

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Sale – 20 February 2001

Members

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

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

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

Staff

Executive Officer: Mr R. Willis

Witness

Mr G. George, Proprietor, Pinky's Pizza.

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

Would you like to make an opening statement about Workcover and then we will ask some questions.

Mr GEORGE — We run a fast food franchise here in Sale, with pick-up shop orders and delivery; it is not really a restaurant as such. On Workcover, I noticed that our premium had gone up approximately 25 per cent and roughly half was due to the costs of the GST and the other half was to do with common law and the government's commitment to full funding within three years.

The main comment I have with this Workcover is that even after Labor won the election with the Independents on side, I was still hearing on the radio the adverts from solicitors and lawyers saying, 'Hurry up and get in before your common-law rights are out'. Then of course a few days later they realised and they changed the ads. I am assuming that that expense has always been there so I do not quite know how Workcover has said, 'It is the restoration'. It never went. If the Libs had won it probably would have, but it never did. So logic makes me ask: why is the increase in common law there, when it never went and it stayed in? So that aspect, logically, should just remain the same.

The impact is that \$3000 was the premium for the former financial year; it is now \$4000. Does it have an impact on us? Yes. The greatest impact any business will find is competition, market pressures and all that sort of thing. So if things are going really well, obviously the on-costs, which this forms part of, are reduced and it becomes less of an impact on the whole business. If any of you have been in business you will know what I am talking about.

Competition is very tight in Sale. Prices are discounted to fairly bare bones, so for us — and I suspect our competitors but I am speaking for us — it did have a significant impact. It all forms part of our on-costs when you have reduced trade and profit that you are keeping from each purchase. That is my summation.

The CHAIRMAN — The figure was around \$3000?

Mr GEORGE — Pretty much. It was about \$3000. This year it was \$4200, by the time I managed to scrape it together and pay early and get the 5 per cent discount — I try to do those sorts of things.

The CHAIRMAN — The effect on your business is that the extra amount of money comes off your bottom line?

Mr GEORGE — Yes, it is like rates, rent and interest. I do not know if we have an advantage over our competitors. We are not covering a heavy business debt with high interest. We do not have any business debt, actually. We have a bit of residential debt, but that is another thing. I suspect our competitors are pretty much in that boat as well. So that again cuts things right down. But I digress there. It is like water or sewerage — those things. It does not matter whether you sell \$100, \$1000 or \$10 000 in a week — they are all there, the bottom-line stuff. That is part of it. There is the insurance — building insurance, plate glass, motor cars, et cetera.

The CHAIRMAN — In your opinion, did you receive any direction or clear indication as to why it had gone up?

Mr GEORGE — They did not specify the exact breakdown of what the common-law thing is and the government's commitment to full funding. Another leaflet was sent out after there had obviously been complaints about the first one, which was not very clear. It said it was 10 per cent for the new tax system and another 2 per cent for some costs associated with that. They did put it up 15 per cent and the breakdown of that is not clear. I must admit I did not phone them and ask, 'What's the breakdown of common law and the government's commitment to full funding within three years?'. I actually do not know what that means.

Mr BEST — How many employees do you have?

Mr GEORGE — There is only myself and my wife full time and the rest are all part-time hours as required. There would be about 20, with about 4 drivers, a sort of subcontractor owner-driver arrangement. Just about all those others are juniors. It is about as bare bones as you can get with staff.

Mr BEST — Have you had any claims on Workcover?

Mr GEORGE — Yes, last year, and it was just under \$1000 and 80 per cent of that was taken up with the ambulance. If I had known that I might have kept a cooler head, although she was in pain so I did the right thing. We have had one claim for about \$1000 in our whole history — in other words, that was the first time we actually had a registered claim, or whatever they call it.

Ms DARVENIZA — Has your staff increased in the past 12 months?

Mr GEORGE — No, decreased.

Ms DARVENIZA — Part of the increase, of course, would be due to the 17 per cent increase that includes 15 per cent for the common law and 2 per cent for the GST and then no doubt the rest of your increase is probably due to the fact that you have had a claim.

Mr GEORGE — I asked them, 'How much is this going to increase my premium?'. They said 'Oh, it might be about \$50'. I was wondering if I could just pay it out without reporting it. They said, 'No, by law you've got to put it through the system and we must give you that money that you went over your excess by'. I was wondering whether it was more efficient for me to just pay the whole lot and not increase our Workcover premium. About \$50 can be attributed to that, yes.

Ms DARVENIZA — Do you mind if the committee asks Workcover for details about why your premium is at the level it is?

Mr GEORGE — No, not at all.

Mrs COOTE — Is it just you and your wife, apart from the part-timers? Are there others as well?

Mr GEORGE — There are roughly 20. The number fluctuates a bit; some work only 3 or 6 hours a week.

Mrs COOTE — And they are juniors, so you are giving some young people in the area the opportunity to do some work as well.

Mr GEORGE — And they are just cheaper; it is just business.

Mrs COOTE — There has been some suggestion that the premium may rise again next year. How much impact would that have on your business?

Mr GEORGE — Like I said, those other things which are really beyond the powers and the scope of this, like market forces and competition, have a much greater impact than fixed costs. But once you have got an impact on your bottom line the fixed costs really add up. In regard to the projected increase next year and the likely impact, it just depends on how long our competitors are able to sustain their current rate of just unbelievable discounting, and us as well.

Mrs COOTE — There is no doubt that it has an impact?

Mr GEORGE — This year, yes. When the GST came up things just took a big funnel dive anyway, and there we got a lot of complaints for the first few weeks.

Ms DARVENIZA — So the GST was a more significant impact on your business; Workcover had an impact, but the GST had the bigger impact?

Mr GEORGE — And market forces.

Mrs COOTE — But you know where GST is — that is finished — but with Workcover you are never too sure whether or not it will stop.

Mr GEORGE — Workcover is going to have a big impact now.

Witness withdrew.

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Mr G. Lindrea, Manager, G and S Machining.

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

Would you like to make an opening statement and then we will ask some questions.

Mr LINDREA — We are finding that Workcover is becoming more and more of a burden financially on the company. The rates and the penalties are being increased. We have had some Workcover claims and people on Workcover. Over the years we have had a couple of incidents where we have had payouts, with court action and so on. We find that even though we pay the insurance, the Workcover premiums, we are still penalised and have to pay so much up front that we ask the question: why do we pay the Workcover premiums? They really do not seem to cover anything. After a long time it no longer is a reflection in what the premium actually is. We just find that because it is on all amounts of money paid — all remuneration to the employees — the amount of premium that we are paying or the cost that we have on Workcover per annum is getting out of hand.

Mr CRAIGE — How many employees do you have?

Mr LINDREA — Presently about 50, but we float from 45 to 100.

Mr CRAIGE — Depending on work you have or contracts?

Mr LINDREA — Yes.

Mr CRAIGE — What does your company do?

Mr LINDREA — We are fabrication, general engineering; we do large structural work, high pressure piping; we are a machine shop; we are a mechanical repair facility; we do sandblasting and painting; and we do sheet metal fabrication and stainless steel.

Mr CRAIGE — Do you know the percentage rate for the classification for your business?

Mr LINDREA — I did not look at it before I came down because I have been very busy. I am pretty certain we are on about 3.8 at the moment.

Mr BEST — Is that your rate or the industry rate?

Mr LINDREA — That would be the industry rate.

Mr BEST — Are you above or below the industry rate?

Mr LINDREA — We were below but we had a couple of claims against us — which we won't go into — and that put our rate back up to the industry rate.

Ms DARVENIZA — So your rate is at the industry rate. What is your industry rate?

Mr LINDREA — I am not 100 per cent sure, but I am fairly certain it is 3.8.

The CHAIRMAN — Did it go up this year?

Mr LINDREA — I cannot answer that. As I said, I did not look at it.

The CHAIRMAN — Is the amount you are paying going up?

Mr LINDREA — Yes, the amount we are paying is going up. Because we have had claims, that stacks on top of the rate. We have had it explained to us. We have asked the question time and time again: why do we pay the rate that we have to pay and then when we have a claim it then gets stacked on top of it? It gets stacked on top of it and we pay extra.

The CHAIRMAN — If you were in government for a day and you had the opportunity to change Workcover, what changes would you bring in that would provide a fairer system?

Mr LINDREA — I believe that we should have a justifiable premium for employees for their work pattern. If we happen to be really busy and we are required to work all weekend, we have to pay Workcover for

that whole amount of money, but they may never work that weekend again. If they happen to go off on Workcover, they are not paid the amount they may have been paid for working on overtime. They are paid compensation for their normal working hours and yet we are required to pay the premium rate for the whole amount of the payroll. I find that totally unfair. If we have a claim against us we have to pay the first so many hundred dollars before we can even put in a claim to get any of that money back. Why do we pay the premium? What's the premium for?

Mr CRAIGE — We have you down for 3.26 per cent in our listing, which Workcover provided, so I assume it is right. I am confused because they have you classified under pump and compressor manufacturing. Do you make pumps and compressors?

