

# REVISED CORRECTED TRANSCRIPT\*

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2005–06

Melbourne — 31 May 2005

#### Members

Mr W. R. Baxter

Ms C. M. Campbell

Mr R. W. Clark

Mr B. Forwood

Ms D. L. Green

Mr J. Merlino

Mr G. K. Rich-Phillips

Ms G. D. Romanes

Mr A. Somyurek

Chair: Ms C. M. Campbell

Deputy Chair: Mr B. Forwood

#### Staff

Executive Officer: Ms M. Cornwell

#### Witnesses

Mr Lenders, Minister for WorkCover and the TAC;

Mr A. Fronsco, director, financial risk management and policy;

Mr S. Grant, chief executive officer, Transport Accident Commission; and

Mr G. Tweedly, chief executive officer, Victorian WorkCover Authority, Department of Treasury and Finance.

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\*Corrections to the transcript by one or more of the witnesses have been received and accepted after the initial publication date.

**The CHAIR** — I welcome Mr John Lenders as Minister for WorkCover and the TAC; Mr Andrew Fronsko, director, financial risk management and policy, Department of Treasury and Finance; Mr Stephen Grant, chief executive officer, Transport Accident Commission; and Mr Greg Tweedly, chief executive officer, Victorian WorkCover Authority. Minister, I call on you now to make a brief presentation.

**Mr LENDERS** — The core responsibilities as Minister for WorkCover and the TAC are obviously a ministerial oversight of both those bodies. The VWA includes WorkSafe Victoria, which you are very familiar with; and the accident compensation and conciliation services, the medical panels and the Transport Accident Commission. They are probably the four areas across the portfolio I would like to touch on. The VWA clearly delivers the state-based reinsurance scheme, as you are aware, through its WorkSafe division, and as I said before it regulates workplace safety through WorkSafe. The TAC, which manages the compulsory third party transport accident insurance scheme, is a key participant with VicRoads and Victoria Police on issues of road safety.

My responsibility centres on ensuring sound financial management of these two schemes with a strong focus on accident prevention and the provision of fair and equitable benefits to injured workers and persons injured in transport accidents while keeping premiums at affordable levels. That is a big responsibility and obviously looks at issues of balance that need to be done through that. The overheads will provide a summary of where both bodies' significant achievements are in 2004–05 and where we want to go in 2005–06.

We will very quickly go through the sound financial management issues. It is probably something that once upon a time a minister could not have done with both these bodies — to quickly go through sound financial management — because it was something that we used to seek rather than have. The graph up there is a critical one. The PFIO, the performance of insurance operations, is the first one to look at. We are talking here of the WorkCover authority and the significant thing is that in its half-yearly reports it has a positive return on performance of insurance operations over that period. The purple one is one which you cannot ignore — it is the total operations of the body — but given that so much of that is based on investment returns, that is one which in the current year we would like to focus on a lot, but you need the historical perspective. We need to focus on what is in the control of government and the board, which are the green bars, and also the yellow bars which represent the actuarial release and which essentially means that we make a calculation on what the costs are going to be of claims management into the future. With the actuary we make a determination that we have over-allocated for that. The long and the short of it means either changing trends in the community or better claims management, or both.

So that graph is an important one because it takes out investment return volatility, which are to a large degree out of our control, but looking at what is under control — insurance operations and the actuarial releases that arise from good management. That is a very sound graph.

The next slide looks at our premiums. Again, obviously for all of us out in the community, from small business in particular but also large business, premiums are too high. What we see there is under the management of the VWA board our premiums have come down the last two years in a row, with two 10 per cent cuts. We compare with other jurisdictions: we look at New South Wales which is significantly higher; we look at South Australia which is higher; we look at Western Australia which is higher; and Queensland is lower, but I would not recommend anybody be injured in a workplace in Queensland. So essentially what we are seeing is that our premiums are coming down. Added to that we have actually improved benefits and restored common law in a range of areas there.

Moving forward to the next slide, as I said, we have improved benefits for injured workers. There has been an increase in the reform package of last year and outlined there are the areas where the improvements have been legislated for or acted on.

