

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Ivanhoe – 23 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

Mr M. Greaves, Management Accountant; and
Ms F. Krocarris, Human Resources Coordinator, Insulform Pty Ltd.

The CHAIRMAN — I call our first witnesses, Ms Freda Krocari and Mr Matt Greaves, from Insulform Pty Ltd. All evidence taken by this committee is subject to parliamentary privilege in accordance with the Constitution Act and the Parliamentary Committees Act. Welcome. I am sorry again that we have kept you but we need to have a quorum before we can start. We have that quorum so we can begin. Would you like to make an opening statement? We will then ask you some questions, if that is okay. First of all, would you tell us where you are from and, if you would like, make some comments regarding your views on Workcover?

Mr GREAVES — Freda and I are from a manufacturing company based in West Heidelberg. The company is called Insulform. We manufacture automotive trim components and insulation. We supply the automotive industry in Australia — *Holden, Ford, Mitsubishi and Toyota. Freda is the human resources coordinator and I am the accountant. The company has been established for about 14 years. Annual turnover is around \$17 million. Turning to our views on Workcover, we had a pretty bad year about five years ago when we had a couple of claims that skyrocketed, and ever since then we have had quite a lot of premiums. Since that time we have got stuck into it and managed well and we have not had a claim now for two or three years, but our premiums have suffered due to the high claims that we had five or six years ago. This year should have been the first year that our premiums dropped off. We found that basically a claim will affect your premium classification for four or five years, so this year — 2000-01 — should have been a year when our premium dropped down quite a lot but due to the reintroduction of common law, GST and other factors our premium dropped by only \$9000 when in fact if it had not been for common law coming back in we probably would have dropped \$50 000. From our point of view the changes made to common law and that sort of thing did not affect us greatly because we had such high premiums anyway, so we budgeted for roughly what we ended up with.

Ms KROCARI — That covers my situation.

The CHAIRMAN — How many employees do Insulform have?

Mr GREAVES — At the moment we are carrying around 85 to 90. We had a peak in about 1996 of 150-odd but we have taken major changes with automation and things like that. We are stable at around the 85 to 90 mark, running three shifts 24 hours a day.

The CHAIRMAN — In terms of your understanding of what happened with the lower drop in your premium, did you obtain from either your insurance representative or from Workcover sufficient information to explain to you how the premium rate that you ended up with came out at that figure?

Mr GREAVES — No. We attended a training session where a lot of it was explained to us but that was just off our own bat. As for getting information about it, we have not received any information from our insurer or our insurance broker regarding how it was calculated. About four years ago we looked into how the premium came about. At that stage it was quite high and we wanted to work out how to get it down but the formula we were shown then as to how the premium was calculated was way beyond our comprehension. There were so many factors went into it — this and that.

Mr THEOPHANOUS — Not much has changed?

Mr GREAVES — No, not at all.

Mr THEOPHANOUS — I am trying to get a fix on what it is that you are concerned about, given what you have said. Do you know how much your premiums are at the moment?

Mr GREAVES — Yes.

Mr THEOPHANOUS — What were they last year?

Mr GREAVES — In dollar terms?

Mr THEOPHANOUS — In dollar terms, if you like, or percentage of salary if you have it.

Mr GREAVES — I do not have that. In dollar terms, last year it was roughly \$110 000. This year it has gone down to \$101 000.

Mr THEOPHANOUS — Given that you have had a reduction from \$110 000 to \$101 000, your complaint is that you did not get enough of a reduction?

Mr GREAVES — Basically, yes.

Mr THEOPHANOUS — You understand that there would have been an increase as a result of two factors. One factor is that there was a 15 per cent levy and a GST levy of 2 per cent. So 17 per cent was added to everybody's premium to cover common law and the GST.

Mr GREAVES — Yes.

Mr THEOPHANOUS — That is a matter of public policy by the present government. In addition to that, even though your group had a reduction as a company in your claims, as an industry your industry rate went up by one category — it is now 5.78 per cent. So it is the fact that the industry is not performing as well as it should as a whole, which is also taken into account along with your own experience issues.

Mr GREAVES — Yes.

Mr THEOPHANOUS — I am struggling to understand why you would have an issue, given that you have had a reduction. Despite the fact that the industry has gone up and common law had to be covered, you have still managed to get a reduction of \$9000. I would have thought you had done pretty well.

Mr GREAVES — We put in a lot of time and effort in the past four or five years into managing Workcover and making sure we did not have any claims.

Mr THEOPHANOUS — It has paid off.

Mr GREAVES — For four years we carried a humungous penalty because of that one bad year we had. It should have paid off this year. It has paid off by \$9000. In effect, it should have paid off by \$50 000, we would have thought. So far as the industry rate goes, that is another thing that is hard to swallow from a company point of view. You are lumped into this industry purely because of what you make. You could run the safest operation that you could possibly do, but because there are a few other companies in your industry that do not, you bear the brunt of their bad management, if you like.

Mr THEOPHANOUS — That system was established by the previous government. What I hear you saying is you would like to see it changed.

Mr GREAVES — Yes, basically. Your own personal insurance — your car insurance and your house insurance — is a one-on-one scenario.

Mr THEOPHANOUS — That is not true. You pay more for house insurance if you live in a high risk area.

Mr GREAVES — I understand that. But you have your own rating — your rating 1, rating 2, rating 3 with your car insurance, for example.

Mr THEOPHANOUS — So have you.

Mr GREAVES — That comes into effect.

Mrs COOTE — I congratulate you on getting your premium down. Obviously you have put a lot of work into that. Could you tell me what sort of impact high premiums have on your business, and if they were to be paid in the future what sort of impact that would have in economic terms?

Mr GREAVES — In economic terms, if they were to go much higher they could have the effect of closing the business down at the end of the day. It is a huge cost to carry. We got caught up five years back in that one bad year. Our premiums went from basically negligible amounts to suddenly looking at hundreds of thousands of dollars. If we do not plan for it — —

Mrs COOTE — You do not know what to plan for.

Mr GREAVES — Not really. It could have the effect of closing the doors. We do not run on a shoestring but, like a lot of businesses, we do run on overdraft.

Ms DARVENIZA — You have had a reduction in your Workcover premiums. One of the other issues is

the cost of the GST. I would like to ask you what the introduction of common law has cost you compared with what the introduction of the GST has cost you? How does that compare?

Mr GREAVES — Basically from what we know common law caused an increase of 15 per cent on our Workcover premium. I would say the GST is negligible at the end of the day.

Ms DARVENIZA — It has not cost you anything to start up and become compliant?

Mr GREAVES — Not really.

Ms DARVENIZA — And do the BAS?

Mr GREAVES — No.

Mr THEOPHANOUS — You do the BAS statements for free, do you?

Mrs COOTE — This is good. Keep going.

The CHAIRMAN — We are getting a bit away from Workcover, though.

Mr THEOPHANOUS — I do not know why we are only doing Workcover, Mr Chairman.

Mr GREAVES — At the end of the day, if you have good business systems set up, the things that you need for GST and for BAS are all there. The last BAS statement, which I did last week — —

Mr THEOPHANOUS — Can we have the name of your accountant so he can do our BAS statements for free too?

Mr GREAVES — It is me.

Ms DARVENIZA — Do you mind if we talk to Workcover about your premiums and how they have been struck?

Mr GREAVES — That is fine.

Mr CRAIGE — I apologise. The product that you use, is it felt?

Mr GREAVES — It is. A lot of it is felt based.

Mr CRAIGE — No. Is it felt?

Mr GREAVES — Yes.

Mr CRAIGE — So you use a product which is still categorised as felt. Do you make only products in relation to cars or do you make other things?

Mr GREAVES — Other things.

Mr CRAIGE — Can you give me an idea of what they are?

Mr GREAVES — The business started off making insulation, which is basically felt. It is used under carpet and for roof insulation — things like that. But since then we have moved on. We still do that but from time to time we do components such as parcel trays, boot linings and all those sorts of things that involve carpet as well as felt. There are also plastics and things like that.

Mr CRAIGE — I wanted to take up one issue in particular. You have appeared here today for a legitimate concern you have. You are quite entitled to do that and you should feel that you are entitled to do that on behalf of your company and your employees. I want to thank you for coming and expressing your view on Workcover.

The CHAIRMAN — If there are no further questions, we would like to thank you both for coming. We will send you a copy of the transcript and you may suggest any alterations you think appropriate. Thank you.