Mr LINDREA — We repair pumps.

Mr CRAIGE — You don't make them?

Mr LINDREA — No.

Mr CRAIGE — I think that we should look at your classification. Having heard what you do in the business, it does not make sense to have you listed in the classification of pump and compressor manufacturing. If you do not manufacture them, you obviously should not be in that category. There are other categories you could be in. Do you make agricultural machinery?

Mr LINDREA — We are more a jobbing shop.

Mr CRAIGE — What does that mean?

Mr LINDREA — If you walk in the door and you want something made, we make it. We are not a production facility, as in having a certain line of production.

Mr CRAIGE — Machine tool and part manufacturing — —

Mr LINDREA — We manufacture parts for anything, but we do not make specific items.

Mr CRAIGE — I suggest that you take up with Workcover and your insurance agent that you are not a pump and compressor manufacturer, as classified by Workcover. You are classified at 3.26 per cent and you could go down to even 2.7 per cent, and that could be the correct classification because you cover such a myriad of things. I think it is worth your exploring the classification they have you in. They reckon that you make pumps and compressors, and you do not.

Mr LINDREA — No.

Mr CRAIGE — Obviously the classification is incorrect, and you need to do some work with them to make sure they get onto it. We will make sure that happens.

Ms DARVENIZA — Do you know by how much your premium has gone up?

Mr LINDREA — No.

Ms DARVENIZA — Do you mind if we ask Workcover for the details about what you are paying and where the increases have been made?

Mr LINDREA — No.

Ms DARVENIZA — You say you have had some claims. How many claims have you had in the past three years?

Mr LINDREA — Probably three. There have been two that I am absolutely sure of, and probably altogether three.

Ms DARVENIZA — Has the number of employees gone up in the past 12 months, since the last premium?

Mr LINDREA — No, it would have come down.

Ms DARVENIZA — Do you support an experience rating system where employers that have had more accident claims in their workplaces pay a higher premium than employers that have had fewer accidents?

Mr LINDREA — It is a difficult question because employees are individuals and it is very difficult to dismiss an individual employee because he will not abide by safety practices or work practices. So if you employ a person you can be stuck with that person. If we had a system that made it easier to dismiss an employee because he will not abide by work practices, policies and safety systems that you have in place, I would agree with that.

Ms DARVENIZA — Is that a difficulty you have?

Mr LINDREA — Yes, very much so.

Ms DARVENIZA — Is it difficult to have your employees comply with health and safety standards?

Mr LINDREA — Not generally, but every now and then you end up with an employee who will turn out unsatisfactory.

Ms DARVENIZA — Have you been looking at your education and training in occupational health and safety, given that you have had three claims recently?

Mr LINDREA — Yes.

Ms DARVENIZA — Is that something you have your eye on?

Mr LINDREA — That is something we continually address. Our health and safety policy is continually updated and that is made known to the employees; that is done in writing.

Ms DARVENIZA — And what about training?

Mr LINDREA — Yes.

Mrs COOTE — Several people have talked of a concern about people playing sport at the weekend and then coming in to work with a crook neck and making a Workcover claim. Is that a concern in your industry? Are you concerned about that happening down the track?

Mr LINDREA — We have that problem continually, especially in the country, because there are so many things that people go and do. Recently we have had two different people off work with injuries: one crashed a jet ski and the other crashed a motor bike. Weekend activities are out of our control; we cannot control what employees are doing. But they come back to work and the worst cases we end up with are aggravation to an injury, for which we are held totally responsible, and yet they have not injured themselves at work. That is out of our control. What do we do?

Mrs COOTE — Do you have any suggestions as to what can be done in that sort of situation? The Chairman posed the question earlier of what you would change if you were in government for a day. Is there something you can think of that can remedy that sort of situation?

Mr LINDREA — If we had a system whereby if a person was injured in his own time and then came to work, that could be documented. We do document it. I have a personnel health and safety officer employed 100 per cent of the time to document and track any of these things that may happen, but in the end it does not mean a thing to us unless we have a claim against us and go to court, when maybe that little bit of evidence may help, but that is as far as it goes.

We still have an employee on our books with a claim against us who started work with us after he had injured himself when working elsewhere. He injured his back, and then came to work with us. He went off with aggravation to the injury. We were not aware that he had an ongoing problem when we employed him. The claim went through, and we fought it.

He actually spoke out and advised Workcover and the insurance company — I cannot think of its name right now — at the time that the injury had not been caused at our work facility, yet we were forced to take that claim. We could not get out of it, and we are still carrying that employee. That was probably 12 years ago, but the reason it was put on us was that the previous employer had closed down and gone out of business. That is totally and utterly unfair that our company, which is not large, has to carry that sort of burden.

We are still bearing the burden in that case. If he decides something is not right it comes back. We have to control it through our payroll system, do all the accounting and everything that goes along with paying that man each week, receiving the money back from Workcover and so on. It is just ongoing. The claim was clearly not a claim against us in the first instance.

Mr BEST — Do you know whether, with the return of common-law rights, which was platformed by the Labor Party in the lead-up to the last state election, there has been a change in culture in the workplace?

Mr LINDREA — Yes. That change in culture caused me to go to court over a claim that cost the company \$250 000 for something that was previously just going through the normal processes of Workcover; the man was being paid weekly; and there was no actual claim to make against us. As soon as common law was reintroduced, suddenly we ended up in court. It was terrific!

Mr BEST — I am disappointed for your company, but obviously people have a recourse and voted for the change. Do you think it will create a Tattsлото-type mentality?

Mr LINDREA — Yes, I think so. We have a number of people that we have employed over the years who were involved in the situation that I just mentioned, and I feel certain that will create an environment where other people will sit back and look at it, and say, 'We can do this'.

Mr BEST — Do you think it might create an environment in the business community and among employers where they are fearful of taking on employees and will wonder whether it is worth it?

Mr LINDREA — Very much so. I have advised a number of businesses that I have association with in the area of exactly who those people are and I could probably rest assured that they will not work in the area for those companies.

Ms DARVENIZA — Have you identified to other companies the individuals you believe should not be employed?

Mr LINDREA — Yes.

Mr BEST — Do you think they are people who use and abuse the system?

Mr LINDREA — Do I believe people abuse it?

Mr BEST — Yes.

Mr LINDREA — Yes, very much so.

Mr BEST — What about the support structures around the Victorian Workcover Authority, like the doctors and the insurance companies? I should not be too unkind to my home town but apparently we have a doctor who is referred to as 'Dr How Long': someone can go to him and he asks, 'How long do you want off?'. Do you have those sorts of doctors as well?

Mr LINDREA — Very much so. In fact, I beat one of those doctors in court. We had a claim against us from a person claiming anxiety as a result of being dismissed. The evidence put forward by the doctor was very lengthy. To me it was inconclusive, and at the end of the day it was proved to be so and the case was dismissed. Every time I have come up against that sort of situation, the same doctor is there.

Doctors are in a situation where they can write how many times that person is going to go back to them because they can keep them on Workcover. I made a call to that doctor and asked him what the hell he was doing. That was mentioned in the last court case and it was alleged that I had made an abusive phone call to him. I had a right to do that; the employee concerned should have been at work and yet the doctor wrote certificates to say he can come to work for only 2 or 3 hours a day. That is no good to me. He is either back at work or off work.

Mr BEST — You said that 12 years ago the insurance company took a decision that cost your company \$250 000, was it?

Mr LINDREA — An employee had aggravated an injury that was not caused at the facility of our company. Originally he tried to make the claim against the company that he was working for and they came back

and said, 'No, sorry, that company is no longer there. You have to put it on the company that you now work for'.

Ms DARVENIZA — How long ago was that?

Mr LINDREA — About 12 years ago.

Mr BEST — Do you believe you have had the opportunity to have your day in court or did the insurance company decide whether that claim should be picked up?

Mr LINDREA — At the end of the day the insurance company decided that it had to go against us, and that is where it started, and therefore it was reflected in our rate.

The CHAIRMAN — Mr Lindrea, thank you very much for coming along today and giving this evidence. We appreciate the time you have given us. We will send you a copy of the Hansard transcript for you have to look at.

Witness withdrew.

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Witness

Mr J. Castle, Principal, John Castle and Associates.

The CHAIRMAN — Welcome. I advise all present that the evidence taken by this committee is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act.

Would you like to deal with Workcover first and we will ask some questions and then we will go on to deal with the GST.

Mr CASTLE — Thank you for the opportunity to address you today. I was actually working in the insurance industry back in the early 1980s when the state government institutionalised the workers compensation business. It took it from a private enterprise profitable entity into one of the worst loss-making ventures the state has had. I am very concerned about that.

I think the system has been rorted and defrauded pretty much ever since. Basically the system is seen as a soft touch by those who would want to defraud the workers compensation arena. Some of the issues I would like to address include lump sum payments and the malingering folk. I am not sure how you handle that, other than hand it back to private enterprise.