We move on then to safer and healthier workplaces — again the slide sums it up. Everybody in this room is familiar with the act introduced last year and what it sought to do, and that is now law and takes effect on 1 July. We have an advisory committee in place with stakeholders so we get the guidelines to come through that correctly. Transforming WorkSafe, which is the other important part, is all well and truly in progress.

We have our transformation roadshows — and this is an amazing story. In the first range of roadshows more than 5000 people have come to forums to find out what the changes to the OHS act will mean. The second round of forums are on at the moment. There was one in Mr Baxter's home town yesterday, so that is presumably where he

is now. We have had these roadshows in metropolitan and regional Victoria, and in the second wave we are getting nearly 12 000 registrations of people wanting to find out how the new act affects them — the transformation.

So going to the focus for the forthcoming year, we need to support employers and workers with the transition to the new act. We need to develop guidance materials for new stakeholders so they have certainty. Whether people agree or disagree with the law, it is our obligation to make sure the law is clear to them so they know what their obligations are and they can keep their costs down by not having to guess what it is. Knowing what it is is one of the key and important things in a rollout. Also there is a whole list of areas there about improving services to workers and employers.

Moving on to the Transport Accident Commission, we again have sound financial management, which is a dot point there. It is something we are taking as a given now, but we have not got to there without a lot of blood, sweat and tears over a period of time. We are improving benefits and service delivery. Again, they roll off the tongue very easily, but there is a very deep story behind all of that, to in a dignified way provide benefits to people and service delivery. The record levels of client and staff satisfaction are very important, and the initiatives of road safety and lifetime support are critical there. It is a very, very complicated interlocking series of arrangements and it has been done very well. Again, the graph is not dissimilar to the VWA one — the same principles go through there. This has annual reporting under the act. The VWA has half-yearly reporting but through the years the performance of insurance operations is solid and there have been actuarial releases in every year.

The next slide is about improving benefits and service delivery under TAC: We separate the serious long-term injured from the shorter-term injured. The independence and self-determination for the severely injured is a critical thing, and that whole sense of empowerment about where a person can make choices in the form of care; they have choices for what actually suits them and their needs, rather than someone else making all those choices for them. This is a significant move of direction of the TAC under Stephen's leadership. It is great to see that some of the clients of the TAC can now start to make those choices themselves. There is a very good story behind that. I know that I have a very short time in this presentation, but it may be one that if I have an opportunity in questioning I will develop upon further.

We are improving income, impairment, home services and childcare benefits — there is a range of things in there — and streamlining access. There is also a new alternative dispute resolution service, so if there are areas of contention, which there inevitably will be in a scheme like this with benefits and the like, if we can streamline that as much as possible with ADR, so you are actually not sorting these things out on the steps of the courthouse, you are actually dealing with them in a dignified and civilised fashion as early on in the piece as possible, that has got to be a good thing for clients.

As I am receiving the wind-up from the Chair I will go into the focus for the coming year. It really is a continued focus on road safety, client recovery times focus and lifetime support and how we can get this done in the best way possible. That is my opening presentation and I would welcome any questions.

**Ms GREEN** — The new Occupational Health and Safety Act, which you referred to, Minister, and which was also outlined in budget paper 3, page 19, under strategic policy advice, the new occupational health and safety laws in Victoria, what are the latest efforts by the VWA to make workplaces safer?

**Mr LENDERS** — There are a number of things in there and I could go for my full allocated hour in answering this one question, but I am sure you will not let me Chair.

**The CHAIR** — You have 4 minutes.

**Mr FORWOOD** — We have half an hour for these two portfolios. It is ridiculous!

**Mr LENDERS** — There are a number of ways that we can make safer workplaces through WorkSafe. One is that we have the legislative tools at our disposal, which are: an inspectorate service; the information service; and even things like the level of insurance premiums which reflect an unsafe workplace — higher or lower. The biggest challenge for us is to get information out to all the people in a workplace — whether they be the employer or the employees or the representative employees — and whether they together have the common sense to look around the workplace and say, 'What can we do to make this workplace safer?'. That is the ultimate tool and the best way that we can do to make a workplace safe.