Witnesses withdrew.

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Witness

Mr M. Plymin, Owner, Henlor Sheet Metal and Roofing Pty Ltd.

The CHAIRMAN — Mr Plymin, thank you for coming here today. All evidence taken by this committee is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act. Welcome. Would you like to make an opening statement to us, including perhaps just a few sentences on what your business does, and then we might talk about Workcover.

Mr PLYMIN — I run a relatively small sheet metal business in West Heidelberg. We do a lot of work mainly for the building trade. The Workcover premiums have gone from probably \$22 000 a year up to about \$34 000, a component of which is GST, of course. I think it is unreasonable for that to happen when you have a pretty good track record in the industry. I cannot see why it should have to go up so much. I am just expressing my point of view. It could be shared around equally in different businesses perhaps, I do not know; I am not in the economics of it. But it just seems unreasonable how they can shift your premiums up. It cuts down employment. We will probably not put on an apprentice this year because of that. It is extra costs. It is not only the extra costs for GST and Workcover but the extra costs involved in your overdraft facilities. It puts a strain on the business. Along with the GST component, the extra costs all in the same year have made it pretty hard to run a business now. That is about all I have to say.

The CHAIRMAN — When you received your premium notice, was that the first indication to you that there had been an increase?

Mr PLYMIN — No, I heard a lot on the radio during the preceding couple of days but then we received ours. I did not think ours would go up that much, but it is a hell of a lot.

The CHAIRMAN — Since receiving that notice, have you taken it up with your insurance agents, with Workcover?

Mr PLYMIN — No, I have not.

The CHAIRMAN — So what would be your main understanding of the reasons for the increase that you have received?

Mr PLYMIN — I do not know. I just thought that the whole industry — going by what I was hearing on the radio — that everyone across the board had theirs increased. I was listening to the radio and every type of business was ringing in saying, 'My premium has gone up to this, this or this,' so I thought it was an across-the-board thing. I do not know the reason it went up.

The CHAIRMAN — And you still do not know?

Mr PLYMIN — No.

Mrs COOTE — You said that you did not take on an apprentice this year because of the on-costs. How would having premiums rise to this extent impact on your business? This year there was an apprentice. How many people would you aim for now?

Mr PLYMIN — We employ around about 14, and maybe a couple of casuals.

Mrs COOTE — Would that impact on employing those people?

Mr PLYMIN — We were looking at putting on an apprentice this year but we thought with the extra costs involved that it just was not worth it. Normally you carry an apprentice for a year or two until he covers your costs. I have put on apprentices all my life, probably every year, but this year we cut it out because the GST and Workcover factors got too much.

Mrs COOTE — You know what the GST will be. The Workcover is still a little unknown, is that right? How would you equate the GST and Workcover?

Mr PLYMIN — The GST is extra costs in accounting. As far as cost wise and your budget for the year, the Workcover — well, I mean — —

Mrs COOTE — Was such a surprise?

Mr PLYMIN — Yes, it is a big increase — 10 grand. When you are working close to the limits

sometimes it is hard, and we thought we did not want the extra costs involved each week and we just thought we would cop the rise and not put any apprentices on.

Mrs COOTE — Thank you.

Ms DARVENIZA — So you have had no increase in employees?

Mr PLYMIN — Since?

Ms DARVENIZA — During the time of this premium increase?

Mr PLYMIN — No.

Ms DARVENIZA — That is from last year to this year?

Mr PLYMIN — Since the premiums increase, no we have not.

Ms DARVENIZA — What about claims? What is your claims history like?

Mr PLYMIN — We have had one claim that went on for probably 18 months. There was a lot of confrontation about the claim — whether he had done an accident at work or not. It just went on and on and on and it was one of those things that no-one ever looked into properly. But other than that we have not had a bad claim for 15 years. We have had the odd cuts and things like that, but nothing serious at all.

Ms DARVENIZA — So you have had one claim?

Mr PLYMIN — Which was a bruising to one part of the fellow's arm. He had 18 months off for a bruising.

Ms DARVENIZA — That would have impacted on your premium, though?

Mr PLYMIN — Probably would have, yes. But going by what everyone else's premiums went up by, no, it did not have an impact on the cost.

Ms DARVENIZA — It did not?

Mr PLYMIN — I do not think so.

Ms DARVENIZA — Would you mind if I contacted Workcover and asked them for an explanation about your premium and why it has gone up the way that it has and the reasons for that?

Mr PLYMIN — Yes.

Ms DARVENIZA — Are you aware that 35 per cent of businesses in fact have had no increase in their premiums and that in fact some of them have decreased?

Mr PLYMIN — What was that?

Ms DARVENIZA — Thirty-five per cent have not had an increase and in fact some businesses have had a decrease?

Mr PLYMIN — No.

Ms DARVENIZA — In fact the business that was here previous to you was one that had a decrease?

Mr PLYMIN — Yes.

Ms DARVENIZA — Can I ask about the GST. You stated that one of reasons for not taking on a new apprentice was the increased cost to your business, including the increased costs of GST?

Mr PLYMIN — Yes.

Ms DARVENIZA — How has that impacted on your business?

The CHAIRMAN — Are you talking about the GST?

Ms DARVENIZA — I am asking how it compares with Workcover.

Mr PLYMIN — The cost of GST and the cost of the Workcover increase?

Ms DARVENIZA — Yes.

Mr PLYMIN — We looked at it as a combined thing — what it was going to cost us, the extra premiums in Workcover and the GST component of it. At the start of the year or at the end of the previous year we usually sit down and work out what we are going to do the next year. We added the two together and that is how we came to decide that we were not going to put anybody else on.

Ms DARVENIZA — The combined effect, including the GST, was a factor in that decision?

Mr PLYMIN — Yes.

Mr CRAIGE — I want to explore the issue of your Workcover agent and the 18 months for a bruise on an elbow.

Mr PLYMIN — Yes. You should see the file I have at work. It was a ridiculous claim for a start. When the accident happened, I did all the right things. I gave a back-to-work plan and did all the procedures to the letter. This employee just did not adhere to the back-to-work plan. I wanted to sack him. They would not let me sack him. I had other light duties for him. He would not come back to work.

Mr CRAIGE — Was that with your agent?

Mr PLYMIN — Yes.

Mr CRAIGE — Who is your agent?

Mr PLYMIN — I cannot think at the moment.

Mr CRAIGE — QBE?

Mr PLYMIN — No.

The CHAIRMAN — MMI?

Mr PLYMIN — MMI, yes. That just went on. One person was in charge of it. He left it and put it across to another person, who left, and it went to another person until I got to the end and I was so sick of it. I got on to a lady who finally said, 'This has got to finish', and she did something about it. It was finished and done with in two weeks after talking to her.

Mr CRAIGE — You had to carry that burden for about 18 months?

Mr PLYMIN — Yes.

Mr CRAIGE — All that time.

Mr PLYMIN — It got to a ridiculous stage. I got exhausted in trying to fix the problem.

Mr CRAIGE — And run a business at the same time.

Mr PLYMIN — Yes.

Mr CRAIGE — So if you had to rate the agency — and it is an important link in Workcover, your insurance agent — were you satisfied or not satisfied?

Mr PLYMIN — Not satisfied at all with the agent, no.

Mr CRAIGE — And that related to several things. One in particular is the constant change of staff and case people on your matter?

Mr PLYMIN — Yes; I am concerned about the lack of care in the matter, too, and the lack of accountability. They are in charge of something that is costing the business a lot of money. I am concerned about the attitude and the accountability of the people making that decision that this fellow can do what he wants for 18 months and be done with it. The man would not turn up for interviews.

Mr CRAIGE — What finally happened?

Mr PLYMIN — I got sick of it. I rang them up and said to them that for the last six months this kid had not been turning up for any interviews and has not produced any certificates so far as wanting to do a job is concerned. It just went on and on. They told him they would give him two weeks notice to find a job or he would go off the system. That's what happened. He just went off the system.

Mr CRAIGE — Do you realise that those sorts of things impact on you and other businesses because it goes into the way they analyse your rating?

Mr PLYMIN — Yes, I know.

Mr CRAIGE — Yet it was nothing to do with you. You were trying to resolve it.

Mr PLYMIN — I tried to resolve it right from the word go. I did all the proper procedures, went through the proper channels. You could not do anything more. We were willing to take him back, retrain him on computer programming. He just would not show up for work, and then it just went on and on from that.