Some of the decisions that need to be made in addressing some of the limiting of losses out of the workers compensation system would be politically unpalatable, and the sooner it goes back to private enterprise the better because then they can make business rather than political decisions. As an example, there is a system of reporting where if a person takes money out of a rollover, a super fund, separation pay or whatever, and then in lieu of that there is a period of non-payment from the workers compensation system.

I was a financial adviser when the Latrobe Valley was going through its downsizing. I am aware of people who basically stood that in contempt — not only the clients but some of the advisers — saying, ‘They’ll never catch us’ type of thing. They wasted a fair amount of the lump sum payments they received from super, separation pay, long service leave or whatever, and still received their workers compensation payments. Some of those are malingering, probably up to today. I have lost contact with all those folk.

My concern is the size of the payments. I did a comparison of my business as if it were based in Queensland — that is, under the Queensland model — versus my business based in Victoria. Although my premium is not large by comparison with many of the employers you will meet today, the premium in relative terms would go from \$800 a year, which is what our premium is, to \$170 a year if we were in Queensland. Queensland has taken its system of workers compensation from \$2 billion in the red a couple of years back to a profitable enterprise with money invested to supplement the premiums that employers bear in supporting the system. That is of interest to me because we have been in a loss-making position for, I assume, somewhere around 10 years. In two years Queensland has turned a couple of billion dollars loss into profit, which is worthy of consideration. It is worth looking at something like the Queensland model to take from them some of their experiences and enhance what we are doing here.

My company has been in existence for 12 years, and we have not had a claim for workers compensation — touch wood. In reality, in my industry the rates are lower because of the lower risk. I am not sure how the system applies in Victoria, but after I spoke with some people up in Queensland they indicated that in determining premiums they have upwards of an 85 per cent no-claim discount over a five-year rolling average, which is pretty attractive to anyone writing out premiums.

I really think the state should get out of the business and hand it back to private enterprise. We should really look at the size and the availability of lump sum payments out of workers compensation. I think that an annuity rather than a capital amount would be the way to slow that process. We need to look at fraudulent claims a lot more seriously than we have been. Because I have not had claims I have not had first-hand experience of what we do with rehabilitating people and bringing them back into the work force, but I am sure that is part of the loss limitations that we could undertake to look at.

I am all for some form of recompense for a person injured in the workplace. I am all against someone, as explained by the previous fellow addressing you, coming to you with either a sporting injury or a pre-existing condition and then finding that (a) workers compensation and (b) the employer are still wearing that individual claim. I just think that is a rort.

People running the system should also have the power to go back and get some significant recovery from those folk who have malingered or are malingering or have taken lump sums out of other resources and have chosen not to tell workers compensation about that. I know there are some issues in privacy and all the rest of it, but the tax

file number system — which is our version of the Australia card — is one method of researching that information, and you will find heaps.

Ms DARVENIZA — Did your premiums increase?

Mr CASTLE — Yes.

Ms DARVENIZA — How much did they increase by?

Mr CASTLE — About 50 per cent.

Ms DARVENIZA — That is quite a bit.

Mr CASTLE — Yes.

Ms DARVENIZA — Of course the increase for the introduction of common law was only 15 per cent plus the GST of 2 per cent, so there is 17 per cent there. You said you have had no claims.

Mr CASTLE — No.

Ms DARVENIZA — What about increases in staff?

Mr CASTLE — Yes.

Ms DARVENIZA — Have you had significant increases in staff?

Mr CASTLE — We had two new employees last year and another one this year.

I shall also address the premiums issue. I am a financial planner. I have an insurance background, and I own an insurance practice. Part of our role is making sure our clients are neither significantly overinsured or underinsured.

It has taken us a while to get our business to a level where we can enjoy a better income than in the early 1990s when we first went into business. At that time the superannuation package and salary package for, say, me and my wife was such that if we were a partnership we would have no workers compensation payments on ourselves; but the premium calculated on the total salary and superannuation package for our business includes ours, which is now significantly better than it ever was. The benefit we would receive has to have a ceiling — 95 per cent of salary for the first 13 weeks to a ceiling of some \$46 000 a year. Let us say I have a package of \$100 000; I am significantly underinsured because of the limitations of workers compensation — you know, if I got a nasty paper cut it would put me out, because it is a very dangerous occupation I am in!

Ms DARVENIZA — I can see it, and the industry rating has not changed.

Mr CASTLE — Someone could slip over and hurt his back. Someone could be getting some archives from a top level or something and have something land on him; I understand there are still risks involved.

Mr CRAIGE — It is not a high-risk business.

Mr CASTLE — No, it is not.

Ms DARVENIZA — Given that you have had this premium increase, do you have any objection to the committee obtaining information from Workcover about your premium increase to find out what it relates to?

Mr CASTLE — Not at all.

Ms DARVENIZA — Do you support an experience rating system where employers' premiums are set based on their own as well as their industry's level of accidents so that employers and industries that have more accidents pay more than those that do not?

Mr CASTLE — You will appreciate that we do car, house, boat, business and all sorts of other loss insurance. Each one of those has an age bracket, a vehicle bracket and then a personal experience bracket, which has to do with their claims experience. That is pretty much a standard issue across the insurance industry. Workers compensation is in the insurance industry and should apply similar principles that seem to work pretty well across the board. I believe the Queensland model very much mirrors that question.

Ms DARVENIZA — Are you aware that in fact Victoria has the second-lowest rating of premium rates of any state in Australia?

Mr CASTLE — Yes. It must be behind Queensland, then.

Ms DARVENIZA — Yes, it is.

Mrs COOTE — You heard me ask the previous witness about the sense of the culture changing; it was inherent, and it is there. You also spoke about it. One of the things you did when speaking about the fraudulent claims was to suggest — I thought it was an excellent suggestion — that we should go back and get redress from the people who have defrauded Workcover. Do you have any other suggestions about dealing with fraudulent claims; given the reintroduction of common law, do you have any suggestions about how best to deal with fraudulent or perceived fraudulent components of that?

Mr CASTLE — I think you need more inspectors on the ground. If you have a suspect case that does not seem to be getting better when that particular injury appears fixable, I think there should be more investigation of the individual. With regard to pre-existing conditions, which is an issue, in the rest of the insurance world if you have a pre-existing condition, bad luck. I have a pre-existing condition, and most of us may have. Why are we wearing a risk for that?

In the area of income protection insurance, not only are individuals assessed but consideration is given to what their work is and what sports activities and other practices they undertake. So if in their spare time they are making Molotov cocktails or bungy jumping from the highest peaks, a risk factor is put in there to exclude injuries sustained from such activities, or there is payment of an extra premium for them because of those risks.

Mrs COOTE — You also said in reference to going back to private enterprise that certain elements can exist that are politically unpalatable. What exactly were you saying?

Mr CASTLE — My expectation is that if I had a look at the book of claims currently in place and the potential ones around the corner I would find they were mainly from the Labor style of voters. It is a big guess. We have a Labor government in place, and if it is making decisions that may hurt those potential Labor voters, it will go softly rather than in a way that is industrially prudent.

Mr BEST — What do you think of the type of medical certificate that travels with employees?

Mr CASTLE — The unions will not like it. We have employed people who have had pre-existing conditions. Again, our style of business means that we address our telephone systems so that our staff are not cricking their necks from holding on to the phone with their shoulder; we address the style of seating so that it is comfortable and safe for them to operate. We do what we can to assist those who work for us. We employ mainly baby boomers, and all of us are starting to wear out. We are probably an insurance company's nightmare. But in our work practices, that does not frighten me off employing the right people.

Mr BEST — If they have the skills.

Mr CASTLE — If they have the skills and the attitude.

Witness withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Sale – 20 February 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

Ms E. Falkiner, Human Resources Officer; and
Mr D. Rabbah, Risk Management Coordinator, Shire of Wellington.

The CHAIRMAN — I welcome Ms Emilie Falkiner and Mr Don Rabbah. I advise all present at the hearing that all evidence taken by this committee, including submissions, is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act.

I understand you will be talking about Workcover, so I invite you to make an opening statement, and then members will ask some questions.

Mr RABBAH — We are representing the local council. I have come from a South Australian background, and in that state workers compensation is done a bit differently from the way it is handled in Victoria. We have a strong belief that municipal councils in Victoria are paying quite a high rate for their Workcover levies. We understand we can break it up into certain sections of the council's performances — for instance, the administration side, the road construction and general repairs area, and those sorts of bits and pieces — but we are just trying to say that we have found out in our review of the Workcover premiums that there is a bit of inconsistency with local government.

I think municipal councils are being targeted a bit, and we have some areas where local government administration has a much higher rate than state government or corporate head office administration for private companies. Bringing down that rate would mean significant savings to the council to the value of more than \$100 000 a year.

Ms DARVENIZA — Are you talking about the industry rate?

Mr RABBAH — Yes. When we worked these out, we realised we could probably negotiate something better for local government in Victoria or perhaps go down the path of South Australia — that is, being an exempt employer, being sort of self-insured for Workcover. It is something that municipal councils actually do for their buildings, contents and public liability insurance, which is underwritten by other major insurers in Australia, and that seems to be going quite well. We can obtain information on the experience or history to gauge how well that has happened in South Australia and try to use it in Victoria. That is where we are coming from: we are trying to save money.