Clearly, when you have rogues at the end of the spectrum who do crazy things, you deal with them under the law, but the vast majority want a culture in a workplace where people make informed decisions, look out to what they can do, and what is the best and safest practice. That could even be when you are walking through a factory and there is an assembly line and an unguarded machine, and you have a discussion with somebody in the workplace and say, 'What can we do to improve this? You have equipment that is not good; people are lifting and using bad methods of lifting.' If you have a process and a policy inside the organisation, then you can deal with that.

To change workplace culture is the single most powerful tool we have, and so much of the work of WorkSafe and VWA is all aimed around that workplace culture and to make a safer workplace. I think that is the main thing. The act, whether it be in a consistent inspectorate, whether it be in penalties or whether it be in a requirement to share information — all those sort of things — it is all geared to that goal of a collaborative workplace.

**Mr FORWOOD** — I just want to put on the record my strong objection to the fact that we only have half an hour for WorkCover and the TAC. Minister, I refer you to page 40 of your annual report. The fourth line of the statement of cash flow shows recoveries for the year 2004 were \$64 million, and the year before they were \$35 million. This also relates to note (g) on page 42 which is third-party recoveries primarily under section 138. The issue is: why have third-party recoveries gone up by \$30 million? I could put it to you that there is some serious gouging going on. You may or may not be aware of the case in Gippsland of Mrs Krupjak who has disabled children, Dylan and Joshua, who both attend the Traralgon Special Development School. She refers in her letter to 'difficulties dealing with medical problems, constant funding issues for equipment such as wheelchairs, standing frames, lifting equipment, cotton supplies and funding for home services including home care'. They had a home care worker visit their house as part of their normal routine. Apparently the person in question was bitten by a dog. We now have a situation 14 months later where they get a legal letter from Wisewoulds on behalf of your department and the VWA demanding that they pay back \$15 000 — nothing prior to that, nothing at all. Why has the amount of recoveries gone from \$35 million to \$65 million? What is the process by which you decide when a third-party recovery is appropriate? Surely there is some mechanism for informing people in these circumstances rather than sending them a letter out of the blue 14 months after the incident.

**Mr LENDERS** — I will take a couple of parts of that and then ask the chief executive officer to address the final part about the process for making third-party recoveries or take it on notice. I have been briefed on the particular case Mr Forwood raises, and I take his point that we have to deal with these matters very sensitively. I think the outcome is that it has been settled to the satisfaction of the family involved — that is the advice I had last week. Brendan Jenkins, the member for Morwell, intervened and I think there was a satisfactory outcome for the family involved.

However, going to the principle of third-party recoveries and the like, this is one that has to be handled sensitively by the VWA. I absolutely take that on board, it has to be an important performance criterion. However, having said that, the VWA cannot afford not to seek third-party recovery where it is appropriate to do so to protect the scheme, particularly in cases where people have insurance or third-party recovery is an appropriate mechanism. In the example Mr Forwood used there was public liability insurance which the family had access to and which has been drawn on in a manner satisfactory to all involved other than presumably the public liability insurance provider.

**Mr FORWOOD** — They were not aware of that.

**Mr LENDERS** — We will get back to you with the exact details of the case Mr Forwood used. However, it is illustrative of the fact that our obligation is to handle things sensitively — I take that completely on board. Having said that, we cannot shirk from trying to have third-party recovery if we are going to have a viable scheme which is generous enough to provide benefits to the people who are injured, which a viable scheme needs to do, and which does not put an onerous burden on employers because we are not getting that. The balance is the issue there. I will certainly take on notice that particular case and whether we got the balance right, but the balance is the issue there, not the third-party recovery, because otherwise we would not have a viable scheme that can either provide generous benefits or reasonable premiums. I might ask the chief executive officer whether he wishes to comment on the third part, or we will take it on notice.

