

# Workcover in Regional New South Wales.

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## WORKCOVER IN REGIONAL NEW SOUTH WALES

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### Matter of Public Importance

**Mr PETER DRAPER** (Tamworth) [4.22 p.m.]: Today I draw to the attention of the House how WorkCover seems to be crippling the transport and building industries not only in the electorate of Tamworth but across rural and regional New South Wales. In recent weeks I have been approached by transport operators, predominantly in the trucking industry, who are finding that the ability of their businesses to compete with those based north of the border is being severely restricted by disparities in operational costs, the most obvious of which appears to be workers compensation premiums.

It is no secret that because of Queensland Government subsidies, the cost of fuel in Queensland is considerably cheaper than it is in New South Wales, often by as much as 20c per litre. Queensland road transport operators also make considerable savings through lower vehicle registration and insurance fees. To give an example, one Tamworth transport business operator pays \$2,249 for a vehicle green slip compared to \$1,200 for the Queensland equivalent. He also pays \$4,332 to register a truck while his competitors in Queensland pay \$3,783 to register the same type of vehicle. When those two categories are combined, there is a difference in charges between the States of about \$1,600. However, over and above those issues is the differing rate of workers compensation premiums in the transport industry. New South Wales premiums are practically double those in Queensland.

Figures sourced from WorkCover Queensland indicate the premium insurance rate for road freight transport operators stands at 3.586 per cent. WorkCover New South Wales has three categories for road freight transport and the rates vary from 8.86 per cent to 9.46 per cent. It is glaringly obvious that the playing field for operators in the business of moving freight across New South Wales and their competitors in Queensland is far from level. With some operators basing themselves just north of the border to take advantage of the lower costs but still being able to service northern New South Wales,

the disparities are affecting businesses in my electorate to the extent that they simply cannot compete. They are struggling to meet the costs, which are increasing, and they face becoming unviable. That is the reason I draw this matter to the attention of the House as a matter of significant public importance.

The best way to illustrate the impact of workers compensation premiums on operators in my electorate is to look at how they translate into their business costs, but I will briefly touch on how the system currently works in New South Wales. Based on information sourced from WorkCover, the majority of employers in New South Wales are insured with a licensed insurer under the New South Wales WorkCover scheme. To calculate the insurance premium a business will pay, WorkCover uses a system called the WorkCover industry classification [WIC], under which each employer is allocated to one or more classes based on the information the employer provides to their insurer about the nature of the business. The WIC system contains 536 industry classes, with transport operators falling under one of three road freight transport categories, including bulk freight, long distance and short distance. For those categories the rates are respectively set at 8.86 per cent, 8.91 per cent and 9.46 per cent.

WorkCover New South Wales calculates those premiums by classifying employers as either category A or B employers. Category A employers are those whose basic tariff premium exceeds \$3,000 at the time the insurer first demands a premium. Employers in that category also have their premium adjusted to take into account their past claims experience. It is this so-called experience adjustment of an employer's premium that can potentially increase or decrease the premium payable, depending on the employer's claims history. In basic terms, the more claims an employer makes, the more expensive is the employer's premium. Conversely, absent any claims or claims at minimal cost, the premium theoretically should be reduced. Category B employers have a basic tariff premium under \$3,000 and do not have their premium experience adjusted.

For Shane Pendergast, the proprietor of a transport business in my electorate, that calculation-of-experience factor is proving to be a huge impost. That is because his insurance company calculates the experience factor based on the estimated cost of the claim at the time it is made. That is an important point to bear in mind. The initial experience premium is calculated at the beginning of the policy using the employer's wages and claims costs for two years prior to the year of cover. A hindsight-experience premium is then calculated at the end of the policy period. That experience factor increases the premium charged for the next three years. If there are no claims, the employer receives a refund. But even if the claim subsequently is proved to be less than the estimate, the employer still bears the cost of the increased premium. This situation becomes even harsher if, as in Mr Pendergast's case, an employee has suffered an injury while working for a previous

employer. In this case it appears that both the previous employer and Mr Pendergast were charged experience- factor costs that were based on the cost of the claim. In the first year following the claim, the resulting premium increase for Mr Pendergast was \$99,000.