The CHAIRMAN — Do I take it that your council is paying a number of different premiums for a number of different work areas?

Mr RABBAH — That is correct.

The CHAIRMAN — How many exactly?

Mr RABBAH — We are basically looking at about four or five different ratings, depending on the function of the council.

The CHAIRMAN — Are you aware of whether it is four or five?

Mr RABBAH — I have only just started working at the council about four weeks ago and I have just got a lot of information and am going through the industry rates. It is not clear cut and not easy to distinguish exactly what area they go into. We have one called local government administration; another is called labour associations, councils and unions; yet another is called libraries; and then there is one called road and bridge construction or general repairs; and that is followed by general engineering. There are a few different areas that we could fall into.

The CHAIRMAN — You said earlier that you believe local government is being targeted. What was the reason for that statement?

Mr RABBAH — I am just saying that currently our local government industry rate — just for the local government administration area — is 1.84 per cent. The state government administration rate is 0.71 per cent, and the rate for corporate head office administration- is 0.59 per cent. So there is a significant rate difference in there, and we are just asking why that is.

The CHAIRMAN — Would you believe that those rates are worked out on the basis of claims experience?

Mr RABBAH — Yes, I would, but we are talking about administration in local government. I do not know, unless I have the results in my hand to look at the significant differences, but I do not think there would be that much of a difference. Having an industry rate for administration of 0.59 per cent for the state and 0.71 per cent

for corporate is fair enough, but then to jump up to 1.84 per cent for local government is a significant jump.

Mr CRAIGE — If you use New South Wales for comparison, the state government administration and local government administration are both at 0.58 per cent, so New South Wales has them at the same rate, and you are arguing it should be the same here.

Mr RABBAH — Yes. Currently the local shire is paying below the industry rate because of the systems that we have in place and our claims history. But it is still significantly higher than the state or corporate administration levels.

Mrs COOTE — Could you provide some more details about the comparison with the South Australian system, since you have had an opportunity to observe both first hand?

Mr RABBAH — In South Australia strict rules and regulations apply to what is called exempt employer status for Workcover. We need to have significant occupational health and safety regulations and procedures in workplaces in place in the organisation. We are audited at least every three years, in the worst-case scenario. We need to achieve a certain level rating to get those things. It just works out that then the councils have a share or ownership of their own insurance cover. They can save significant sums of money for the community, because it is really the community's money we are using to put in place things that we are obliged by legislation to have. We see that we have the burden of paying for other areas. Local government in South Australia was broken upon into certain regions consisting of six to eight councils. Then, for instance, if the northern region had a worse rating than the others, those councils would pay a bigger industry rate than those in the southern or central areas.

Mrs COOTE — I have heard others say it is a very good and effective system.

Mr RABBAH — We are using a similar system for our insurance cover. If we had to pay normal house and contents and public liability insurance we would be paying a fortune. We self-insure through one scheme that is underwritten by other insurance companies.

Mr CRAIGE — Do you think there is some merit in Victorian local government as an entity becoming a self-insurer? Is that the way you would like to see it? You mentioned the regions in South Australia, but if local councils could come together as a collective group through the associations or organisations and negotiate they could become an entity. Clearly their salaries would have to be considered, but would you see benefits in that being looked at?

Mr RABBAH — Definitely so. We have to realise that we have to make each dollar that we get from the community go as far as it can. We have a responsibility to the community to be transparent. We have to be able to prove to the community that when we spend \$10 we get \$10 worth of goods or services. Based on the history and experience I have had in South Australia and the results that have come out of South Australia, I think there would be a financial benefit for all Victorians.

Mr BEST — Just extending that, is there any difference or comparison between the cultures of the work force in the two states?

Mr RABBAH — Previously I would have said yes, because Victoria had compulsory competitive tendering. Currently, no. With that having fallen through, I think all local government throughout Australia is similar. There are some slight changes because of acts of Parliament and so forth. For instance, the Local Government Act in South Australia is different from the legislation in Victoria.

Mr BEST — I am referring to a comparison between the two states in the attitude towards claims, whether there are malingerers within the system or people who abuse the system — that is, the culture among employees and the attitude towards a workers compensation system.

Mr RABBAH — You will always get people who abuse the system, but from my experience the majority of our staff live in the area. If anyone wants to abuse the system, we do not advise them but we promote the fact that this is your community and this is your money, so if you are abusing the system you are really ripping yourself off, and therefore there are increases in council rates and taxes in the area. We promote it by saying, 'This is why we want you back to work, with light duties and those sorts of things'. So I do not believe it is a major factor.

Ms DARVENIZA — Is occupational health and safety an important issue for the council?

Mr RABBAH — Definitely so.

Ms DARVENIZA — Do you put a lot of resources into training?

Mr RABBAH — Yes. They have just appointed me, and that is my specific task. We do not worry about just occupational health and safety; we really promote risk management. It is the proactive approach to occupational health and safety which results in people saying after the event, 'Hang on, someone's injured themselves. How can we stop that happening again?'. Risk management, which the council is focusing on, is about stopping that person from getting injured. It is thinking about how and why we do things and helping people to improve and to reduce the incidents occurring. That is why our claims history is quite good, and that is also why we are paying under the industry rate.

Ms DARVENIZA — Have your premiums gone up and have you had recent claims??

Mr RABBAH — No, the premiums have not gone up, but we are still paying a substantial amount of premiums. We have not had a major claim for three or four years. We inherited some claims from prior to the amalgamation of the five previous councils.

Ms DARVENIZA — When was the amalgamation?

Mr RABBAH — In December 1994 but, as you know, you carry on for certain years.

Ms DARVENIZA — Yes. What about levels of staffing, has your remuneration gone up over the past 12 months?

Mr RABBAH — Yes. Emilie and I are newly appointed. They are looking at getting specialised personnel to do specific jobs because it is no longer appropriate to have so-called multiskilling. You really need expertise when it comes to this sort of area, because that way you can save the organisation, which represents the community, money.

Ms DARVENIZA — Would you support an experience rating system in which employers who have good risk management and occupational health and safety procedures and therefore have fewer injuries pay less in their premiums than those industries and employers who have a higher level of injuries?

Mr RABBAH — In my previous council we used to have incentive bonuses. Because we would contribute to the scheme, there would be an average, and every council that was under that average would get back a bonus as well as a reduction in the next year's contribution, and every council that was above the average would pay a penalty rate. So we would get bonuses that would go back to the employees. They would consist of polo shirts with the council's logo on them or something like that.

Ms DARVENIZA — Do you think that such a system would be good for us?

Mr RABBAH — I believe so, because from my experience in South Australia people say, 'We are actually getting some benefits from putting in the systems'. There were some definite results that were coming back home.

The CHAIRMAN — Could you send to our office the Workcover premiums that Wellington Shire Council has paid over the past three years, say, and if it is easy to do, the number of staff that have been employed over each of the past three years? That information would be pretty readily available, no doubt.

Mr RABBAH — Yes.

Ms DARVENIZA — Would you have any difficulty with our asking Workcover for some information about the council and why your premiums are struck at the level they are?

Mr RABBAH — Definitely not. I can give you a contact there as well, if you like.

The CHAIRMAN — Thank you very much for coming in. We will send you a copy of the Hansard transcript. It would be wonderful if you could send in that information.

Witnesses withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Sale – 20 February 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 P. Brand, Farmer, Shenstone.

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

Welcome, Mr Brand. I invite you to make an opening submission.

Mr BRAND — My submission to this inquiry is something totally outside my experience — I never thought I would have to do it. I have no idea how this process goes.

I have been on Workcover since August 1999. I had an accident, and my experience with Workcover is that it is a shambles in the way it is administered. I am not talking about the money side, but the way it is administered. It has been 18 months since the accident. The problem I found from square one is that if you have an accident and you go through a period of hospitalisation, you are discharged and told nothing. You are sent home. The instructions you are given at the hospital are verbal. It is the only insurance policy I have where you do not have a policy. It is an act of Parliament. But some guidelines would have been a great help.

My main concern is for the people in rural Victoria like me who are getting totally shafted by a system that I believe is incompetent. I have received documentation from the agent which says I am legally bound to attend a medical appointment he has arranged for me; the letter informs me that failing to do so may mean losing my benefits. In this particular case I was ordered — legally obliged — to go and see an orthopaedic surgeon. ‘Who is he?’ I said. So I looked up the word in the dictionary, which says that orthopaedic surgery relates to the correction or cure of deformities and diseases of the spine, bones, joints and muscles, especially in children.

I never had any surgery. But I was threatened legally with losing my benefit if I failed to go to that appointment. I had been back at work for eight weeks and I was not on any benefit. The letter also told me a brochure was enclosed that would describe this obligation to me. The brochure was never supplied with the letter. It was supplied to me 13 months after I got involved with Workcover, and then only at my request.