**Mr TWEEDLY** — I will cover it to a point and then if we need more detail we can get it. The normal process when a worker is put into a place that is subsequently deemed not to be safe is that the obligation to have that workplace safe falls on the occupant and/or the other employer. In terms of the carer, when they go onto a particular site the obligation is that they go into a safe workplace. There is an obligation on their own employer and

where they are going. As you get to larger employers and larger obligations, our process is that where we identify a claim that has features which identify someone else as being partially responsible but not in their own workplace, that is the trigger to say, 'Let us consider recovery'. That process is done by outsourced legal providers. In the case in question, to do it in the manner we did it, we admit outright that it was not as sensitive as it ought to have been.

**Ms ROMANES** — On page 302 in budget paper 3 there is a table of output initiatives. A new initiative there is the increased monitoring role of the Ombudsman, with \$500 000 allocated for that new and commendable initiative for this year. How will this initiative to involve the Ombudsman in monitoring the VWA and TAC schemes improve services for clients?

**Mr LENDERS** — There are two separate issues — there is the issue of claims and the legal procedure for dealing with them and then there are the administrative issues and how a client who comes to an organisation as large as the TAC or the VWA feels. Often they are incredibly disempowered when up against such large organisations. These organisations deal very well in the vast majority of cases with their clients, but there will be a time when either the client does not understand or the organisation is not good at communicating with the client and then you run into that genuine problem. People feel unbelievably frustrated because they have a valid case but nobody will listen to them, and they get the run-around.

Both organisations have been very supportive of the Ombudsman process being set up, firstly because if nothing else it feeds back to the organisations through an Ombudsman's report or through an Ombudsman's office how things could have been done better. I think it is critical for that to happen. Secondly, it in effect provides that one-stop shop for someone who has those administrative complaints. At the moment they may go to the TAC or the VWA, they may go to your electorate office or to my ministerial office, they may go to their union or to anyone in a sense to try to get a form of redress. If we actually have a consolidated administrative dispute handling process, it will make that better for everybody concerned — for the client and the organisation.

In a sense the Ombudsman is another person who at the moment has some jurisdiction in this area. In fact he arguably has jurisdiction over almost all of it other than some of the VWA agents, particularly agents going back to the WorkCover days. It makes a streamlined, resourced, one-stop shop which will not only deal with the clients but also send a very strong message to both organisations as to how these internal processes can be handled, so we are not dealing correctly with only the legal side of the claim when things are not working well but also the administrative side.

**Mr FORWOOD** — In September 2004 the Minister for Small Business announced a government policy that Victorian government departments and agencies that failed to pay suppliers within 30 days would start to pay interest. I would be interested to know the track record of these two agencies in paying their bills on time and how you monitor that. However, more particularly I am concerned to take it to the next step. I received some correspondence from a guy whose business is modifying houses for disabled people. He has resolved that he will not do any more work for the VWA. He faxed me a list of invoices that shows 180 days to pay, 350, 80, 85, 45, 50, 45, 45, 90, 150, 120 plus. The total is only \$13 000 or \$14 000 — he does a couple of grand here, a couple of grand there, but he waits a very long time to be paid for doing this work on behalf of the VWA through its insurance companies such as CGU, Alliance and others. I put the question to you: firstly, are you paying your own bills on time according to the government's desire? Secondly, what are you doing to ensure that your agents, who run the scheme on your behalf, are looking after the small business people who do the work?

**Mr LENDERS** — I think the first thing to say in general terms is that all of government supports what the then Minister for Small Business put forward — that is, that our objective needs to be to pay our bills on time and properly, particularly to small organisations. If you asked me this question in the next session, Mr Forwood, on procurement, I would answer at greater length, but I will not take that time in the WorkCover/TAC area. The first objective is to do that. Some of the areas with electronic commerce for procurement and others enable that to happen more quickly. On the specific one, clearly I am not aware of the details there. While the overarching objective is to pay on time, we also need to be sure we are paying for the right thing. However, I might again invite the chief executive officer of WorkCover to respond to that or to take it on notice.