The premium is also affected when a claim is fraudulent, as in the case of Mr Pendergast, where one fraudulent claim, which WorkCover has not taken a great deal of action to investigate, resulted in an additional premium cost of \$41,000. Finally, Mr Pendergast also had to pay an additional \$5,000 per year premium, yet the insurance company recovered the cost of the subject car accident that was suffered by one of his employees from another insurance company. It appears that the process of calculating the experience factor is harsh for employers. The situation is exacerbated when more than one employer is involved, when there is other insurance cover or if the claim is fraudulent. Mr Pendergast has estimated that the combined effect of these circumstances in premium costs has resulted in an impost of more than \$130,000 on his business.

Mr Wayne Zell, who operates Dasha's Transport in Tamworth, also believes his business is being unfairly penalised by high premium rates. When Mr Zell opened his business in 1998, the workers compensation premium rate was 4.2 per cent. The premium in the 2002-03 financial year was \$37,700. The following year it jumped to \$62,990 with one claim. The estimation of wages for 2003-04 will set the premium for 2004-05 at a minimum of \$121,924 with two claims in place. That equates to a rate of 17.93 per cent, which is simply not affordable. Mr Zell informs me that the workers compensation premium in the transport industry for his clerical staff will also be 17.93 per cent, compared to the clerical rate in other industries of about 2 per cent. According to the Government, the New South Wales WorkCover compensation premium scheme is designed "to provide a direct economic incentive for employers to take appropriate measures to avoid workplace injury, to reduce the cost of claims and to promote return to work."

For small operators such as Mr Zell, the high increase in premium costs due to the negligence by employees and not the company could ultimately result in the business having to close. Dasha's Transport simply does not make the sort of money that is needed to cover such an increase. Sadly, Mr Zell's fears were realised by another company in my electorate, Reel Steel Reinforcing Pty Ltd. That business was forced to close due to insurmountable worker compensation premium costs. The company's directors contacted my office after their premium increased from just over \$5,600 in June 2003 to more than \$114,500. The business had completed a large one-off contract for the year, with the increase in wages resulting in the basic tariff rising from \$29,000 to over \$107,000.

In addition, a claim estimated to cost in excess of \$93,000 impacted on

the policy. As a result the hindsight premium for 2002-03 increased to \$167,450, with an adjustment premium payable of more than \$114,000. With the contract complete, the wages bill returned to the average yearly figure, but that massive increase forced him to close his regionally based business and a number of jobs in Tamworth were lost. It seems that under the current system, with business operators required to pay an estimated premium upfront, the businesses themselves are meeting the future costs of their claims. I submit that that means the operators are self-insured by meeting the cost of claims as they occur. I could hardly call that system fair, especially on smaller operators whose profit margins are limited to the size of the contracts they can secure and are already working in a highly competitive environment.

It would be far more reasonable for an employer to pay its share when and if the costs were incurred. I submit also that the cases I referred to today should be taken into account in WorkCover's review of the workers compensation premium formula, which is due for completion in four months. The regulation needs to be reviewed and action needs to be taken. It has become apparent to me that transport and building businesses in my electorate and beyond are facing the same predicament. They simply cannot compete against lower costs such as insurance, registration, lower fuel prices and significantly lower rates of workers compensation insurance premiums. The operators concerns are real. They are in danger of folding, and I call on the Minister for Industrial Relations to level the playing field.

**Mr MATT BROWN** (Kiama) [4.30 p.m.]: When the Government came to office, WorkCover's costs had far exceeded its premiums for several years. Members would be aware that the Government addressed the problems in the scheme with a comprehensive package of workers compensation reforms. The latest independent actuarial assessment of the scheme shows the Government's reforms have had a significant positive effect on the scheme. The actuary's December valuation shows a strengthening in the overall financial position of the workers compensation scheme and a further reduction in the deficit. On a 12-monthly basis, the deficit has fallen \$301 million. The scheme's funding ratio improved to 67.9 per cent, up from 65.5 per cent six months ago, and is on track to meet the actuary's prediction of being 83 per cent self-funded by June 2008. PricewaterhouseCoopers estimates that the 2001 legislative changes made by the Government have saved the scheme more than \$1.7 billion.