The cost to the Victorian taxpayer for me to go to that appointment — I have run some figures on it, checked the train fares and everything — would be \$211. That includes what I believe a consultant would charge, which I believe would be the same whether in Melbourne or in Sale, if there were a facility in Sale. It would have taken me 16½ stressful hours to go all the way from my farm, which is some way to the south of Sale, into Melbourne and then out to East Ringwood. For the last bit of the trip I would have to walk, because according to the brochures you are not allowed to use taxis; so I would have to walk to the guy’s surgery.

I objected to this and rang the agent, saying that I had to attend the Alfred hospital on certain days, and gave the agent four days on which I would be in attendance at the Alfred. The reply I got from the agent was, ‘Be there. Not interested. There it is, you have got to go’. That is the response. At that stage of the game I started to get my back up.

For the same consultation in Sale my expenses would be \$9.26, which would pay the mileage for my coming into town. I would be in town in 20 minutes, have the consultation — which I estimate would take 20 minutes — and back on my farm in another 20 minutes. In other words, I would be back at work within 1 to 1½ hours. But I had to go 16½ hours to an appointment I did not need. That is just one of the major items of concern.

I have exchanged correspondence with the minister over this matter. Incidentally, the committee might be aware that I have been having meetings with my local member of Parliament also. My concern is that in the rural area we are not provided for at all. I was supplied with a piece of paper that told me to go to see a particular consultant. Instead of hitting me with the big stick saying, ‘You go, we say so, don’t argue’, the minister should be able to say, ‘Back off the guy, give him a list of consultants and let him go on a day that is appropriate for him’. That is the way it should be done; that is more appropriate.

I was given a list of specialists, which contained the names of 4 specialists in New South Wales, 1 in Western Australia, 2 in Queensland, 1 in Ballarat, 1 in Bendigo, 4 in Geelong, 1 in Wonthaggi, and 64 in Melbourne. That does not say much for coverage of rural Victoria. If I draw a line from Melbourne to the north there is only one to the east of that line. That is not fair.

I have read in the newspapers — I went to the library yesterday just to try to find it again — that a scheme has been put forward by the government to encourage doctors to provide a service in rural communities. I cannot remember what the scheme was called, but I believe it provides doctors with an incentive of \$1200 each to qualify or to go

and provide that service in the country.

The letter from the minister says to me that the government is advertising for specialists to qualify under the act for this service and that the response is not there. Having talked to as many doctors, medicos and everybody in general as I could, I found they consider Workcover to be a disaster.

The reason I am talking to the committee today is that I would like to draw the attention of the committee and the government to the raw deal that rural communities are getting over this matter.

I am concerned about the mind-set relating to Workcover itself. When I started in industry back in the early 1950s someone getting on compo was thought to be ripping off the system, and people would think, 'He's back home on compo!'. This is the mind-set you are struggling with. I do not think the system allows for somebody who is honest and does not try to rip off the system. I would like to think I am honest in this matter.

I have had discussions with the committee's research officer, Mr Mark Ryan, so perhaps he is one jump ahead of the committee members regarding my situation. I believe that if my experience with agents is what so many people are experiencing, you should get rid of them. The agents are only there to make a profit. That is their bottom line. Every time they write me a letter there is probably a fee for it. I do not know the structure, but they are in the business; it is their business.

There is a big Workcover centre in Traralgon, but it involves only industrial matters, like checking up on work sites and the like; it does not have anything to do with, let us say, the medical side of Workcover. If that could be set up as a regional centre for people like myself to go to instead of having to go to East Ringwood, it would be much better. I mean, they could have picked Ballarat, for all I know. I think that would be a move in the right direction.

So far as receiving a benefit for my injury is concerned — and committee members here might wonder what is wrong with me — as a result of my injuries I have permanent disabilities. I have paid my Workcover premiums for years. I believe it is now Workcover's turn to "earn the Queen's shilling". I tell you honestly that I wish I had never heard of Workcover. I need to purge myself of Workcover and I put it to this committee in public — and I have talked to my wife about this — that should I receive any benefit from Workcover I will give it away.

Mr CRAIGE — We have you registered as an employer with a company called Shenstone. What does Shenstone do and what is your relationship to that company?

Mr BRAND — I own Shenstone, which is a private company, with my wife. We have an 800-acre grazing property out of Longford. As well as that we have one of the very few genetically improved *Pinus radiata* seed orchards in Australasia. For 30 years we have been providing pine seed to the forestry industry. Out there we run our seed orchards like a cattle stud. I can take you out there and show you a pine tree and tell you who its mother and father are and what its offspring will grow like. That is genetic breeding for you.

In September, October and November each year we have to harvest those pine cones. We have to hire a lot of people and train them. In 30 years we have never had an accident. Workcover has been out there and had a look at what we are doing. We have to use an elevated work platform, a cherry picker — we have one of those out there on the farm. Because we employ people, for years and years and years we have been an incorporated company and therefore our employees are covered by Workcover. We meet all the requirements we are obliged to so far as our work people are concerned.

Mr CRAIGE — Therefore you are covered?

Mr BRAND — Yes, Joy and I are employees of our own company.

Mr CRAIGE — Did the injury occur to you in your employ at Shenstone?

Mr BRAND — Yes.

Mr CRAIGE — Are you aware of the rate you currently pay and what category your company is in?

Mr BRAND — I thought you would ask me that.

Mr CRAIGE — Let me tell you what it is. It is 5.78 per cent, and it dearer than in any other state in Australia. It is the most expensive Workcover in your industry, more expensive than anywhere else in country. Did

you know that?

Mr BRAND — I thought it was pretty high, but I will take your word on that.

Mr CRAIGE — We have heard so much about how good the Victorian system is and how low the premiums are, but this one in particular is higher than in any other state.

Mr BRAND — Fine. Perhaps you would like to ask me how I came to be under the Workcover act.

Mr CRAIGE — Because you are an employee of Shenstone, a registered company.

Mr BRAND — Okay. You are talking about the accident. This premium is a function of the accident rate for the industry and everything. As I said to the Chairman, I am not here to talk about premiums.

I fell over my feet. I was walking down the track, I had cause to turn around quickly, I fell over my feet and fractured my skull — end of story. Here I am, 15 months later, and it — and its administration from the agent — has been a nightmare to me.

Mr CRAIGE — Who is your agent?

Mr BRAND — QBE Mercantile Mutual. I have supplied all the documentation, with backup letters, to the committee. I have backed up everything I have said with documentation. I just want to say that under the system itself you are told nothing. When I came home from hospital it is fair to say I still had a fractured skull, and the right side of my face did not work. I have no argument about being sent home early because there are people in those hospitals far worse off than I was. I was happy to get home.

I got myself back to work as fast as I could. The doctor gave me 2 hours a day. I said, 'That's no good'. A month later I got to 4 hours work a day. I used to have it done before breakfast. Then I got up to 6 hours work a day, and I had that done before morning smoko. I have had one day off work in my life, and that was only when I changed jobs. I have been self-employed for 25 years.

Mr BEST — One of the things I have been concerned about is the culture behind the system, much of which you have enunciated today. Can you give me a rating on your opinion of doctors, in respect of the Workcover authority and its operation?

Mr BRAND — As far as the medical profession as a whole is concerned, I have the greatest respect for them. In talking to them about Workcover they just throw their hands in the air. I have not found a doctor or a medico who has something good to say about Workcover.

Mr BEST — What about the claims agent you are dealing with?

Mr BRAND — My opinion of the claims agent is that they could not care less.

Mr BEST — Why?

Mr BRAND — They rang me in May — I can give you the dates. I had an accident in August 1999. The following May they rang and said, 'The act provides that we have to notify you that there is a facility for you to appeal against your return to work back on 2 January'. They said that to me in May. Doesn't that say something to you?

Mr BEST — What about the Workcover authority?

Mr BRAND — I have had nothing to do with Workcover, I have only gone through the agent.

Mr BEST — Therefore you have become a little bit disenfranchised with your particular claim and rely on the agent for the service and the standard of information you get?

Mr BRAND — Yes. If it is happening to me I can see it happening to the community.

Ms DARVENIZA — Firstly, I would like to thank you very much for coming along and sharing your experience with the committee. It has obviously been very traumatic for you. It is not easy for you to give this information to the committee, so I thank you for taking the time to do that.

A number of the issues you have raised are very important and we are pleased to hear about them, particularly the fact that country doctors are such an issue, with the travelling you have to do. It is a matter that we are continually trying to address — that is, to get specialists to come to country Victoria — and it is a good suggestion to be looking at incentives for getting them here. We hear a lot about people who are behaving fraudulently, who are abusing the system, or who want to take the system for a ride. Too often what actually occurs is that people who are genuinely injured — and many people are genuinely injured in the course of their work — have a harder or more difficult time because there is often that fraudulent aspect to it.

Mr BRAND — Yes.

Ms DARVENIZA — Would you like to make some comments to the committee about those things?