**Mr TWEEDLY** — We monitor our agents' payment performance to all providers every month and measure it against a 30-day time line. We have a benchmark that 95 per cent or more have to be paid within the 30 days as a minimum standard. If agents do not do that over a protracted period, there are financial penalties on them for not meeting that target. We do monitor it. In terms of the last few months, my recollection is we have

provided payments well over 95 per cent. If you want any more specific details, I am happy to take that on board. For the particular provider in question, I would be very happy to look at that one offline as well.

**Mr SOMYUREK** — Minister, I refer you to budget paper 3, page 219 and the strategic policy advice. No doubt these resources oversee VWA's activities aimed at making work places safer. Can you advise the committee what efforts are being made to the VWA to reduce the injuries we see on farms?

**Mr LENDERS** — Farm-related injuries are quite horrendous. I can remember as a child at primary school when the father of one of my mates was killed in a tractor accident. It was not uncommon in a farming community to hear about those injuries and accidents because farming is a very unsafe profession. Using my West Gippsland experience, the hills there are very steep and the tractors drive up and down the sides of the hills where there are creeks, waterholes, mine shafts, you name it — all of those things. It is not surprising that those sort of accidents happen.

In a sense I guess one of the toughest things for the VWA and for WorkSafe is to get the message out into farming communities that it is an unsafe profession, particularly when, as we all know, farmers are very resilient, independent-minded people who assess these risks themselves and do not want anyone else telling them that what they are doing is unsafe. That is certainly the culture that I grew up in on a dairy farm and it is still strongly out there. So how WorkSafe gets that message out is critical. We cannot let this huge area go unchecked on the basis that people are saying, 'Do not crowd us, we will make the correct decisions ourselves'. So a lot of this is about information and visiting farms regularly to promote what needs to be done and done in a manner that complies with our legislation. We give farmers education and training. WorkSafe also goes out to primary schools to try and talk through how to do some of the things. There have even been programs to provide free occupational health and safety consultation on machine guards and a range of things to show that those things make it safer and are some of the things that farmers can do.

There is a lot of advertising in regional Victoria showing the effect that fatalities have on communities and individuals and what you can do to protect yourself and take safer measures. Again, going back to my childhood the biggest issue at that time was safety bars and seatbelts on tractors. Anybody trying to say that dairy farmers in Gippsland should have rollbars, and seatbelts were seen as strange aliens. Farmers said, 'How dare you even suggest that'. Now it is accepted that that is what you do to be safe on a farm.

We have taken steps on silos and other issues; they are all safety issues. Again, I remember in my childhood being engaged to sweep out a wheat silo. The horror of climbing in and sweeping it out when you knew what could happen to people who get caught in silos! They were just things that happened in country communities. So our challenge is both by carrot and stick, in going out and informing so people can make their own informed decisions and can see that the things they thought were not dangerous, actually are dangerous, and the easy solutions to fix the problem.

**The CHAIR** — In the interests of time could you take this on notice? Could you give the committee information on the key performance indicators in relation to information. It is all very well to provide information, do in-services at schools and advertising, but what are the key performance indicators to assess whether it is value for money?

**Mr LENDERS** — We will take that on notice. Mr Forwood knows that WorkSafe was present at a lot of field days — 12 last year. He asked a question in the upper house about it. He is very supportive of it, Chair.

**The CHAIR** — Good. I support it, too. I just want to know how we assess how effective it is.

**Mr FORWOOD** — Minister, I wonder if you could provide the committee with details of the total amount of tax equivalent payments (TEP) that were made by the TAC in 2004–05 and budgeted to pay in 2005–06, the total amount of dividends for the same period, and in relation to the VWA the total amount of TEP for those two years.

**Mr LENDERS** — I can certainly provide that either here or on notice. Mr Forwood would be well aware of the commonwealth government's income tax equivalent regime when there are state-owned enterprises, and what they are required to do. Also, be very aware that the state of Victoria makes very good use of the resources, like the work we do on roads and the work we do generally to make roads a safer place. Obviously there are issues

like fatigue and behavioural issues, whether it be drink-driving or drugs and driving. One of the other areas is to make roads safer. These resources can be used for a range of things.