Mr CRAIGE — They allowed that to happen?

Mr PLYMIN — Yes.

Mr CRAIGE — And you and a lot of other employers in your industry get a higher rate simply because of those sorts of things?

Mr PLYMIN — It gets right down to the medicals. You ring up one doctor that the person is going to. You say, 'Hang on a minute, you should be telling this fellow to come back to work, because he is capable of doing light duties'. So what he does is he just switches doctors, goes and gets another certificate for a couple of months or a month at a time, faxes the certificate through to Workcover. Yes, they sign it off. That is it. He is off for another month.

Mr THEOPHANOUS — When was this employee off? You said 18 months. What period was that? When did this happen?

Mr PLYMIN — How long ago?

Mr THEOPHANOUS — Yes.

Mr PLYMIN — It would have been probably two years ago.

Mr THEOPHANOUS — Were you aware that the system that was established which put the agent in charge of these things was established by the previous Kennett government?

Mr PLYMIN — Yes.

Mr THEOPHANOUS — So all of the problems you have experienced that you talked about before are really all problems that occurred at that time because of the way the agents were allowed to handle these cases?

Mr PLYMIN — The problem has occurred through a lack of a lot of things, I think.

Mr THEOPHANOUS — We are talking about two years ago. So what you would like to happen is for this government to try and fix the problems in terms of making sure that the agents deal with cases properly?

Mr PLYMIN — They should have more accountability.

Mr THEOPHANOUS — I can assure you we will be attempting to do that. Can I turn to the increase in your premium, because I do understand that it has gone up. You are in a classification called sheet metal products manufacturing. Again, the system we have inherited from the previous government is based on the notion that

when there is an increase in the whole industry, you get an increase whether or not you have had a claim. That has been simply applied again this year, and that has resulted in you getting an increase automatically because your rate went up by one category, which is 20 per cent.

Mr PLYMIN — Right.

Mr THEOPHANOUS — So you have a 20 per cent increase in your rate as a result of the application of that, and some of it might be a carryover as a result of that accident that you are talking about.

Mr PLYMIN — Yes.

Mr THEOPHANOUS — So that is the explanation for what has happened. Have you actually contacted the Workcover authority as opposed to your insurer if you have an issue with respect to how this is broken down?

Mr PLYMIN — No, I have not.

Mr THEOPHANOUS — It might be worth getting in touch with them if you are not happy with the way something has been handled. Finally, you have to understand that 18 months off, for whatever reason, if it was not handled properly back then, I do not know how much that costs, but maybe it costs \$60 000 — —

Mr PLYMIN — Yes, I know how much it costs.

Mr THEOPHANOUS — Probably more. So someone had to pay for that.

Mr PLYMIN — Yes.

Mr THEOPHANOUS — Obviously that is one of the reasons why you have had to finish up paying \$34 000.

Mr PLYMIN — But why should you be penalised when you have a claim when you have paid insurance for the 20 years you have been in business and have not had a bad claim? It is like a rating A on your car. Why should you pay for it? Why should your premiums go up? You have paid insurance for 20 years, you have kept people employed, and it turns around that you get one claim, which is a suspect claim, and a lot of it is caused through incompetency from other people out of your control, and you have to pay for it.

Mr THEOPHANOUS — So you would like the present government to try to address the issues you have raised?

Mr PLYMIN — Yes. Why should you be penalised after employing people for 20 years and trying to make a contribution to the community, and you get penalised for it?

Mr CRAIGE — Do you realise you are going to be penalised even more because the Labor government has reintroduced the right to claim under common law, which means you get a double- whammy now?

Mr PLYMIN — I know.

Mr CRAIGE — It has reintroduced a new Tattslotto mentality in the work force. Not only will people get Workcover, but they will be able to go and get compensation under common law. How do you feel about that as an employer?

Mr PLYMIN — Shocking. Why didn't they just leave it the way it was? I mean, from when it was taken over how much was saved when Kennett got in and had long-term — I mean, we had a girl at work, for instance, who used to go for massages twice a week, unbeknown to us. She reckons she had a crook neck. We had to pay the first \$200 or \$300 of medical bills when it happened. She got massages once or twice a week for two years. Two years that went on.

Mr THEOPHANOUS — But this all happened under the previous government.

Mr PLYMIN — No, before Kennett. When Kennett got in he introduced a letter. She was investigated, I think, three months after Kennett got in. She had to go in for a test because she was a long-term Workcover claim. She got in there; the matter was dismissed; she never went back for another massage.

The CHAIRMAN — Okay, we are running out of time here.

Mr CRAIGE — Thanks for that.

The CHAIRMAN — Mr Plymin, thank you for coming along today. We will send you a copy of the *Hansard* transcript for your consideration.

Witness withdrew.

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Witnesses

Mr C. Ristrom, Managing Director/Owner; and
Mr D. Woodgate, Britex Group.

The CHAIRMAN — Welcome, gentlemen. Neil Lucas is my name; I am the chairman. The names of all our members are before you. To save time I will not go through them individually. Can I say 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. Would you like to make an opening statement — perhaps a couple of sentences telling us about Britex, what it does, the number of employees it has and that sort of thing, and then an opening statement on Workcover? Then we might ask some questions.

Mr RISSTROM — This was out of the blue. We were contacted by — I am not sure who.

Britex Stainless Steel is a manufacturer also in sheet metal but stainless steel, predominantly, manufacturing stainless steel for the building industry, including commercial refrigeration cabinets and display cases to shopping centres, shops and food outlets. We also have a very large sanitary division which provides all the sanitary products for hospitals and hotels.

We have a staff of about 50 people and things are sort of okay in the world as of this month. There is no permanent proposition in this world. I was contacted by whoever to discuss Workcover and I am still very disappointed to see the politics that goes on. It is a problem, maybe, but I just put my hands up in the air with this one. What this has done is just totally breathtaking.

I have left most of the number crunching to David and have been pushing him to see what he can work out. We are with VECCI. We were with MTIA and gave them away for VECCI. We are happy to be with them but we get brick walls all the time with whoever we contact. It is all very well to say to contact CGU or whoever it is. They cannot do anything. It is all to do with the world at large and, obviously, the need to try to get the systems to pay, so I have a very cynical view of that system.

I try to keep away from it and just get on with running the business. One has to do that. Fortunately the business is large enough or we are capitalised enough to do that. But I must confess it is getting tighter and tighter because of the malaise of politics. There is the assumption that businesses — this is just a theory, though a pretty accurate one, I suspect — can just keep paying all the time and at the end of the day it will work out; and if they cannot pay staff, it does not matter because they should not be in business anyway. To some extent I agree with that mentality, but it has gone past that.

I know it does not fall within the scope of this committee, but there is a bigger problem here that is underlying all those things. If I hear, 'We may not be putting people on because of that or this', I know that is not the reason. The reason is unfair dismissals. I do not want to talk about that because it depends on your politics. I started off a bolshie and I do not know where I sit now. But you cannot say this matter of unfair dismissal is not a problem. It is to do with the ILO — it is nothing to do with Victorian or federal issues, but it is a real issue. As an owner-employer I absolutely shudder when we have to put people on because you cannot put people off. What do you do?

Then you get people on Workcover who take advantage. We used to have a third-third-third principle — a third of people in the work force do not care less, a third do and a third sit on the fence. We have a very good workshop and we have all sorts of extra incentives and social gatherings and so forth, so we have a very good system. At the moment we are down to about 5 or 10 per cent, tops, of employees who want to suck the system. Mind you, that is just a primal thing with all human beings. We all want to do the least we can for most of the time, so it is up to the entrepreneur or businessman to get the people to suit their particular environment and to get the best out of that situation. That is also called exploitation so you have a problem there. But that is what most businesses are about.

The people who rot the system are now being highlighted greatly by the particular problem that you appear to be addressing or trying to address, and we have been hit. From a premium of \$40 000 we are now up to \$120 000. When I hear about 5 per cent or 10 per cent or none at all, I know that is just bullshit. What are they doing? The statistics can be skewed to mean anything. One person with a shop or something who calls himself a business rings up Jon Faine or Neil Mitchell or whoever it might be about whatever he wants to talk about and he gets a bit of airplay. So policies are changed to suit that one or two, and to say that 30 per cent of businesses have had no premium increase is just not true.