Of those savings, more than 90 per cent came from legal, dispute and related costs. Indeed, as a result of the reforms, the scheme is now in the position to undertake a program to further improve its performance. The recent review of the workers compensation system by McKinsey and Company is the next step in providing the framework for significant, durable changes that will make a real difference to injured workers and employers in New South Wales. The improvements will

concentrate on a new approach to claims management and related activities, such as the introduction of specialist claims manager roles and funds managers to the scheme. The passage of the Workers Compensation Amendment (Insurance Reform) Act 2003 in November last year has put in place the framework for implementing the recommendations from the McKinsey report. Minister Della Bosca and all involved should be congratulated on that excellent legislation.

Well before that report, the Government had commenced a series of compliance measures in the Workers Compensation Legislation Amendment Act 2000. That package formed the basis of a tougher approach by WorkCover to ensuring that employers, workers and service providers met their workers compensation insurance obligations. The broader provision on fraud enables WorkCover to prosecute any person who commits an act of fraud against the WorkCover Scheme. That provision includes a penalty of \$55,000 or two years imprisonment, or both. Penalties for premium evasion and other failures to comply with workers compensation insurance requirements were also significantly increased. Interest charges on avoided premiums were introduced and an on-the-spot fine for non-insurance was introduced. A further range of measures to improve compliance was introduced under the Workers Compensation Amendment Act 2002. It included a broadened definition of wages and requirements for principal contractors to check that their subcontractors have the proper workers compensation insurance.

To ensure that WorkCover and the workers compensation insurers are in the best possible position to identify and prosecute fraud and non-compliance, further improvements were introduced in February 2003. Those changes included a doubling of resources in the WorkCover Fraud Investigation Unit, the establishment of a dedicated Fraud Prosecution Unit in WorkCover's legal branch—

**Mr Chris Hartcher:** How many prosecutions have there been?

**Mr MATT BROWN:** —steps to increase the co-operation between government agencies and assistance to insurers to develop more sophisticated detection systems within their organisations. WorkCover now employs 20 specialist full-time staff to investigate and prosecute fraud and non-compliant activity in the scheme. In addition, five other positions are involved in data mining. Between July 2002 and February 2003, only five prosecutions were commenced. Since the establishment of the Fraud Prosecution Unit in February 2003, 23 prosecutions were commenced to June 2003. That information might satisfy the query of the honourable member for Gosford.

The benefit of the changes is clearly shown in the fact that an additional 27 matters were successfully completed from 1 July 2003 to 20 March 2004. WorkCover has arranged an ongoing fraud investigation training program for insurers. In 2002-03 WorkCover

received 261 reports of potentially fraudulent activity. Each of those reports has been investigated by WorkCover and appropriate action taken. Most referrals of suspected fraud are made by insurers or employers and, perhaps not surprisingly, therefore most referrals involve claimant fraud. I point out that the former Commonwealth Minister for Employment and Workplace Relations, Tony Abbott, requested that the House of Representatives Standing Committee on Employment and Workplace Relations inquire into Australian workers compensation schemes in respect of the incidence and costs of fraudulent claims and fraudulent conduct by employees and employers, and the structural factors that may encourage such behaviour.

The committee received extensive submissions from employers and employees and held hearings throughout Australia, including in this great State. The committee chairman, Mrs De Anne Kelly, tabled the committee's report in the House of Representatives on 2 June 2003. The chairman's press release of the same date indicated that the committee found that the level of employee fraud is generally considered low, with most injured workers committed to an early return to work, and that implementation of best practice and improved communications between participants in the workers compensation process has the potential to have a much greater financial impact than allocating significant additional resources to the detection of fraud. WorkCover NSW remains committed to identifying fraud wherever it occurs in the scheme. WorkCover now has sophisticated data mining software and is developing a number of data mining models to detect potential fraud within the scheme by service providers and employers as well as claimants.