In the interests of time I will certainly take on notice the amounts that he asked for. I also advise the committee that these are important things. I also advise the committee that if former Premier Kennett had had his way and privatised the TAC — —

**Mr FORWOOD** — He made the choice not to.

**Mr MERLINO** — Minister, I refer you to budget paper 3, table A on page 291 and the output initiative ‘Safer roads infrastructure program’. Can you inform the committee what benefits are anticipated from this program?

**Mr LENDERS** — The fundamental benefit is that we make our roads safer and by doing so we reduce accidents. The critical benefit is what it does socially in the Victorian community. There are families who are not losing a loved one on the road, and other families who do not have a loved one who is either severely incapacitated or disadvantaged in the short or the long term. Clearly there are huge economic benefits to the state in addition to those social ones. The government has in place the Arrive Alive program. As I said earlier, a lot of these things are collaborative. A lot of the programs are not done in isolation by TAC alone. They are programs where the TAC, the police and VicRoads work in a very strong partnership.

We have provided a lot of money already — \$110 million through TAC to improve safety at high-risk intersections, particularly ones with a history of serious casualty crashes. That is one measure. We based a lot of this on the Monash University Accident Research Centre which highlights the positive impact of us putting money into some of these areas. It might be things like the installation of infrastructure. It might be roundabouts; it might be traffic lights; it might be dedicated right-turn lanes; it might be skid-resistant road surfaces — a lot of things that are absolute commonsense investments that essentially make that particular road, or that particular place less dangerous. So that is the program. We draw on the resources of the Transport Accident Commission to do that. It is a core activity, because in the end if the roads are safer, in addition to the issues of fatigue and some of the other issues that we talked about, it is one of the key ingredients to reducing trauma and death. The budget is an ongoing and practical way for us to see in our own communities that roads are being made safer.

**The CHAIR** — When you work on that program, do you also factor in pedestrians and cyclists?

**Mr LENDERS** — Yes. And that is done in collaboration with VicRoads which has the grid of where there are problems, and then TAC makes the assessment.

**Mr FORWOOD** — Both the TAC and the VWA have a substantial promotional and marketing budget. In the past we have crossed swords with the organisations over how much information they are prepared to make public. I must say that I was very pleased to see the Richmond Football Club lose its sponsorship. I wonder if you could outline for the committee the various sponsorships — and you might like to take this on notice as well — that each of these major clubs have? For example, I am not sure that anybody actually knows how much money the Collingwood Football Club gets each year from the TAC. My understanding is that the contract was just recently renewed. It would be useful for the committee to have that information. How do you evaluate the effectiveness of the funds? For example, the VWA sponsors the Western Bulldogs Football Club. What are the key performance indicators for that? How do we know that the substantial amount of funds, which I understand are public funds — \$250 000-odd a year, I think it is — is actually delivering sensible outcomes?

**Mr LENDERS** — I will take a number of things, and then I will refer to the respective CEOs. Firstly, the issue for us — and it will be interesting perhaps for PAEC itself in its report to deal with this issue — when the fact is that both organisations sponsor things like a football club or country netball or whatever and that is on the public record, is that traditionally discussions as to what the amount is and what the terms are have been commercial in confidence. That is a difficult one for us. I would appreciate an ongoing dialogue and any recommendations PAEC gives the government. We will certainly consider, though, how we come through that quandary of the commercial issues that the clubs we are sponsoring have versus the public’s need to know. We are happy to have that ongoing dialogue. I do not have an answer to that now.

As to how we choose, it goes back to the KPIs, and I would invite the respective CEOs to answer on that, but certainly the driver for us is that if we are aiming to get a message out — such as farm safety, which we talked

about earlier, for example — clearly we seek to find the best medium to get there. I launched in Shepparton recently some funding from the VWA for country netball. That was clearly targeted to credible community support organisations and it was saying safety on farms is an important thing. Country netball was a way of getting the message through in a rural community to do that. Country football similarly. I would speculate that the Bulldogs aim to a demographic of young men, who are the ones who are most seriously injured both on roads and in workplaces.