Mr THEOPHANOUS — It is true. Do you have other figures to establish that it is not?

Mr RISSTROM — I guarantee you without any knowledge whatsoever that 30 per cent would constitute zero per cent of the work force.

Mr THEOPHANOUS — It is 35 per cent of businesses.

The CHAIRMAN — We are not here to enter into an argument. If you would like to finish your submission then we might ask some questions. We are not here to argue that.

Mr THEOPHANOUS — Well, don't just make things up.

Mr RISSTROM — That's a bit defensive. I want to be constructive here. I don't want to be defensive, okay?

Mr THEOPHANOUS — Well, please! Give us the numbers. Tell us about your business.

Mr RISSTROM — My hypothesis is that 30 per cent of whoever has had no increase would represent a very small percentage of the work force. It must be simple. That is logical because if you have a lot of people, you have to factor in the people who will be able to take advantage of the system. We have a similar situation here where a guy had a discussion with our leading hand — just a discussion. He did not come in for three days. We could not do anything about it because you cannot put him off. Next thing we know, he claims he has been intimidated. He was not really intimidated. He was not even talked about badly. Anyway, that is my submission. Hopefully, you might get somewhere.

The CHAIRMAN — Thank you. Mr Woodgate, would you like to add to that?

Mr WOODGATE — Only to give you some of those figures. In 2000-01 our premium was \$53 000, which was increased by \$8000 due to salary increases or remuneration, which took it up to approximately \$62 000; \$29 000 was due to industry rate and claims that we have, \$15 500 to common-law claims, and \$11 000 to GST.

Mr McQUILTEN — That is interesting.

The CHAIRMAN — That all adds up to roughly \$120 000?

Mr WOODGATE — Yes.

Mr McQUILTEN — What were the claims?

Mr WOODGATE — We have one claim on our books for \$39 000. That has been a gentleman who has been injured for two years — he hurt his back. They have been working through trying to solve the guy's problem. It is a legitimate claim; we have no problem with it. It is just one of those unfortunate things in that the guy is 57 years old and it is very difficult for him to get a job that has no lifting. In our industry it is impossible to give him a job that does not have lifting.

Mr THEOPHANOUS — What were the figures for the year 2000-01? Do you have those figures?

Mr WOODGATE — I have not got the figure in front of me, but it was something like \$44 000.

Mrs COOTE — Mr Risstrom, you touched on something before that I would like to hear you elaborate on. I think Mr Woodgate did as well. It was about a culture thing and malingers. Are you worried about this return to common-law claims encouraging the culture of malingers and the Tattslotto-type approach to this issue?

Mr RISSTROM — I am really not qualified to address that. I do not know whether changing the legal aspect of claims and so forth will address the percentage that I was referring to that are trying to take advantage of the system. One has to wear it. As a society we have to wear it. We cannot do anything about that. It is going to happen one way or another. Changing the legal structure and the legal approach probably will not change it. You may argue differently, I do not know, but I really do not think it matters. There is a lot more to it than that.

Mrs COOTE — Is that your feeling about it too, Mr Woodgate?

Mr WOODGATE — No, it is not, to be honest. I lived through manufacturing in the late 1970s, early 1980s, where I saw premiums go through the roof because of the common-law set-up that was applicable at the time, and I have a great fear that it may happen again.

Mr THEOPHANOUS — Could I ask each of you a question that you might want to answer: if you were an employee in a business, as opposed to the manager, or whatever — —

Mr RISSTROM — Which I am.

Mr THEOPHANOUS — But if you are an employee and you have an accident in the business which is entirely not your fault but in fact was caused by your employer because of negligence, do you think you should be compensated for that, or do you think that in that case the employer should not have to pay anything extra for the fact that he or she caused you to have an accident?

Mr RISSTROM — The current thinking is that you must. I agree with it, too. It is a loaded question.

Mr THEOPHANOUS — You agree with the common-law principle. If you agree with the common-law principle, it seems to me, based on what you have said here, that the increase you have experienced is \$15 500 of the \$120 000. That is the appropriate amount for common-law claims. You must have asked for that information, because it has been provided to you.

Mr WOODGATE — Yes, I did.

Mr THEOPHANOUS — That is a payment which is made by all businesses because of a decision by us, as a society, that where somebody is negligent, there should be a payment; that is what we decided. I can understand why some people might object to it, but what I am asking you is it seems to me that the rest of the increase — because you are talking about an increase from \$44 000 to \$120 000, a huge increase — only \$15 000 of that is due to the common-law aspect. The rest of it has to do with the GST, with other claims that might have occurred, and your industry rate, which has gone up by one category.

This is a system which we inherited from the previous government. This is what it is. I do not want to play politics with this, but if people are going to accuse us of making changes, we are happy to cop it for the \$15 000 for common law, but we did it because we believed in it. We are not happy to cop it for the system which was established by the previous government. Would you like to comment on that?

Mr RISSTROM — I did not know I was here to address a political forum. I think what has to be understood by all sides of politics, or the people who represent the business community, is if you want to get jobs, if you want to get people into the community and get the work force going, you have to address the costs associated with it in this instance. I am sick and tired of hearing businessmen ring up saying, 'This has cost me jobs. I am going to put people off. I am going to do this'. It is bullshit. It does not happen. I am putting people on. I just put five people on. You have to keep going. They will use an excuse. Then of course you will get your particular persuasion picking up and running with that particular thing — 'This is going to go offshore', 'This is going to go to another state', or 'We have just picked this bloody job up', 'This company is going to start up in Victoria. How good are we?'. You have to look at the whole thing. Do not play the politics card.

Mr THEOPHANOUS — I agree.

Mr RISSTROM — Look at the whole thing and say, 'How do we compensate?' If the user pays, that is fine. If you think we all have to pay \$100 000 for companies our size, that is fine. Water will find its own level. But a jump like this and the other problems associated with running a business, which are probably bigger than this — —

Mr McQUILTEN — Is that the GST?

Mr RISSTROM — No, the unfair dismissal thing is a bigger problem to do with the work force. It is not talked about. It is a bigger problem than all this. Those sorts of problems have to be looked at. I do not know how you address that with the International Labour Organisation. I have gone into it, but I do not know how you do it. I do not think people are concerned. The Victorian state government cannot do anything about it. The federal government cannot do anything about it. So I do not think we are going to be able to do anything about that.

We have a problem in trying to get manufacturing companies up and running. We are fairly switched on. We keep moving on. We keep getting new machinery and so forth. We will overrun the people that may have been here a moment ago — the smaller sheet metal workers — because we are going to get smarter and smarter and smarter. That is what this is forcing us to do. That is good. That is the way it is supposed to be. We become more competitive. We are starting to look at export. All of a sudden you get hit with this sort of nonsense, and then you get all this other stuff that says it should be this and it should be that. It is really horrendous. It is an enormous

cost burden. Our prices are doing down, as those of most businesses are. Our costs are screaming up, as those of most businesses are. It is an absolute precipice at the moment with businesses.

I would think you will see plague proportion insolvencies this year and next year. You already see receivers and managers so busy, it is not funny. I guarantee that. I know that for a fact. It is plague proportions because you are weeding out the willows from this sort of stuff. That is fine, maybe, but somewhere among all that is somebody who is really going, which I have been doing over the past 30 years, saying, 'This is just too hard. This is really just too hard'. What do you do that for? In other countries, the culture is that you reward those sorts of people. I do not know how you pick winners and losers. I am not into that either. But this is dead set to push and push and push. Then you get, with respect, the left philosophy thinking — and I am not either side here — —

Mr THEOPHANOUS — I think you said you started off as a bolshie.

Mr RISSTROM — That is right. I do not know where I am now. I was in demos before you.

Mr THEOPHANOUS — It is a common path.

Mrs COOTE — We hope to get you at the end.

Mr RISSTROM — It seems to do that. I forget where I was at.

Mr THEOPHANOUS — My final question to you is this: figures can be manipulated, but there is one fundamental figure about costs. That is that Workcover premiums in this state, on average, for everybody are now set at 2.22 per cent. That is what it is.

Mr RISSTROM — I do not care.

Mr THEOPHANOUS — It matters because in New South Wales it is 3.5 per cent.

Mr RISSTROM — I do not care if they are.

Mr THEOPHANOUS — So we are competitive.

Mr RISSTROM — I do not care.

Mr THEOPHANOUS — The issue is: how do we distribute it among businesses?