WorkCover compliance specialists are undertaking an aggressive compliance program using the data mining technology to target high-risk areas of non-compliance. Only last week, the Minister announced a particular focus on the construction, cleaning and labour hire industries. WorkCover's software examines a number of variables including wages and industry risk to identify potentially non-compliant activities. During 2002-03 WorkCover's compliance improvement branch issued approximately 12,000 requests for wage audits to insurers, identified approximately \$21 million in additional premiums, together with an additional \$5 million in late payment fees, issued 339 fines and penalties for premium evasion with a total value of over \$1 million, and successfully prosecuted eight employers for non-insurance, resulting in fines totalling \$105,000.

Already, for the first half of 2003-04, almost \$13 million in additional premiums has been identified. While the legislative and regulatory frameworks for compliance are necessary, WorkCover is committed to a process of education and the provision of information as the best way to ensure that people do the right thing. By working with industry, workers and service providers to make sure everyone understands their rights and obligations, WorkCover aims for co-operative compliance.

Information is distributed to all employers with the insurer's policy renewals, and education packages are also distributed to accountants, professional and industry associations. Only today the Minister in the other House announced a further series of information seminars conducted by WorkCover as part of the Government's Small Business Assistance Strategy, which includes a seminar in Tamworth on the 30 June. It is the second WorkCover seminar to be held this month in the electorate represented by the honorable member for Tamworth, Peter Draper.

The small business seminars provide assistance to employers to help them understand their responsibilities for keeping a safe and healthy workplace, making sure they have the right workers compensation insurance policy for their business and ensuring there is prompt treatment and support for an employee who is injured at work. WorkCover personnel are also available to answer any questions that business owners may have. In 2003 WorkCover provided over 150 one-on-one interviews between small business operators and WorkCover inspectors; a pilot program provided 54 small businesses with up to three hours of free health and safety advice; a small business link on WorkCover's web site provided a central location for information on their rights and obligations, as well as copies of WorkCover's publications; 39 seminars were held in rural, regional and metropolitan centres across New South Wales to assist small business to understand how the risk assessment processes could be introduced in their workplaces; and a rural safety web site was established to provide specialised assistance for employers in rural New South Wales. To build on the success of the 2003 program, new initiatives are already planned for this year.

Those initiatives include a new series of free seminars for small business owners, the first of which commenced on Monday this week at Cowra. That series of 13 seminars will be held everywhere—from Tamworth to Condobolin to Yass. The free seminar program will include information on health and safety responsibilities, practical advice on complying and advice on workers compensation matters. Twenty-four small business workshops will be run as part of the Safer Towns and Cities Program in Orange and Bathurst in June; a six-month trial e-newsletter to 1,800 participants who registered an interest in receiving additional information will be commenced; and a new series of small business fact sheets will be released covering topics including consultation, manual handling, workers compensation and chemical safety.

The Government's reforms for WorkCover have, for the first time in 10 years, resulted in the scheme collecting enough premiums to cover its costs. The Government has introduced a premium discount scheme for employers who took positive steps to improve occupational health and safety and the WorkCover deficit is slowly reducing.

**Mr CHRIS HARTCHER** (Gosford) [4.41 p.m.]: WorkCover is the great black hole of New South Wales through which hundreds of millions of dollars are lost. WorkCover now has a deficit in excess of \$2 billion. It is one of the major cost drivers against employment in this State. WorkCover is riddled with inefficient work practices. The honourable member for Kiama just read an extraordinary speech about the wonderful job that WorkCover is doing. Last year it was revealed during Legislative Council estimates committees that WorkCover spends \$1.2 million on fraud, yet it spends \$227,000 on entertaining its own executives.

WorkCover spends on its executives a quarter of the amount that it spends on detecting fraud among hundreds of thousands of employees. I am referring to figures that have been quoted in WorkCover's annual report. It spends \$1.2 million to detect fraud among the hundreds of thousands of employees in this State and it spends nearly a quarter of a million dollars entertaining its own senior executives. Even better than that, in 2002-03 the WorkCover doctor was sent overseas twice and in 2002 he was sent overseas once to visit a series of countries, including South America, Switzerland, France and Belgium, at a cost of about \$90,000.