Mr BRAND — I started in the 1950s, when I was working in industry in the city. I have also worked in the Latrobe Valley on the construction of the power stations — I have been in the SEC environment. That word compo — in the work force it was a great thing if a guy got onto compo. In other words, he was basically ripping the system off. I will say no more about that.

When you talked about getting the specialists to come to the country you reminded me of one other aspect. I have done a little bit of research on this. Last week I was in Bairnsdale so I went to the Bairnsdale hospital. I said ‘Do you have ear, nose and throat specialists visiting?’. They said, ‘Four of them’. I went to the Sale hospital and I was told that from time to time four different specialists visit. I said, ‘Are any of them Workcover approved?’. They said, ‘Ring them in Melbourne’. I have rung every one of them. Some have said no, and at least two of them have come up here and said ‘Yes, we do Workcover work’. I have submitted their names to QBE. The letter came back saying, ‘Doesn’t qualify under section 91. No good. Get on the train and go to Melbourne’. It is a debacle. I am going to Melbourne to see a specialist and all those guys are waving at me as I go past as they are coming this way.

Mrs COOTE — I also thank you. The committee has not heard about that side of it in the discussions it has had around the state, so it was enlightening, certainly for me, to hear what you have had to say. In the responses you have received from the minister, has he indicated that he may be looking into changes in Workcover’s administration?

Mr BRAND — The minister’s letter says he acknowledges there are not the number of doctors available in rural areas that the authority would like. However, he says the difficulty is not only in the number of suitably qualified doctors but also whether they make themselves available to undertake independent assessments. He informs me that the authority regularly advertises for suitably qualified doctors in rural areas, and concludes with the words, ‘If you are aware of doctors who are qualified and available, they may apply to the authority to seek approval to undertake this type of work’. I do not think that is my job. The letter is signed by Mr Cameron, the Minister for Workcover.

Mr BEST — He needs a bit of help!

Mr BRAND — I do not think changes in government will alter the Workcover act. I am not pointing the finger at the present or the previous government. This mindset has been there too long. People do not want to change. The people at Workcover have all got their jobs. They are sitting in front of their computer screens filling in the boxes and all the guys in the country are getting pushed to Melbourne and back again. I do not think people want to change, but it has to change. That is why you people are here — because the system is running amok.

The CHAIRMAN — Thank you for the information, which we really need to have.

Mr BRAND — I would like to go to Workcover myself and tell it what I have said to you.

Witness withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Sale – 20 February 2001

Members

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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. Gordyn, Owner–Manager, Gordyn Abattoirs.

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

Welcome to the hearing. I invite you to make an opening statement about Workcover.

Mr GORDYN — Thank you for the opportunity to speak with the committee. I operate a small abattoir in Sale. I employ 11 people. We service most of Sale, the Latrobe Valley and Yarram. You could probably say we service everything within an 80-kilometre radius of Sale. We support the local livestock markets and local businesses, and I think we do a fairly good job.

My main problem with Workcover is that I have not had a claim in more than 10 years yet my premiums keep rising. I have no incentive. I was the last person to make a claim; I had a back operation. But in the meat industry there is no incentive for us to do better and to improve. I do not know how you can improve on zero claims over 10 years, but it does not make any difference.

I know that the rest of the meat industry is suffering. There are a lot of little meat plants in the state. If they close down that does not mean the Workcover cost for the industry will reduce either. It will be passed on to the processors that are left; they will be left to pay the rest. So the bigger processors will have to pay as well and pay more in the future; that is what I can see. That is basically my statement: I have no incentive to improve.

The CHAIRMAN — Are you able to supply the committee with any figures of what has happened to your premiums?

Mr GORDYN — It is 6.8 per cent.

Mr CRAIGE — And the industry rate is 8.4 per cent, so you are below the industry rate.

Mr GORDYN — Yes.

The CHAIRMAN — And did it go up this year?

Mr GORDYN — Yes, it went up by 0.5 per cent.

The CHAIRMAN — Are you able to give us the increase in dollar or percentage terms?

Mr GORDYN — I think it is close to about \$2000.

The CHAIRMAN — So it is rising by \$2000?

Mr GORDYN — Yes.

The CHAIRMAN — From what figure?

Mr BEST — Perhaps it would be helpful if we had your premiums for, say, the past five years so we can track the increases and also have the dollar amounts to compare.

Mr GORDYN — Yes. I do not have all those with me. I know we are at a rate of 6.8 per cent this year and we were at 6.4 per cent last year.

The CHAIRMAN — So, what is the effect on your business of this increase in dollar terms?

Mr GORDYN — Less margin. The meat industry operates on a very narrow margin as it is, especially now with the GST, which I know is another story. We buy livestock and pay GST on it. I sell food, so I cannot claim it back for a month or seven days after the end of the month. We are fine with that now; we have got over that. But it is an added cost to be paying that Workcover premium. If I could be saving, why can't I be given the opportunity? If I could go to a workplace and improve our manual handling techniques and so many things, which we do already, why shouldn't I be able to? I have got one office worker, but she has to be classed as working in the abattoirs. Why? I have different people in the organisation who do not work on the kill floor — they work in different sections — but we are all under the one umbrella rate. If there were a user-pays system — I suppose that is what you would call it — I could educate our staff better. I do not know how I can do better than not having a claim in 10 years, but having an incentive would help the small businesses that are trying.

Mr CRAIGE — What do you kill — cattle and sheep?

Mr GORDYN — Cattle, sheep and pigs.

Mr CRAIGE — And do you bone out, or just slaughter?

Mr GORDYN — Yes, we bone out. We have a separate boning room on the same plant.

Mr CRAIGE — Is it within the same building?

Mr GORDYN — Yes, but it has separate staff, a separate award and separate everything, but it is still under the same industry rate.

Mrs COOTE — What incentives would you like to see?

Mr GORDYN — I would like to see a drop in the 6.8 per cent rate for employers like myself who are willing to go out there, educate their staff a bit more and promote a culture in the workplace of safety, which we do. This may sound a bit silly, but I could pay my guys more instead of handing it over to Workcover.

Mr CRAIGE — Do you know that the committee has previously heard evidence from representatives of meatworks and abattoirs, but you are the first one — and there have been many — who has indicated to us that his business has not had a claim. It is a high-risk industry, as you would understand, and in my view you clearly deserve to be treated differently, because you have the processes in place.

Mr GORDYN — We have.

Mr CRAIGE — Is that the basis of your whole argument — that you should not be dragged up by the rest of the industry?

Mr GORDYN — I am the only person to have had a claim since I have been in business, and that was for the back operation. I said to the doctor before the anaesthetic, 'Please keep the disc because I want to take it to work and use it in educating my staff'. I still have that sitting in the fridge.

Mr CRAIGE — At work?

Mr GORDYN — Yes. I know it sounds like a joke, but it is not. It is used in trying to educate our staff about the fact that it can happen. Before my operation when people said, 'Don't lift it like that', I thought, 'I'm young, I'll be right' but it happens. We should be rewarded for trying.

Ms DARVENIZA — By how much has your premium increased in the past 12 months?

Mr GORDYN — By 0.45 per cent.

Ms DARVENIZA — How much is that in money?

Mr GORDYN — It is about \$2000.

Ms DARVENIZA — Has the number of employees increased?

Mr GORDYN — No. My remuneration has not increased.

Ms DARVENIZA — As Mr Craige has already said, it is a very high-risk industry. The industry rate is 8.4 per cent, and you are of course below that rate. The industry rate of 8.4 per cent is as high as you can go, and it is capped. If it were not capped it would be much, much higher than that.

Mr GORDYN — Which I believe it should be. I am not here to talk out of school, but I know of processing plants that do not care — Workcover will look after it. They are international companies. They do not care about it. They don't write out the cheques and pay the bills like I do at our little plant.

Ms DARVENIZA — How much time and effort would you put into risk management and occupational health and safety and training for your staff?

Mr GORDYN — It is immeasurable; it is ongoing; it is built into our quality assurance system. You

cannot quantify it; it is ongoing — every day.

Mr BEST — I used to have a butcher shop, so I probably know the type of operation you run. Just explain to me the culture of your work force and the awareness level among them in your operation.

Mr GORDYN — You could say that I am probably very lucky that we are a small organisation, with 11 or 12 employees — and they're all mates. We work on a production line set-up, where I have built in the culture that we do not have only one customer — that is, the person who receives our meat. If I work on one part of the chain, the next operator is the previous person's customer, and it works down the line that way. If I am legging the lamb, the next person who gets that lamb to do that job, he is my customer, so I have to look after him and make sure that when he gets the animal it is prepared in a way that he does not have to do any extra work, or you are careful with your knife where you are, or you don't push it into him and poke his eye out with a gambrel. That is the sort of culture that we have built into the abattoirs: the next employee in the processing line is the previous guy's customer.

Mr BEST — I appreciate what you are saying, because in a lot of cases the small places that I know revolve around the family operating and running the business. One of the things I want to do is play devil's advocate, because it is a very dangerous industry and you have to accept that accidents happen.

Mr GORDYN — Yes.