Mr RISSTROM — True. I said that myself. That is fine.

Mr THEOPHANOUS — Some businesses are going to pay a bit more and some are going to pay a bit less.

Mr RISSTROM — We had one claim and the thing goes up \$40 000. Hell! What have we been paying insurance for? We might as well self-insure. I am very happy to self-insure in my own business. We cannot do that. It is a dangerous thing.

Mr THEOPHANOUS — It sounds as though we might have to fix the system a bit and have a look at some of those issues.

Mr RISSTROM — There is no doubt about that, but I do not know whether you can.

Mr McQUILTEN — We are doing it.

Mr RISSTROM — It is just unreal.

Mr THEOPHANOUS — We are having a look at it.

Mr RISSTROM — I gathered that.

Mr THEOPHANOUS — I mean apart from this committee.

The CHAIRMAN — Any more questions? If not, Mr Risstrom and Mr Woodgate, thank you for coming along today. We will send you a copy of the *Hansard* proof. You can have a look at that and see whether we have

got it right. I am sure we have.

Mr RISSTROM — I have got to the point where I would have once told you whether you had got it right or not, and I cannot be bothered any more. It gets to that point. It really does. I just do not think anyone really listens, and at the end of the day they do not care. They say they do, because that is their job to say they do, but I do not think at the end of the day many people do. They do not. Believe me.

Witnesses withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Ivanhoe – 23 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 M. McKenzie, Director;

Mr R. McKenzie, Managing Director, The Graffiti Eaters Pty Ltd.

The CHAIRMAN — I reconvene the hearing and invite Ms Maureen McKenzie and Mr Rodney McKenzie to come forward.

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.

If you would like to spend a short time explaining your business and talking to us about Workcover, we will then ask some questions.

Ms McKENZIE — We are a graffiti removal company doing industrial cleaning, fire cleaning and site cleaning, working with chemicals. We have mobile trucks on the road in four states of Australia.

Mr CRAIGE — How many employees do you have?

Ms McKENZIE — We have 17 employees at present, and we have had up to 20. We have about 12 employees in Victoria. In our business we have to train the staff completely from the beginning as they cannot get training from anywhere else. It takes us about three months to train operators to be capable of going out and doing any job we throw at them, because every job is different. They have to mix chemicals on site, depending on what type of graffiti and surface they are working on. They have to assess a lot of occupational health and safety issues before they do a job. They work for schools and councils and in places such as shopping centres where there are people around, and when jobs are difficult they have to be done after hours, so they work different hours. The company is 20 years old and we have had it for 12 years.

Mr McKENZIE — It is an expanding business. We have a very positive approach to expansion and development because we are trying to make it bigger on a national basis. We employ family members, which is probably relevant to your survey. I am the managing director of the company, and the two of us work in the business together with our immediate family — our son and daughter and their partners — and we also employ staff. All the family members except for one — five of us — work on the clerical and administrative side of the business.

The CHAIRMAN — That gives us a fair overview of the business. Could you now turn to the Workcover side of the business and tell us about that?

Ms McKENZIE — We are on a higher premium level for Workcover and always have been because we are classified in the cleaning industry category, which includes office cleaners and that type of worker who apparently have high claims. We are lumped in with them. When the average rate used to be, say, a 1.9 per cent premium ours was 3.79 per cent, and with the new increases it is now up to 5.3 per cent, which is a very high premium. This year our premium without GST is \$21 845.

Ms McKENZIE — That is just for Victoria.

Mr McKENZIE — That is just the Victorian figure; it is not a national figure.

The CHAIRMAN — Do you have last year's figure there?

Ms McKENZIE — Last year's premium was \$13 348.

The CHAIRMAN — It has gone up by about 50 per cent.

Ms McKENZIE — The wages have gone up in that time, and I anticipate that my wages will be what I estimated. Even so, applying this year's premium percentage to last year's wages, there is still a \$5000 increase. I would be paying \$5000 more this year than I did last year if the wages had been the same for both years. That is a huge increase for a small business.

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

Ms McKENZIE — It stops us employing more people. We would desperately like to put two or three more people on in Victoria but we would have to have the cash flow to cover all those things. We have had huge increases in costs this year: a 1 per cent increase in superannuation, which went up to 8 per cent; fuel price increases have been astronomical; there is the increase in Workcover premiums; and the GST implications have been astronomically expensive.

My son and I stayed back for hours night after night trying to work out the GST, the new computer programs and how all the information was to be put in. If I had had to pay staff to do that I just could not have afforded it. This year I am already \$4000 up on accounting fees, and they have not finished billing me yet.

Mr McKENZIE — We expect that to go over \$6000 to \$8000.

Mr McQUILTEN — That is in addition to the Workcover rise? That is just accounting fees?

Mr McKENZIE — Yes.

Ms McKENZIE — We have had all those expenses. We started the business from home as a backyard business and it has just grown. When businesses grow like that, you do not have and you cannot afford to employ expertise in all those areas. I started off doing the wages for just the two of us; now I am doing the wages for 17 people. I am expected to know all the legislation covering Workcover, GST and payroll tax, which we now have to pay. In a small business you cannot keep up with all that legislation and run your business at the same time. We are graffiti removalists, not accountants or tax experts, but if we do not know something or make a mistake we are immediately fined. There is no leeway anywhere. For example, we were a year behind in paying the Victorian payroll tax; I paid what I should have paid but I got a fine anyway. They said it was my responsibility as a director — which it was — to know exactly when I reached the payroll tax level, but we are running a business and we are not thinking of all those other things. We are still not able to afford to employ someone full time to take care of all that administration.

The CHAIRMAN — In relation to Workcover, which is what we need to concentrate on, what action did you take when you received the premium notice?

Ms McKENZIE — I wrote to them and asked if they could explain it, and I got no reply.

The CHAIRMAN — You wrote to your insurance agent or to Workcover?

Ms McKENZIE — It would have been the insurance agent, I think.

The CHAIRMAN — You did not receive a reply?

Ms McKENZIE — No, I have never had a reply from them.

Mr McQUILTEN — Who was your agent, by the way?

Ms McKENZIE — HIH Insurance. It has changed and swapped around several times because it was taken over.

The CHAIRMAN — What was your understanding of why your premium went up by that amount?

Ms McKENZIE — Because of the Labor government introducing the common-law right to sue and wanting to bring in a fully funded scheme.

The CHAIRMAN — Have you had any Workcover claims made against you?

Ms McKENZIE — We have had two claims: one about 10 years ago, and another about four years ago for \$450.

Mr McQUILTEN — How much was the one 10 years ago?

Ms McKENZIE — I never had a final settlement on it; probably about \$1500.

Mrs COOTE — You said you have 12 employees here in Victoria, and presumably the rest are in New South Wales; is that right?

Ms McKENZIE — They are in South Australia, New South Wales and Queensland.

Mrs COOTE — Could you give me from your experience a comparison of Workcover premiums between South Australia and New South Wales?

Mr McKENZIE — It is very interesting. They are all over the place.

Ms McKENZIE — Each is different. South Australia's is paid monthly and I get a booklet that details all my premiums and everything, so I know exactly how much I am paying. That is another thing I would like to say about Victorian Workcover: I get a sheet that tells me exactly what my premium is but in no way does it tell me how that premium was calculated, what my percentage is or whether I am getting a bonus for not having a claim. I have no idea about those things with Victoria's Workcover, whereas with South Australia's I know exactly where I stand and what my premium is.

Mrs COOTE — Is there a difference in the rates?

Ms McKENZIE — South Australia's is 5.829 per cent.

Mr McQUILTEN — That is about half a per cent higher than Victoria's.

Ms McKENZIE — Yes, but it has given me a \$500 credit because it is a fully funded scheme and it had money left over from last year, so it paid that back to employers.

Mrs COOTE — What has been your experience with Workcover in New South Wales?

Ms McKENZIE — The rate is very high in New South Wales — it is about 10 per cent.

Mrs COOTE — Are they easier or less easy to deal with in New South Wales?

Ms McKENZIE — I have had one claim up there and they were very good to deal with. The chap I got onto was very helpful, but the actual forms they send out are not easily readable or easy to understand, so I had to ring him and he stepped me through it all.

Mrs COOTE — Are the industry rates in New South Wales higher than the industry rates you get allocated here?

Ms McKENZIE — The New South Wales rate is, yes.