I can refer to even better stories relating to WorkCover. In 2002 it sent one of its personnel to Switzerland to hear a speech that it could have downloaded from the Internet or had posted to it. The whole sorry saga of WorkCover, which continues to be a disgrace to this Government, is costing employers and resulting in a loss of jobs in New South Wales. According to WorkCover's annual report, in 2002-03 another employee went to New Zealand for just one meeting about fire extinguishers. Instead of having the information sent to him in brochures he flew to New Zealand to hold a meeting about fire extinguishers. Once again, that information is provided in WorkCover's annual report, which reveals the incompetence, waste and disgrace of WorkCover in this State.

The honourable member for Tamworth correctly pointed out that jobs are at risk in regional New South Wales. The honourable member for Lachlan, who will follow me in debate on this matter of public importance, has been arguing for many years that WorkCover is costing country people their jobs and that regional New South Wales is suffering. Even more significant is the fact that over the past four years WorkCover has employed an additional 135 staff. Once again those statistics are to be found in WorkCover's annual report. Four years ago it had 416 employees and today it has 551.

WorkCover's work force is getting bigger and bigger. My electorate office in Gosford is right around the corner from the WorkCover building and I see employees pour in and out of the building every day. It is a disgrace that WorkCover now has 551 employees. It continues to lose money, its debt continues to escalate at around \$2 million a day,

and the people of New South Wales are losing job opportunities. In December 2002 this Government amended the WorkCover legislation. Those amendments included an amendment relating to grouping.

Last week the Minister admitted that the grouping system had failed and that the Government would not proceed with it on 1 July 2004. That provision was introduced in 2002, we voted against it in this House and said that it would not work, but the Government said that it would work. WorkCover officials wrote pages of wonderful reports, which cost the taxpayers of New South Wales thousands of dollars, in which they stated that the grouping system had to be introduced so that all companies would pay tax under one policy. One week ago the Minister in the Legislative Council said, "We will not proceed with it."

The Government did not proceed with those proposals because it revealed that its own software system could not cope with the impost on employees and policies—a matter that received very little media attention. That is indicative of the fact that this Government is ill prepared in relation to the changes that have been made to WorkCover. WorkCover, which is a fraud, is a great black hole for this State Government. I thank honourable members for giving me an opportunity to speak in debate on this matter of public importance. *[Time expired.]*

**Mr RICHARD TORBAY** (Northern Tablelands) [4.46 p.m.], by leave: I take this opportunity to commend the honourable member for Tamworth for introducing debate on this matter of public importance. Many members are receiving representations relating to WorkCover. We heard earlier from the honourable member for Gosford that over the past few years WorkCover has been a major problem for this State. For many years when the Coalition was in government WorkCover was described as a basket case. This Government has attempted to reform that process—an issue that should be acknowledged.

Today the honourable member for Kiama claimed that disputes have been reduced by 75 per cent; \$67.5 million in premium discounts have been awarded to safer employers—a welcome measure—and the average delay in reporting injuries has been substantially reduced, from a median 21 days in June 2001 to 11 days in September 2003. Those are issues about which we should be pleased. However, a number of significant concerns remain in the system. I acknowledge that those reforms were necessary but we still need safety measures and checks particularly in relation to how managers for WorkCover, or insurance companies, have absolute control as to whether a claim is admitted. If a claim is admitted the premium is immediately adjusted upwards on the employer, regardless of the merits of the claim.

Employers are telling me that there is not enough scrutiny in that process. We should implement these reforms but we should ensure that they are working on the ground. Claims are being made and a number

of things are happening. Premiums are immediately increased regardless of the merits of the case and regardless of whether a matter is settled. There is not enough scrutiny in that process. We must ensure that only legitimate claims are acted upon. If we do not have proper scrutiny of that process there will be unjust outcomes such as those that are continually being reported to me. Under the current system we are not able to properly investigate claims and protect employers from fraudulent claims, and that is resulting in increased premiums.