Mr BEST — You have been very fortunate, I suggest, that for 10 years, through careful planning and occupational health and safety procedures, you have been able to avoid accidents. What would be your ability to withstand a big claim, if unfortunately one of your workers had a similar injury to the one you had and it impacted on your rating and if an inspector came in and you were found guilty of negligence in the way you conducted your business? How fine are the margins? How difficult is it within the industry for you to withstand a large claim?

Mr GORDYN — It depends on how much our premiums would rise, basically.

Mr BEST — We have had examples where abattoir companies have been paying up to 18 per cent.

Mr GORDYN — I would not be able to wear 18 per cent.

Mr CRAIGE — You mix in meat industry circles, so you would know a fair bit of the word that goes around. When you look at Workcover in this state, where there have been a lot of claims that it is less than in a lot of other states, there is no doubt there have been a lot of closures of meatworks in Victoria and an exodus to Queensland.

Mr GORDYN — Yes.

Mr CRAIGE — That is based on a lot of reasons. I am looking at a chart about the meat processing industry that shows the current rate as 8.4 per cent. It is lower in New South Wales, where it is 8.27, it is lower in South Australia and it is about the same in Queensland. When you are talking to people, does that have any impact on business when you are making decisions? You are in a unique category, having managed to survive for 10 years.

Mr GORDYN — We have been there for a while.

Mr CRAIGE — You have survived in a domestic market. I find it interesting that you have been able to survive. One of the reasons for the closures must be costs, mustn't it?

Mr GORDYN — That is all it is — costs and burden on the meat industry. The meat industry is one of the most heavily regulated that you can get.

Mr CRAIGE — Do you have that relationship with your employees, with your overs and all that, with the tally?

Mr GORDYN — We do not work on the tally system because I believe that is where half the trouble comes from.

Mr CRAIGE — I agree with you on that.

Mr GORDYN — People get in there and go too fast, and the major claims are for stress and soft tissue injury.

Mr CRAIGE — Carpal tunnel syndrome.

Mr GORDYN — Yes, and sprains and strains.

Mr CRAIGE — And the knife — soft tissue.

Mr GORDYN — Yes, and that is from guys going too fast.

Mr CRAIGE — That is to do with the tally system, which is an award system that has been set up in the workplace.

Mr GORDYN — Yes. I do not think it is in Victoria any more, under the new award.

Mr CRAIGE — Has it removed the tally system?

Mr GORDYN — Not totally — there is still a provision there to use it. There are two reasons for not using the tally system. One of our main areas of income in an abattoir is skins and hides. If you have guys going flat out trying to get out the work, they are going to cut skins and hides — they don't care — and they are also going to cause themselves injuries. So you are losing in two ways. That is why we do not go too fast. We do not take on too many customers; we do our job.

Mr CRAIGE — You are painting a picture to me which on one hand says: we have a work force in the abattoirs which has a mentality of wanting to knock off at 2.30 and get out of there and do whatever numbers there are and if there are more then you get paid extra. The incentive from the industrial side seems to be that you are forcing that sort of pressure on the other side as high risk with Workcover, and the two of them just do not really match up. And therefore the two of them just do not really match up?

Mr GORDYN — No. To be successful in this industry you have to look at both of them, and I do not think they add up. But the mentality of meatworkers is to get in and get out. They cannot wait to get in the joint, and they cannot wait to get out, and you just need to educate them.

Mr CRAIGE — And, therefore, workers compensation claims and injuries are so much greater in that environment?

Mr GORDYN — Yes.

The CHAIRMAN — Thank you very much for coming along and giving your evidence to the committee. You will receive a copy of the Hansard transcript of our discussions which I invite you to return to the committee with any corrections.

Witness withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Sale – 20 February 2001

Members

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

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

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

Staff

Executive Officer: Mr R. Willis

Witness

Mr I. Dietrich, Proprietor–Owner, Maffra Licensed IGA Supermarket.

The CHAIRMAN — Mr Dietrich, I invite you now to speak about Workcover.

Mr DIETRICH — Our Workcover premiums have gone up; our last premium was \$30 000. Our salary and remuneration costs have doubled in the past three years, but our premiums have increased three times. We are worried about further increases in Workcover premiums and about how they are arrived at. Over the 10 years that we have been operating the business we have probably paid around \$100 000 in Workcover premiums. We have had four claims totalling about \$3000. I believe if we have a major claim we will still have to pay for it over a period in premiums over, say, the following three or four years.

Our concerns about Workcover are, firstly, where the costs will end; secondly, we need more incentive for reduced claims and perhaps a no-claim allowance; and thirdly, the actual calculation for the Workcover premium needs to be known. I know we get a little booklet, but when you get your premium notice it is very hard to decipher whether it is due to claims or whether it is due to your salary amount increase. We just need a better setting out of the Workcover calculation.

The CHAIRMAN — What was the previous premium before the \$30 000?

Mr DIETRICH — The year before that it was \$23 000.

The CHAIRMAN — So it went up \$7000 on \$23 000?

Mr DIETRICH — Yes, and the year before that it was \$18 000.

The CHAIRMAN — And have those increases been associated with increases in your remuneration?

Mr DIETRICH — Yes, our remuneration has gone up.

The CHAIRMAN — Double in three years?

Mr DIETRICH — In 1998 our remuneration was \$550 000 and our premium was about \$11 000. Our remuneration now is \$1.1 million — just on double — and our premium is \$29 000.

The CHAIRMAN — What is the effect on your business of those additional premium costs?

Mr DIETRICH — It is not as great as the GST. It is just another cost that is there. We have to look at our prices. We need to absorb those costs. We do not like to change them because we are in competition with the chains, so if we are seen to be moving to match the prices with the costs, people will not shop as much in our stores. It is just another fairly significant expense for us.

Ms DARVENIZA — Do you have any difficulty with the committee asking Workcover for a breakdown of your premium to find out what is due to claims and what is due to changes in the industry standard?

Mr DIETRICH — No.

Mrs COOTE — In an effort to reduce premiums are you looking at people who might abuse the system into the future, and do you think it would be appropriate in the future for people to perhaps have medical examinations before starting work with you so you would have some understanding of their previous health history? Would that be useful?

Mr DIETRICH — We have that; for senior people we ask for a medical. We employ a lot of juniors. We employ 66 people at present, of which there are 30 who are under 18 years of age. They are mainly people working after school and at weekends and public holidays. It is probably difficult. I suppose in theory we have not had a problem with those people. It has not been a problem with us before, but it could be a problem.

We have recently put on a full-time person. I did not know at the time I employed him that he had a knee reconstruction a year ago. He did not have a medical, and I do not know whether a medical examination would have brought that to light, but I would have liked to have had some information to tell me that. That would be a good idea.

Ms DARVENIZA — In deciding whether to put someone on would you consider, for example, whether that person had had a knee reconstruction?

Mr DIETRICH — I would have liked to have known that ahead because something might happen to that knee and he might make a Workcover claim over it.

Ms DARVENIZA — And would you not employ him?

Mr DIETRICH — I would have just liked to know that he had had a knee reconstruction, so the ability for him to make a Workcover claim would not be there — in other words, he would not be able to make a claim for that.

Mr CRAIGE — Did you realise that one of the reasons why your Workcover premium increased was the reintroduction of common law?

Mr DIETRICH — Yes.

Mr CRAIGE — As an employer do you have views on common law being reintroduced.

Mr DIETRICH — We were not happy with being able to be sued. That is the bottom line, isn't it — that you can personally be sued and might end up in jail? We were not happy with that at all. I should have said that earlier.

Mr CRAIGE — That is part of the cost that has increased.

Mr DIETRICH — Yes.

Mr CRAIGE — So you therefore not only face the issue of the premium being set in a category but the large increase has been because of the reintroduction of common law.

Mr DIETRICH — Yes.

Mr BEST — The question I have for you relates to the ability of small businesses such as yours to be able to compete with the major supermarkets, which have such a large percentage of the retail dollar, and pressures being applied to you through added costs to run your business and your decreasing margins. Do you have a view on that?

Mr DIETRICH — Obviously we are always under the hammer from the chains. We offer our own package to compete with them. We believe we have to provide better service than they do, which we have been able to do in Maffra. We have to be able to spend money to keep upgrading our stores in order to keep up with them as well. We have been able to do that, but it is ongoing all the time. The people who own the stores have to put in a lot of work and hours, free of charge, to compete with the chains. That is one of the differences. I believe any store that is paying rent and does not own the freehold — I know of some independent store owners in that situation — is struggling. It is not as bad in the country as in the metropolitan area.

We are a little better off in the country with independent stores than the metropolitan areas. Our store at Maffra is 20 minutes drive from Sale, which is a bit of a help. There is an IGA independent retailer at Sale as well, who has had to compete very strongly against Coles and Safeway, but he has done fairly well. But he has done very well.

Mr BEST — It is a big ask.