Mrs COOTE — The rate you were quoting before was not your rate?

Ms McKENZIE — No, 10 per cent is my rate.

Mrs COOTE — And the industry rate is 10 per cent as well?

Ms McKENZIE — I have no idea what the industry rate in New South Wales is. I did not look that up.

Mrs COOTE — That is very interesting; thank you.

Mr McKENZIE — Do you want to know the rates for Queensland?

Ms McKENZIE — Queensland's rate is 2.6 per cent.

Mr CRAIGE — That is what you are currently paying?

Ms McKENZIE — Yes, 2.6 per cent.

Mr CRAIGE — It may not necessarily be the industry rate?

Ms McKENZIE — No.

Mr CRAIGE — You could be getting discounts?

Ms McKENZIE — No, the industry rates would be lower.

Mrs COOTE — Your industry rate is higher than what you are paying, according to our information. We have been told that the industry rate is 7 per cent, but you are paying 5.3 per cent, so you are actually paying less than the industry rate.

Ms McKENZIE — That would be because we have not had claims, but that information should be shown on the form so you know the situation each year, as happens in Adelaide. Then I know where I stand.

Mrs COOTE — The only information I have is about your industry category.

Mr McKENZIE — One concern I have always had is that you are lumped under the bulk Workcover rates. It may well be that a discount is being paid to us but companies that go out of their way to have an occupational health and safety policy, and work safely, do not know whether they are being rewarded. We know that the Workcover guy walks in the door and does an audit of our operations, but we do not know whether we have complied. We have had few claims. There is no rationale between the dollars paid and claims made. There is no reason why we should have claims because of the way we run the business. We do not expect to have claims made against the company yet we are paying huge Workcover premiums for other people in the industry who, we can only assume, do not have the same occupational health and safety standards.

We are working hard at getting that right. We are a quality-assured company and have done a lot to gain that standing. We write our own manuals and control our business through planning manuals and procedures. Everything is documented. We have spent a lot of money through having people work safely. We do not know whether the company is gaining a benefit for working in that way; if we are, I suggest it would not be enough because the premiums we pay are exceptionally high for what would be perceived to be our claim rate.

Ms DARVENIZA — A number of things can lead to your premiums having increased. The first is the introduction of common law, which has increased the premiums by 15 per cent; also, an additional 2 per cent has been imposed because of the introduction of the GST. That would be part of the reason for premiums increasing. The second reason is that your industry's category has increased by 40 per cent.

Ms McKENZIE — That is our beef. Why are we classified in that industry?

Ms DARVENIZA — You are in the cleaning industry. If you believe for whatever reason that you are not part of the cleaning industry, you need to take that up with Workcover.

Ms McKENZIE — That is useless.

Ms DARVENIZA — Have you tried?

Ms McKENZIE — Yes.

Mr McKENZIE — We accept that we must be placed somewhere, whether it be under the building industry category, or whatever — that is the way things are.

Ms DARVENIZA — Unfortunately for you that category has increased by two levels and premiums have increased by 40 per cent. Would you have any objection to our contacting Workcover and finding out the breakdown of your premium increases and where they have come from?

Ms McKENZIE — That is fine.

Ms DARVENIZA — It probably comes from the increase in the industry rate. Have you increased the number of staff in Victoria in the past 12 months?

Ms McKENZIE — No. There would have been pay rises in that time but no increase in staff numbers.

Mr CRAIGE — You have the Victorian figures. Does it have a percentage rate on it?

Ms McKENZIE — No. Would you like to see it?

Mr CRAIGE — No, I believe you. How do you know that you are paying 5.3 per cent?

Ms McKENZIE — I worked it out.

Mr CRAIGE — You are not told about your premiums?

Ms McKENZIE — That is my beef.

Mr McKENZIE — If our calculations are incorrect it could be something else, but we do not know.

Ms McKENZIE — On the form they give me our remuneration for the past three years and that the total

premium is \$24 029.

Mr CRAIGE — I understand your beef about being categorised with any other group of cleaners — they could be office cleaners, cleaners in the retail industry, or whatever — because you are a specialised area within an industry. Workcover has the current rate in Victoria for cleaning services as 7 per cent. It says your rate should be 7 per cent. If you are paying only 5.3 per cent, clearly a discount factor or some other factor has been taken into account because your record has been good. The committee is also meant to investigate what should happen in the future. Common law is a reality because it has been reintroduced by the Bracks government. What else would you like to see in a future Workcover plan in Victoria? Would you like to see a penalty-and-bonus system?

Mr McKENZIE — I would like to see something along those lines so that companies that have taken steps to prevent accidents would be rewarded. That should be seen by the employer because it is no good a company doing it but not being rewarded.

Mr CRAIGE — You, the employer, need to see what is happening, as happens in South Australia?

Ms McKENZIE — Yes.

Mr McKENZIE — If we have done a good job and have saved 3 per cent, when we pay the bill we can say, 'We may have saved \$3000 or \$4000 through some of the money we have spent on safety'.

Ms McKENZIE — If that rate is 7 per cent, that makes Victoria the second-highest state for Workcover premiums.

Mr CRAIGE — It does.

Mr McKENZIE — We said we would not operate out of New South Wales because of the costs involved there. It may not seem much for a company the size of ours, but it makes a huge difference. We need not be based in Victoria, we could operate from any state, but we choose to be based here. If the Workcover rates increased even further — although I admit they would need to be considerably higher than they are — we would consider moving. But the premiums come into the overall operating costs. A number of factors preclude us from operating in New South Wales.

Mr CRAIGE — Do you have contracts with agencies, governments or the railways — do you do that sort of work?

Ms McKENZIE — We have in past years but we do not work for the railways at the moment. We lost that tender.

Mr CRAIGE — Are you involved in tendering processes?

Mr McKENZIE — Yes, tenders are currently being negotiated with all councils and government bodies. We work for the private sector as well as all forms of government and the business sector.

Mr McQUILTEN — Have you tendered to clean up the GST?

Mr McKENZIE — We like it when you create a public outcry because we go around and clean up afterwards.

Mr McQUILTEN — Are you pleased to hear that the government is looking at what you were talking about as one of many options — that is, at the companies that are concentrating on occupational health and safety issues and making an effort?

Mr McKENZIE — That is an important matter. Recently a guy walked in off the street and did a Workcover audit. He did a fairly good job, but talking in general terms, he followed up on his audit to see whether we had complied. For example, we did not have a detailed evacuation plan displayed on the wall of the business. As it happens, the business is mainly family members and we knew what to do if something had happened, but we were outside the regulations. We had that plan drawn up and put in place. He came back and checked the building. He walked down the street and did audits on two businesses that, it so happens, would be the ones least likely to have infringed the regulations. I believe Workcover inspectors work in that way because they are frightened to enter and audit some company premises because of later legal ramifications. In other words, if he does not pick up

everything and a company is pulled up on a breach, the defence is to say, 'We were inspected. The inspector did not pick it up, nor did we, so we are not guilty'.

At the end of the day, the environment in which the inspectors are working is not very good. The inspector should have walked into the two factories that are on either side of me. He would have had to close them both down because they do not get anywhere near occupational health and safety standards. They do not measure up and he would physically have had to close them down. He did not. He came down the street, looked at our building, which was neat and tidy and looked as if it complied, walked into the back room and noted that it was clean with polished floors. That is not the case with any other building in the street.

The point I want to make is that we want to reduce accidents. If we want to reduce premiums we have to reduce accidents and people getting hurt. Yesterday afternoon in 2 hours there were three major cases. I am well aware of what happens. Those inspectors should be able to go out and advise people. There are many small business people like us. As Maureen explained, we have trouble coping with the legislation because there is so much of it. However, if someone walks in, teaches us and works with us to get it right, we are only too willing to comply.

We put into practice every recommendation made by that inspector. If he wants to come back — and we have invited him back — in six months and give us some more recommendations, we will implement them. In many areas he did not know the law himself. I took him into a chemical storage bay and asked whether it complied, and he could not tell me; he was not sure. I am not rubbishing the inspectors because in many areas the law is complicated and it is hard for them to know it all, and I respect that. We need people to go out and talk to industry. An inspector should be able to walk into every one of those factories down the street, give them advice and assist them in making their premises safer. That is a proactive approach.

Mr McQUILTEN — The Kennett government sacked a lot of those inspectors and now the Bracks government is putting more on. Probably the one who saw you was new.

