Workcover on superannuation. I know it is to try and cover all the big boys that might be salary sacrificing and so on and previously were not paying on their super, but surely the little fellows like us, who are probably straight down the guts, so to speak, may be able to get some relief there. I just don't think it is fair. We have to find the superannuation to pay the fellows, and that is going up 1 per cent every year or two, and then we have to find Workcover on top of that.

You just keep battling along. We could all go on the dole, I suppose, if we wanted to, fake a Workcover claim or something like that. It has been known to be done.

I am an engineer first, and bookwork is second, sort of thing. As I said, we have not even had time to make a phone call to find out. I know the boss of our insurers personally from Harry the Hirer. I could probably have rung Shane and said, 'What the hell is going on?', but I haven't got around to doing it. I think with everything else — the price of petrol, and we are so far out of Melbourne, freight and so on — we are just being hit from pillar to post, being a business in the country.

Ms DARVENIZA — Would you have any difficulty with us getting in touch with Workcover and asking them about your premiums and why they have increased?

Mr McKERNAN — I am more than happy for you to do that.

Ms DARVENIZA — There are some reasons why it has increased, and they are pretty clear. There is the increase in the premium due to the reintroduction of common-law rights. There is the GST component. I also see from some paperwork that I have here that general engineering went up a category, which means that you would have had an increase due to that. Have you had any claims?

Mr McKERNAN — No, none at all.

Ms DARVENIZA — It would be helpful to us if we could get that information.

Mr McKERNAN — As to who our insurers are?

Ms DARVENIZA — No, from Workcover itself.

Mr McKERNAN — Yes.

Ms DARVENIZA — So we can see exactly why it is that the premium has gone up.

Mr McKERNAN — That is fine by me.

Mrs COOTE — You said it went up 26 per cent. You said there are a lot of other pressures on your business. How would your business be sustained if it continued to go up 26 per cent?

Mr McKERNAN — If it continued to go up, I think it wouldn't. If you are talking about that figure every year, it wouldn't have an impact, I don't think, probably for another three or four years. But then you would be putting your hourly rate up to the point where you just would not have anyone marching through the gate or ringing you up. The whole country might grind to a halt. As I said, a \$2000 increase doesn't sound a lot. We have a turnover of around \$200 000, or a little bit more, but that \$2000 you still have to find. Everything else is getting dearer. When the GST came in, tooling went up 10 per cent. I know you can claim it back, but you still have to find all this money to send out per month, per quarter, whatever.

Mrs COOTE — What sort of attitude did the people have when you added the cost on because it is Workcover — the people coming through the door with their golf buggies and prams — did they comment on it?

Mr McKERNAN — Yes. We had a bloke in yesterday, probably one of the richest blokes in Euroa, and he said, 'When I got this done three years ago' — it was welding a bullbar on the front of his ute — 'it only cost \$20 and now it's \$45'. Just before I left we fixed a bloke's ride-on mower, made an axle and pulley for him, did 599

a wonderful job. He rang up from Benalla way and complained it was too dear. I have had to bung the hourly rate up quite a bit. Most customers are fairly happy and because we do a good job, they go away happy, but we still get a fair bit of flak — I must say probably more flak in the last year or so than we used to get in previous years, because costs have certainly gone up.

Mr CRAIGE — Were you aware that the increase was going to be as big as it was?

Mr McKERNAN — With Workcover, no.

Mr CRAIGE — You would have read the publicity that the Labor government has reintroduced common-law rights?

Mr McKERNAN — I am well aware of that.

Mr CRAIGE — And that was part of the reason why it rose.

Mr McKERNAN — Yes.

Mr CRAIGE — I suppose it is difficult for you budget for those things when you get a rise beyond what you think it would be?

Mr McKERNAN — Yes, it is difficult, but we are not huge on budgets at our place. We just hope we come out at the right end of the ledger at the end of the financial year. It just came in the mail, I suppose — —

Mr CRAIGE — And you did not know?

Mr McKERNAN — No. There you go. I was aware of the common-law aspect.

Mr CRAIGE — What do you think about that?

Mr McKERNAN — From my experience with Harry the Hirer, I think it is a good idea because I saw blokes there — this is before this came back in — that were genuinely injured but somehow it was worked that they basically got nothing, so everyone had to sue each other and spend days in court. It was a shocking shemozzle, but at the same time the Workcover thing was blowing out to \$600 million, so something had to be done. It did not seem fair that some could get a payment and others could not. I think it should be fair for all. Even though I was an employer, in that time with Harry the Hirer as an employee, I could see that something had to be done.

Mr CRAIGE — On the other hand, you recognise good employers like you that do not have a record should be rewarded for it?

Mr McKERNAN — Yes.

Committee adjourned.