Mr DIETRICH — It is a big ask. As I said, it is up to the owners. Fortunately I have a business partner, and we have been working 60 hours a week for 10 years. It is all part of the independent picture. You really have to be there on the spot. When you are there all the time, your shop disciplines are better than the chains as well, but you have to keep working at it all the time. You have to keep looking at what they're doing, and you have to make your own moves. One of the moves we have made is getting community involvement. We are putting money back into the community through the community development program. But they are the things you have to keep doing all the time. There has been a slight increase in the independent share in Victoria. In the past 12 months it has gone from 12 to 13 per cent, after being about 25 per cent eight or nine years ago.

Ms DARVENIZA — Is it true that the introduction of the GST has been a much greater cost burden to you than the introduction of common law in Workcover?

Mr DIETRICH — Definitely.

The CHAIRMAN — Thank you very much for coming. We will send you a copy of the Hansard transcript for you to check what you have said. We appreciate your coming and talking to us.

Witness withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Sale – 20 February 2001

Members

Mr R. A. Best
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Chairman: Mr N. B. Lucas
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Witness

Mr B. McLoughlan, Administration Manager, Neville Smith Timber Industries.

The CHAIRMAN — Welcome. All evidence taken at this hearing is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act.

Would you like to make an opening statement to us on Workcover and then we will ask some questions.

Mr McLOUGHLAN — Neville Smith Timber is based at Heyfield, some half hour from here. We have approximately 160 employees on site, with a further sales team of about a dozen based in Melbourne. I have been asked to prepare a comparison of last year's premium and remuneration against this year's, just to give you an idea of the increase that we have sustained in the premium overall.

Our business is involved in processing timber to the kiln-dried, further processing and then on-sale stage. Our remuneration in 1999–2000 was \$6.5 million. In the year ending 2001 we are estimating it at \$6.6 million, an increase of approximately \$100 000. Our claims in 1998–99 were \$101 561 and claims in 1999–2000 were \$79 000. Those figures are directly from our agent's confirmed premium notice.

Following those figures you would not expect there to be much increase in premium. In 1999–2000 our premium was \$282 000, yet our premium for the current year was increased to \$508 322. We are at a bit of a loss to understand the reason for that. We called in our insurance agent to investigate it thoroughly, and he in turn has gone to our insurer and come back with quite a lengthy calculation of how it is arrived at, with things such as experience factors, F factors, et cetera, et cetera, which are all outlined in the Workcover booklet but are quite beyond the majority of us to understand — in particular, the F factor. The explanation for that is that it is a factor assigned to our agent for adjusting claims received in 1999–2000. How they arrived at that we are at a bit of loss to understand.

Mr CRAIGE — It is known as the fudge factor.

Mr McLOUGHLAN — There seemed to be a lot of question marks around the calculation of the premium, and that is what we were mainly concerned about. We are mainly involved in the running of our business and are not specialised in this field, so we have called in experts, and they in turn are confused as well. That is the main reason I have presented those figures. We are still inquiring as to the amount of the increase. We understand it could be in connection with expected future claims, although they are not listed on the confirmed premium notice that we received. They appear to be quite excessive as well. The next step in the background to how the figures are arrived at is expected future costs. Presumably they are costs related to current injuries which may require further operations, et cetera, further down the line. In comparison with the industry rate, in 1999–2000 it was 5.78 per cent and in 2000–01 it is 7 per cent. We seem to compare fairly favourably with that.

Ms DARVENIZA — What is your rate?

Mr McLOUGHLAN — In 1999–2000 our rate was 4.3, and for the current year it is 6.9 per cent. Just as a clarification, the figure I mentioned before of \$508 000 includes GST; ex-GST it is \$462 000. Against the industry rate it would seem to be reasonable, but the question begs itself as to why the industry rate is so high. That is about the background of the information that is requested.

The CHAIRMAN — What is the effect on the business of such a large increase in the premium?

Mr McLOUGHLAN — It narrows our margins, of course, but our industry already has a fluctuating margin, with the rise and fall in demand in building and so forth. A figure like that is quite a big intrusion into our margin and in turn influences hiring prospective employees. We have to prune back employees as far as possible, with things like this cost hovering in the background. So they are the two main aspects of it.

Mrs COOTE — Just talking about those future costs and their ramifications, did they give you any indication of what those future costs would be or whether it was going to be just for next year or for 10 years and if the same sort of increase was likely in your premium? Was there any indication of that?

Mr McLOUGHLAN — Yes, we receive a report listing each employee's name and a figure of future costs. The future costs for one of our sites came in at around \$65 000, and most of those related to one employee. It was a knee injury, and he was back at work for quite some time. We did not expect any future costs of any significance. So that is a particular one we are querying as to why it would be so high and how they arrived at that in the first place.

Mrs COOTE — That \$65 000 goes how long into the future? The guy is back at work.

Mr McLOUGHLAN — It does not say. It just says: estimated future costs, such and such, with no indication of how long it will be. Presumably it is indefinitely.

Mrs COOTE — When did this man do his knee?

Mr McLOUGHLAN — It would have been four or five months ago.

Mrs COOTE — So you have not had any previous experience to know whether next year instead of \$65 000 they will put him down for \$75 000?

Mr McLOUGHLAN — That is right.

Ms DARVENIZA — What has your injury rate been like over the past three years?

Mr McLOUGHLAN — Do you mean number of injuries or costs?

Ms DARVENIZA — Number of injuries.

Mr McLOUGHLAN — Fairly stable, I would have thought. Our occupational health and safety has definitely improved, with the introduction of Workcover having a closer alliance to the workplace and helping us improve safety standards. It is definitely a safer workplace, but we have found the number of injuries are probably fairly stable. Time will tell, I guess. We are hoping for that to improve as the years go on and our improvements take effect.

Ms DARVENIZA — Has the number of employees increased over the past 12 months; has your remuneration gone up?

Mr McLOUGHLAN — No, remuneration increased by only \$100 000. It is fairly stable.

Ms DARVENIZA — Do you have any difficulty with the committee getting information from Workcover about the breakdown in your premium increases?

Mr McLOUGHLAN — Not at all.

Mr CRAIGE — Can you provide an overview of your company and business? I will tell you why. The committee has been provided with some figures about the different enterprises and their classifications. Do you run a sawmill?

Mr McLOUGHLAN — Yes, it is part of the operation.

Mr CRAIGE — But it is a separate identity, is it?

Mr McLOUGHLAN — We have two sites: one is the sawmill and the other is further processing.

Mr CRAIGE — So the sawmill is separate, and so many people work at the sawmill, and that is rated at 7 per cent?

Mr McLOUGHLAN — That is right. 7 % is Industry rate. Our rate for that particular site is 15.2 %, up from 5.2 the previous year.

Mr CRAIGE — The industry rate for resawn and dressed timber manufacturing is only 5.7 per cent; for timber agencies it is 0.59 per cent; for timber merchants it is 2.6 per cent; and for corporate head office it is 0.48 per cent.

Mr McLOUGHLAN — That is right.

Mr CRAIGE — So you have mishmash of all those?

Mr McLOUGHLAN — And overall our rate is 6.9 per cent. We combine the rates of all those work sites together.

The CHAIRMAN — You have averaged it?

Mr McLOUGHLAN — That is right, yes. Our total premium against total remuneration is 6.9 per cent. But, as you say, our admin office in Heyfield, with some 15 employees, is rated something like 0.5 per cent.

Mr CRAIGE — You might have some difficulty understanding, and it is good that your accountant or whoever it is — perhaps the insurer — has gone back to find out why you have had an increase. But did you know that the Labor government reintroduced common law and that is why you are paying part of that price?

Mr McLOUGHLAN — I knew that would contribute to it, but not to this extent.

Mr CRAIGE — As an employer and administration manager, what do you think of the reintroduction of common law?

Mr McLOUGHLAN — We would certainly prefer it to be on the previous system. We did not see it as necessary to fight each case, as it were.

Mr CRAIGE — Do you think it introduces a different philosophy by the worker or an ethos at work — you know, the double-dipping, Tattsлото mentality?

Mr McLOUGHLAN — Yes. Evidence of that is probably that we have six or seven claims pending now from old injuries. That is probably another concern. We have been told that because a lot of those are beyond three years old, they do not impact on our premium. So the parties tend to settle very quickly. One case was settled for around \$60 000 for a previous employee. We believed that was far in excess of what it deserved and we were not consulted until after the settlement had been conducted.

Mr BEST — What is your relationship like with your insurance agent?

Mr McLOUGHLAN — Very good. He handles all our insurance. We are in weekly contact with him and he is very helpful.

Mr BEST — In the settlement of the claim, because the insurance company would rather settle and get it off the books, have you not had the opportunity of having your day in court, or your opportunity of input into the settlement?

Mr McLOUGHLAN — When we were told it did not impact on our premiums we were happy with that. But I cannot see how it would not impact on our premiums. It must affect them when they are settling. It must affect the industry rate over a period. So I think there should have been the opportunity for some involvement on our part, yes.

The CHAIRMAN — Thank you very much for coming along today, Mr McLOUGHLAN. You will receive a copy of the Hansard transcript of our discussions for you to examine. The committee very much appreciates your time.

Committee adjourned.