Many of the representations to which I have referred have come from legal advocates in my electorate. Local law firm Abbott Parry and Jenkins recently drew my attention to a matter upon which I will not elaborate further because it was settled on a confidential basis. That was a classic case, and I would be pleased to make that information available to the Minister so long as confidentiality is maintained. I am sure that the honourable member for Tamworth agrees that this debate is not about criticising WorkCover, particularly when the Government has embarked upon a reform process—it has been under way for three or four years—from which some welcome measures are emerging on issues that were not addressed previously.

But there is still work to be done. I hope that the Minister and members in both Houses will gauge the real impacts on the ground and consider whether appropriate safety measures can be established to stop fraudulent activities and commercial settlements that occur because it is cheaper to settle, regardless of the merits of the case. That is not fair to employers, particularly small business people, and it is certainly not fair to those who believe insurance companies have absolute control, as the managers of the process. They have 100 per cent say over what happens. If there are safeguards in the system I would like to hear about them so that I can make employers in my electorate, who are seeking to do the right thing, aware of any reforms.

**Mr IAN ARMSTRONG** (Lachlan) [4.51 p.m.], by leave: This is an extraordinarily important issue as nothing inhibits employment in New South Wales more than the occupational health and safety question. It is a huge detriment to people expanding businesses, employing and training new staff and having the enthusiasm to invest in this State. The bottom line is that about 80 per cent of cases are settled out of court in the 24 hours before the scheduled court hearing. In other words, the insurance companies roll over and settle rather than contest the cases. As a result, as the honourable member for Northern Tablelands said, premiums increase almost automatically.

I do not think anyone realises just how far this problem extends. It involves not only the seven abattoirs in my electorate but the thousands of little old ladies who employ someone to mow their lawns. They do not understand that they must be satisfied that the person they hire to cut their lawn is qualified and is capable of using a lawn mower, they must have a workers compensation policy, and on it goes. It is a

ridiculous system. As the honourable member for Tamworth pointed out when he opened the debate, premiums in Queensland are on average two-thirds the rate of those in New South Wales. Reductions in workers compensation premiums for New South Wales businesses can be achieved only by reducing the costs associated with running WorkCover. Last year the Government wasted \$181 million by allowing the WorkCover deficit to increase and it wasted \$6.5 million on a WorkCover consultants report. The WorkCover scheme is now in debt by a whopping \$2.98 billion. Sydney Labor must adopt plans that will reduce WorkCover's massive debt.

The shadow Minister for Industrial Relations, the honourable member for Gosford, recently challenged the Premier and the Minister for Industrial Relations to meet or exceed the commitments made by the Victorian Government to cut Victorian workers compensation premiums by 10 per cent, which will push the average Victorian premium below 2 per cent. Not a single fruit and vegetable cannery remains in New South Wales; they have all relocated to Victoria because of the cost of workers compensation premiums and associated employment costs in this State. Cerebos at Parkes was the last of them, and it has moved to Victoria. These days most of our abattoirs and other large employers use contractors to supply their labour. Many of those contractors, particularly abattoir workers, are based in Queensland and their salaries return to that State. I understand and sympathise with those who employ contractors because they are totally frustrated by costs that make their businesses uncompetitive compared with similar businesses in Queensland and Victoria.

For instance, the grape growing industry in New South Wales pays workers compensation rates of 6.56 per cent and grain growers pay 9.05 per cent. The beef cattle farming industry pays 10.21 per cent so that people can brand cattle and load them on and off trucks. Abattoirs pay a whopping 13.38 per cent—and that is the base figure. Most abattoirs pay workers compensation premiums of more than 15 per cent. There is another problem. There are tens of thousands of windmills in the State of New South Wales—we are particularly conscious of them during this time of drought. Before servicing a windmill an employer must ensure that risks associated with falls from a height are controlled by the use of the following measures:

... a stable and securely fenced work platform ... or if compliance with [the] subparagraph is not reasonably practicable—secure perimeter screens, fencing, handrails or other forms of physical barriers that are capable of preventing the fall of a person or ... other forms of physical restraints that are capable of arresting the fall of a person from a height of more than 2 metres ...