Mr McKENZIE — No, I asked him and he said he had 17 years experience. He knows his job and does it well. But will you take my points?

The CHAIRMAN — Certainly. The committee will send you a copy of the transcript to check. Thank you for coming.

Witnesses withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Ivanhoe – 23 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 A. Bryant, Manager, Bryston Stainless Steel Fabrication.

The CHAIRMAN — I welcome Mr Andrew Bryant. All evidence taken by the committee is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act. Mr Bryant, would you briefly describe your business, how many employees you have, what you do and what happened with Workcover, and then the committee might ask you some questions.

Mr BRYANT — I am in the metal manufacturing industry. I have seven employees. We service large food companies such as Kraft, Murray Goulburn and the like.

Mr CRAIGE — Do you make tanks?

Mr BRYANT — Yes, basically anything from silos to industrial-sized kitchens, so it could be measuring equipment, weighing equipment, and that type of thing.

Mr CRAIGE — All with stainless steel?

Mr BRYANT — Basically all stainless steel and basically all one-off job equipment as well. I am not really competing against imports as such. We are just making specific equipment for specific needs.

Mr McQUILTEN — It is a niche market?

Mr BRYANT — Basically, yes.

The CHAIRMAN — What is the situation with Workcover?

Mr BRYANT — From our point of view, the cost of Workcover does not really affect us in that we re-evaluate our hourly rates monthly and our jobs are costed monthly, so we are not getting tied into contracts and things like that. All it means to us is that our hourly rates go up if our costs go up — Workcover being one of them. Most businesses in our industry are smaller with 7 to 20 employees. Basically, what happens is our costs go up and our hourly rate goes up. That then makes room for subcontractors to come in underneath, as such. I do not know how to describe it, but a lot of our work is not done necessarily with heavy equipment so there is room for other people to move in and do things from vans on site. As hourly rates go up there is room left for people to earn good hourly rates without being in the industry as such — for example, there is a lot of apprenticeship-type work around which for us is quite skilled work. It is well paid and the higher the hourly rate increases you find more subcontractors and fewer apprentices. Their doing the apprenticeship-type jobs is cutting down on apprentices. I know it is probably not directly related but that is where it affects me. As I said, the cost does not really affect me. I can wear the cost if it goes up. The people I compete with are covered by the same cost and within that same month their hourly rates will change as well. It is the peripheral problems that occur with increased costs that affect us more.

The CHAIRMAN — What happened with Workcover in your business this year?

Mr BRYANT — This year it has gone up slightly, not a great deal but it has gone up.

The CHAIRMAN — What has been the result of that on your business?

Mr BRYANT — The hourly rate has gone up and I just charge the clients more. From the profit point of view it does not make any difference, so long as I keep on top of it.

The CHAIRMAN — And so long as you remain competitive with your competition?

Mr BRYANT — Others in a similar position are wearing the same costs. We are all quoting month-to-month, so provided you are on top of what your increases are, everyone has a similar hourly rate. It seems to be common through the industry. It progresses at a similar rate. It is more the opening that you now see — for example, our industry rate is probably about \$50 to \$60 an hour, whereas people just out of their time and tradesmen see that they can get \$40 an hour and will start to undercut companies such as mine. However, they are not providing apprentices. I know that was a roundabout way of getting to it.

The CHAIRMAN — Do you have any particular concerns about Workcover?

Mr BRYANT — I do. We deal a lot with testing so we get Workcover inspectors in all the time, not so much for inspections but basically for pressure testing and equipment inspections. I deal with them a little and I get feedback from them as well. One issue that has been raised by them — and I have not directly asked them

about this — is their toothless nature. I would like to think we comply with all the rules as such, but there are always areas where we could improve safety, such as upgrading equipment beyond the original supply specifications. However, there is no financial incentive for me to do that, whether it be a Workcover discount or something of that nature. That has been raised with me by the inspectors. They are in the same boat. Why point out things that are marginal on the rulings? Within reason we operate in a world where nothing is done without a financial incentive, where you have to work out your priorities so long as they are not detrimental. Sometimes safety is not one of the major priorities. There is no incentive to do better than achieve the minimum requirements.

Mr CRAIGE — Can I stop you, because I am unclear. Is that on the end product of manufacturing?

Mr BRYANT — No, more on the manufacturing equipment itself.

Mr CRAIGE — Stainless steel welding is a very specialised welding and not any welder can do it?

Mr BRYANT — That is correct.

Mr CRAIGE — So if you wanted to you could upgrade and maybe get into robotics or something?

Mr BRYANT — No, it is more important for rolling, for example. Rolling is a dangerous fabrication process. Equipment will come with the minimum guards and other requirements, because if there are two items and one is double the price of the other but they both meet the criteria for safety and do the same job, I will tend to buy the cheaper one. However, along the way and over time some equipment becomes outdated and might need more safety stops, for example. There might also be technological advances with safety beams, for example, and while the equipment may comply with the requirements of the law the Workcover inspectors can raise safety issues about it.

Mr CRAIGE — It is like the differences in safety features between cars?

Mr BRYANT — Yes, the difference between a two-airbag and an eight-airbag car; there is no incentive to buy the eight-airbag car.

Mr CRAIGE — Absolutely.

Mr BRYANT — We are probably one of the largest companies in sheet metal and boilermaking manufacturing, and I imagine we are towards the top of the industry list, so to speak, but there is no incentive for us to go beyond the minimum requirements.

Mr CRAIGE — To go beyond two air bags?

Mr BRYANT — Yes. I tend to go beyond the minimum requirements, but I know there are a lot of companies that do not measure up. There are places where I will not let our blokes work when we put them on site or where they are under specific instructions about the things they are not to get involved with, purely from the safety aspect. I have seen and heard on a number of occasions that there is a lack of incentive to improve safety. Although there is, as the advertising says, a legal incentive to meet a certain requirement, in some areas the legislation is seen either to be behind the times or not to relate specifically to certain situations. The Workcover inspectors have problems enforcing those areas, or do not want to, for whatever reason.

Ms DARVENIZA — Are you saying that you think there should be greater incentive built into the Workcover scheme so that employers, in your industry in particular, are encouraged to have safer equipment?

Mr BRYANT — Basically, yes. There is a lack of incentive, although I have thought about it and do not know how you would achieve it.

Ms DARVENIZA — I understand what you are saying; you have made your point very well. You said the Workcover premiums have not impacted on your business in any way?

Mr BRYANT — Not on the profit margin, no.

Ms DARVENIZA — So it has not been a huge impact?

Mr BRYANT — No.

Ms DARVENIZA — Another thing that has been introduced recently is the GST. How does the introduction of the GST and its impact on your business compare with Workcover and its impact?

Mr BRYANT — Again, zero. We were a tax-exempt manufacturing business before and I did not really get involved with sales tax and things like that, so basically we now operate in a GST-exempt environment. I sell, I buy, no-one even discusses GST, and at the end point we are adding and subtracting. Doing that small amount of accounting and our quarterly remuneration calculations probably costs me 10 or 15 hours more paperwork, but it is not an issue that bothers me.

Ms DARVENIZA — It has not had a huge impact on you?

Mr BRYANT — No, not one way or another.

Ms DARVENIZA — Would you have any difficulties with our being in contact with Workcover to get a handle on exactly what the increases in your premiums have been and why you have had those increases?

Mr BRYANT — No. As I say, we have been claimless for five years, but there is no incentive to be claimless as such. The other issue, which is smaller but probably affects smaller companies, is that I have quite often seen people going to a doctor under the Workcover system where the cost for the visit is perhaps double that for a normal visit to a doctor, so in the end they are sent to their own doctor, they claim it on Medicare and the cost is substantially reduced. Smaller businesses tend to bypass the system because of the higher costs, which raises some issues.

The CHAIRMAN — Mr Bryant, thank you very much for coming along. We appreciate the time you have given us. We will send you a copy of the Hansard transcript of our discussions.

Witness withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Workcover premiums for 2000–01

Ivanhoe – 23 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

Ms G. Knight, Office Manager, Carpenter's Body Works and Modern Towing and Salvage (Aust) Pty Ltd.

The CHAIRMAN — Thank you for coming early.

Ms KNIGHT — I do not work on Fridays, so you are lucky I am coming at all!

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

Can you tell us briefly about your business and we will then get onto the Workcover issue and ask you some questions?