I will pass on to both CEOs and ask whether they wish to respond or take it on notice in respect of those KPI issues.

**Mr GRANT** — To reiterate what the minister said, you are aware of the TAC's objectives: they are clearly to reduce road trauma. We design our campaigns to make certain the messages are delivered to the most at-risk groups in the most effective way, and from time to time we review our arrangements. In my opinion the single most effective sponsorship we have in the sports arena we have at the moment in terms of impact for the dollar spent is probably the under-18 cup. I do not know if you are all aware of that, the TAC Cup. That is a very effective sponsorship, because it is reaching families, it is reaching young men at 15 and 16 and 17, when you can still change attitudes. It involves families, it involves coaches and it is across Victoria — it hits country Victoria too. That is an example of a very effective sponsorship.

Sponsorship only forms about 10 per cent of our total road safety communication budget, so it is not a major part, but it is an important part, and we continually review the most effective way to reach our target audiences.

**Mr FORWOOD** — You are spending \$500 000 a year on the Richmond Football Club. Can you say how many lives were saved because you spent \$500 000 on the Richmond Football Club?

**Mr GRANT** — It is very difficult to attribute a life or an injury saved to a particular dollar spent in a particular area. I would like to say it was that scientific, but I cannot. What I can say is, if I go back and pick a year — the year I happened to join the TAC, 2000 — in that year we had 22 000 claims, and to be a TAC claimant you have to be reasonably seriously injured. This year we will have about 17 500. That is 4500 less injuries in terms of TAC claims each year, and that is a hell of an achievement. And the whole program achieves that. It is very difficult to say exactly which part, but we test each part, and collectively it is working.

**Mr TWEEDLY** — I have similar comments to that on the Western Bulldogs, in that the Western Bulldogs are situated on a site in an area where there are a large number of manufacturing industries where there is a large injury base and there are a large number of people who support the Bulldogs in that area. It is a way of getting into those organisations to sell the message and to have the brand recognised. When the WorkSafe brand is identified, when our inspectors go onto those sites they have a connection, people know what they are in there for. It actually opens many doors and assists us in our safety message. So it is very similar, and in terms of the economics of our sponsorship it is very small dollars in the scheme of our overall expenditure. They are very similar sorts of issues to the ones Stephen mentioned.

**The CHAIR** — My question goes to bicycle safety and it is in relation to the TAC. There has been a lot of advertising about road safety. There has not been, to my knowledge, a lot of advertising informing drivers of the importance of being aware of cyclists. Could the minister or Mr Grant outline some of the work that has either occurred or is under way to address that?

**Mr LENDERS** — I am certainly happy to take that — —

**The CHAIR** — You might like to take it on notice.

**Mr LENDERS** — I will take some on notice. There is a very collaborative relationship between VicRoads, Victoria Police and TAC, and a lot of this is in that area, but I guess the Wipe Off 5 campaign is a classic one about dealing with speed and how a lot of that actually deals with cyclists and pedestrians and speed. Wipe Off 5, if you have seen the ads, they are very graphic as most TAC ads are, and again it is all about what happens to a cyclist. If we go to the absolute core of the safety of a cyclist on the road as opposed to what the cyclist is doing, if you are driving at 60 kilometres an hour and you brake, it takes 45 metres to stop. If you drive at 65 kilometres an hour, after 45 metres you are still travelling at 32 kilometres an hour. Things like that and how they affect the cyclist are a huge part of this. We will take that on notice, given the time.



**Mr FORWOOD** — Minister, we have a new premium system. We have done away with the F factors and we have come to a new statistical calculation model. There is, I think it is fair to say, some disquiet about the statistical model amongst many employers who look at their history and say, 'How can this possibly be?'. The first part of my question is: how confident are you that the system is robust, that it does not create anomalies that are seriously injurious to people who look at their track record and say, 'How can this possibly be?'. The second part of my question is: how is the VWA planning to implement the latest round of cuts through the system?