The employer must also provide a:

... safe means of raising and lowering plant, materials and debris in the

place of work ... a secure physical barrier to prevent objects falling [and] if it is not possible to provide a secure physical barrier, provision of measures to arrest the fall of objects.

Windmills have four legs that contract to a small surface area usually 20 feet or 30 feet above the ground. Goodness knows how farmers across the State will service their windmills in future. The system is impractical and impossible. It will lead to all sorts of industrial problems, litigation and increased cost. The Government and its advisers do not understand the practical difficulties involved in dealing with normal, everyday industry maintenance programs.

**Mr PETER DRAPER** (Tamworth) [4.56 p.m.], in reply: I thank members representing the electorates of Kiama, Gosford, Northern Tablelands and Lachlan, who contributed to the debate. I think the discussion this afternoon has been most productive. I must congratulate in particular the honourable member for Kiama, who read his speech extremely well but who obviously did not believe a single word of it. That is a little harsh. His speech basically justified the Government's ability to destroy small businesses in rural areas. That is exactly what is happening in my electorate at present. The honourable member for Kiama talked about compliance and the ability to investigate and take appropriate action when fraudulent or non-merit cases are uncovered. However, the premiums are not refunded to businesses. They pay enormous amounts of money to insurance companies, the claims are proven to be fraudulent or without merit but the insurance companies get to keep the money. Why is it not returned to the employer? That same question is on the minds of many people in rural and regional Australia, particularly in my electorate.

The honourable member for Gosford described WorkCover as the black hole of New South Wales, with a deficit of almost \$3 billion. I recognise that the Government is working to reduce that deficit. It must do that. We must consider the matter realistically. The system cannot run with a deficit such as that without government taking strict and firm action to try to remedy the problems. However, we are losing too many small employers in the process. It was pointed out earlier that the number of WorkCover staff has increased from 416 to 551. Perhaps some of those who lost their jobs in the small-business sector in regional Australia found jobs with WorkCover—I do not know. The Government is making a serious attempt to reform the process, and I applaud and support that initiative. However, at present the reform process cannot be viewed as a success. It does not matter how many statistics are cited, the reality is that small businesses are suffering because of WorkCover imposts.

I was enormously disturbed by the comments of the honourable member for Lachlan about windmills. Ridiculous regulations govern the maintenance of structures that people have had on their properties for 50, or perhaps many more, years. I have spoken about the impact

that fluctuating premiums are having on transport operators and building operators in the electorates. The facts are, in black and white, that these rates are combining with other factors to put a great deal of pressure on those businesses. The insurance premium for road freight operators in Queensland is 3.6 per cent compared to more than 9 per cent in many cases in New South Wales, which makes it extremely difficult to compete against people who base themselves over the border, which is something that is happening more and more frequently simply because of these imposts.

The experience-based claim is supposedly a fair way to calculate premiums because the premiums can decrease if there are no claims. But it soon becomes very discriminatory when an employer has a claim against it but was not negligent as a business or—as in the case of one of my constituents—a case was paid out, a substantial amount of money was handed over, the premiums rose enormously and then, less than a year later, the fellow involved was found in another State operating in a similar business. The claim was clearly fraudulent. That matter will be taken to court and I dare say the outcome of the court hearing will be in favour of the employer, but he will not get back his contributions. He has given that money away and will never see it again.

The scheme appears to be funded totally by employers, and it is in their best interests for the scheme to work for them and not against them. I applaud the review that the Government is currently undertaking. I acknowledge that it may not be an easy task to strike a balance, but we need to take on board the experience of smaller operators, those who are being heavily slugged. They do not have the resources to bounce back from these massively increased premiums. They virtually have no choice but to close their doors and put people out on the streets. That is the last thing we want. I urge the Minister to listen to small operators and, hopefully, devise a better system.

Subjects: [Workcover NSW](#); [Workers Compensation](#); [Rural Industry](#); [Interstate relations](#); [Queensland](#); [Road Transport Industry](#).

Speakers: [Draper, Mr Peter](#); [Brown, Mr Matt](#); [Hartcher, Mr Chris](#); [Torbay, Mr Richard](#); [Armstrong, Mr Ian](#).

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