Ms KNIGHT — I work for Carpenter's Body Works and Modern Towing and Salvage (Aust) Pty Ltd. The two companies are owned by my sister and brother-in-law. I have been working there for 25 or 28 years doing office work, so I know all about the costs. I was very interested in what the previous witness had to say. What a life! Nothing has impacted on him; I wish that were us.

Workcover premiums have impacted on our business. In the body shop we have 15 tradesmen, 8 apprentices and about 8 people working in administration, and in the towing area we have 15 drivers, of whom 8 drive heavy tow trucks and 7 drive accident tow trucks and machinery. In the towing area we are trying to specialise in heavy haulage. My brother-in-law has built up the business and that is where he is focusing. However, accident towing is all government regulated, including the rates, so we cannot put our prices up like the previous witness, who said he can quote and put his price up. Under the new government we have just had a rise in towing rates, and it is the first rate rise we have had in accident towing in 10 years. The rate to do a local tow from an accident scene has been \$45 for 10 years, and since the new government came in and the GST was introduced there has been a rate rise. The accident towing rates, storage rates and so on are government regulated so we cannot put our prices up. It is a similar situation in the body shop. We do mainly insurance work so all the rates are governed by the insurance companies, which have a lot of power as well. We get so much an hour, which is worked out by the insurance companies. We get paint rates and all those things. If a car is brought in, we quote for its repair, but we cannot quote above the going rates or the insurer's assessors will say, 'That is all you will get'.

The CHAIRMAN — What about the Workcover situation?

Ms KNIGHT — Our premiums jumped massively. The premium for the body shop in 1999 was \$15 000, but in 2000 it was \$25 000, yet there is not much difference in estimated wages. It is worse in the towing section. Last year the premium was \$30 000; this year it is \$45 000. We have three workplaces for the towing business because trucks must be placed in depots, according to government regulations. There is some incentive under Workcover, although not too many people know about it. The industry rate for us in 1999–2000 was 2.7 per cent, and it is now 3.26 per cent. If a business does not claim, the premiums under the industry rate decrease. We are under that percentage rate for the body shop part of our business. I know of only one claim in the body shop, but over the years we have had several claims in the towing section. It is hard to counter that situation in the towing area because the drivers are on the road. We try to comply with all the regulations; we have an occupational health and safety policy and impress on the drivers how they must operate safely, and so on. In the year that impacted on our premium we had one Workcover claim for stress and another for a broken hand.

Mr CRAIGE — This is in the towing section?

Ms KNIGHT — Yes, in the towing section; and one knee injury.

Mr McQUILTEN — What was the total of the three combined claims?

Ms KNIGHT — The broken hand claim has finished because it happened three years ago. It totalled about \$2500. The stress claim estimate, because the claim was made only last year, was \$80 000. We do not yet know the total amount for that. At one of our towing workplaces we pay 6.33 per cent because of those claims.

Mr McQUILTEN — What is the industry rate on the towing business?

Ms KNIGHT — It is 3.26 per cent.

Mr CRAIGE — The same as for the body shop?

Ms KNIGHT — The body shop and towing, yes.

Mr CRAIGE — I find it interesting that you are under ‘smash repairs’ but ‘towing’ is not a Workcover category. Is there not a significant difference between a smash repair body shop and heavy towing?

Ms KNIGHT — There is.

Mr CRAIGE — It is a different industry?

Ms KNIGHT — It is. I have asked our insurers about that and they say, ‘You are lumped together’. The administrative people who work in the office, with eight people in the towing section, do only office work, but they are linked to that 3.26 per cent. They are unlikely to have claims.

Mr CRAIGE — They are not out driving trucks?

Ms KNIGHT — No, nor are they lifting anything in the body shop. We have to pay the same rate for our office people as applies throughout the entire industry. On the forms the insurer says, ‘What is your primary business?’.

The CHAIRMAN — You are caught two ways because you have administrative people working in both businesses, but in neither towing nor smash repairs, and smash repairs is a separate operation from towing.

Ms KNIGHT — Yes. I am comfortable with the concept of Workcover covering everybody. In the past when we had workers compensation, as a previous witness said, you could go down the street and could almost pick out the number of businesses that bothered to have workers compensation. At least now people have Workcover because it is compulsory. You could probably fudge, although I don’t because I cannot, but at least some people think about it.

Mr CRAIGE — I am sure nobody does.

The CHAIRMAN — When you received the increases from \$30 000 to \$45 000 and from \$15 000 to \$25 000 did you inquire why that was so?

Ms KNIGHT — Yes, we got a lot of information from the Victorian Automobile Chamber of Commerce, saying, ‘Look at your policy’. They have written to politicians, people like yourselves.

Mr McQUILTEN — Have you contacted Workcover?

Ms KNIGHT — No. I have spoken to our insurers but not to Workcover.

The CHAIRMAN — Are you satisfied now that you know why the premiums increased?

Ms KNIGHT — Yes, I think I am but it is hard to understand. I understand the premium cannot increase if you claim more than 20 per cent, and so on. We had a big claim a couple of years ago and I rang Workcover. They told my insurer to send out a document showing how the claim would impact on our premiums, but you would need to be an actuary to understand that document.

Ms DARVENIZA — Would you mind if we contacted Workcover and asked them for details as to why your premiums have increased?

Ms KNIGHT — Yes.

Ms DARVENIZA — There is a range of reasons why the premiums have increased, partly because the government has reintroduced common-law claim rights. That led to a 15 per cent increase in the premium; also, the GST has meant a 2 per cent increase. Then you must take into account the several claims you have had. They could impact significantly on your premiums. Have your staffing levels increased?

Ms KNIGHT — No.

Ms DARVENIZA — That could be another reason why your premiums increased. Your category of smash repairs has been increased by one level, which means a 20 per cent increase for the industry. The only new thing that the government has introduced is the 15 per cent for common-law claims, but that would be a small component of your increases. How have the increases you have experienced with Workcover and the effect of the

premiums on your business compared with the effect on your business resulting from the introduction of the GST?

Ms KNIGHT — It is very similar. We are all computerised, but it takes a lot of time to do the documentation.

Mr McQUILTEN — Are you talking about the BAS statements?

Ms KNIGHT — Yes, everything.

Mr CRAIGE — The announced changes to the BAS will make them better, won't they?

Ms KNIGHT — I think so; anything would be better.

Mr McQUILTEN — They could have made it worse had they tried, but I don't know how.

The CHAIRMAN — Sadly, that is not on the committee's agenda. We have to stick to Workcover.

Ms KNIGHT — The whole GST-BAS thing was idiotic in the extreme. Even the terminology was difficult for me. I have done bookwork all my life but I am not a qualified bookkeeper or accountant.

Ms DARVENIZA — What is your estimate of the cost to you?

The CHAIRMAN — I have to rule that question out of order. The committee is inquiring into Workcover.

Ms DARVENIZA — Mr Chairman, I do not know why we cannot cover them both.

The CHAIRMAN — The committee cannot use the evidence it receives today about the GST. Ms Knight, is there anything else you would like to add on Workcover?

Ms KNIGHT — I do not think so. I wrote some points down. Personally, I do not have a problem with the government bringing in common-law rights. That is all right and everybody should have it.

Mr McQUILTEN — It was a moral thing to do.

Ms KNIGHT — Yes.

Mr CRAIGE — Therefore, you understand that your premiums will go up accordingly, don't you?

Ms KNIGHT — I do.

Mr CRAIGE — Do your sister and brother-in-law accept that fact?

Ms KNIGHT — No, probably not, but I do the paperwork so I am allowed to have my opinion. I do not know what they would say about that. Our experience with claims in our industry is that it is very difficult. We have not had a lot of claims, especially in the body shop. Over the past 25 years Craig has had seven body shops, and in all those years we would not have had more than three claims. One was a hernia operation back in the 1970s and recently there was a back injury, but they are the only claims that the body shops have had in all those years. In the towing industry we have had probably six claims, and four of the six were ridiculous claims and definitely were not work related.

Mr CRAIGE — Is 'doubtful' a word you would use?

Ms KNIGHT — Definitely; even more than doubtful, they were definitely dodgy, but you cannot do anything about that. That is Workcover related, and there is a lot of that going on and it affects our rate and makes it very hard.

The CHAIRMAN — Ms Knight, thank you for coming today. The committee will send you a copy of the transcript to check.

Committee adjourned.