**Mr LENDERS** — I will perhaps start off and see if Greg wishes to supplement that. Firstly, I am confident in the VWA and in our premium system. With premiums there will always, particularly when you are dealing with small businesses, be difficulties around the edges. That is no surprise at all; it always has been the case. I guess our measure is: are we improving and reducing those levels of difficulty? Are we providing greater certainty and accountability in the premium reflecting a person's actions? And I think where VWA is at the moment, we are probably in one of the best positions we have been on that. It is flexible, it is responsive and we are addressing a lot of those issues. Is it as flexible and responsive as everybody wants? The answer is no. But is it heading in the right direction in a financially sound manner? I think the answer is yes. We have seen PFIO going down. We have seen the premiums two years in a row going down, and a range of changes in there. I think, firstly — —

**Mr FORWOOD** — They are going up.

**Mr LENDERS** — Sorry?

**Mr FORWOOD** — The PFIO are going up.

**Mr LENDERS** — Yes. Touché.

Is it heading in the right direction? Yes. That balance between premium charged and services delivered, we think that is certainly in the right direction. Can you improve it further and is the model the best way of doing it? Again, I am very confident that is the case, but I am happy to either have Greg respond or take the question on notice.

**Mr TWEEDLY** — I can comment on the statistical case estimates. That method was introduced last year and will continue, and the F factors are gone. Individual employers would see an estimate, go and speak to their agent and in the past negotiate it down to a figure they thought was reasonable, and then the F factors were put in, and the average was to multiply them all back up by 4, so it was a bit of an illusion, the correctness of the old estimates. The new estimate process is calibrated to the actuarial valuation every year, to ensure that it adds up to the same total as the pricing that is put in place. It makes sure that estimate is objective across all employers. The way in which the pricing works is that it is the relative position of that number, not the absolute value of that number, which calculates the premium, therefore the fairness across all employers is in place.

**Mr FORWOOD** — Only if someone has had an accident.

**Mr TWEEDLY** — Correct.

**Mr FORWOOD** — The problem is that there are people who are saying, 'Hang on, this claim never came to fruition, but it has been calculated in the SCE'.

**Mr TWEEDLY** — The SCE process — let me just understand the question.

**Mr FORWOOD** — It only works into the future, based on the accidents that have occurred in the past.

**Mr TWEEDLY** — Correct.

**Mr FORWOOD** — Yes, well, somebody is saying, 'Hang on, this claim might have been made but nothing was ever paid, and therefore this claim could never come back' or 'The person who had the accident is dead, and this claim can never come back', so why is the SCE into the future?

**Mr TWEEDLY** — In the case in question, I do not understand the set of circumstances you are referring to, but in terms of the estimates, they are estimated based on the full experience across all claims in the scheme, and they are reasonable averages of claims with those characteristics and they are being calibrated each year by the

actuarial valuation so that they are as accurate as they can be made, and there is no gaming between employers in the negotiation sense.

**Mr FORWOOD** — I understand the principle behind it. My question is how robust is it. The other question I am keen to ask is: what are you going to do about the 10 per cent? How are you going to factor in this year's cuts?

**Mr TWEEDLY** — In terms of the 10 per cent cut this year, the total yield of the whole scheme will be 1.8 per cent. Each industry will be looked at, as has been the practice in the past, based on the last five years of experience, which is the same as it has been for a number of years — —

**Mr FORWOOD** — You are going to reset all the industry rates?

**The CHAIR** — Hang on, let him finish.

**Mr TWEEDLY** — All the industry rates will be reset to deliver a yield of 1.8. Those people who have claims will be above or below the industry rate, depending on their performance, and it will deliver a 1.8 outcome.

**Mr LENDERS** — So some will go up, but it will certainly be a lot better funded than New South Wales and South Australia. It is much better than there anyway.

**The CHAIR** — Thank you very much to the minister, to the witnesses who had the opportunity to speak, and to those who have been here to enjoy the experience. I thank the departmental people who have put together copious briefing notes. They are of benefit not only to those here as witnesses, they help our PAEC secretariat with follow-up questions. Again, many thanks.

**Witnesses withdrew.**