



Speech by

**Mr M. HORAN**

**MEMBER FOR TOOWOOMBA SOUTH**

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**WORKCOVER QUEENSLAND AMENDMENT BILL**

**Mr HORAN** (Toowoomba South—NPA) (Leader of the Opposition) (4.10 p.m.): This is a very important bill. We on this side of the House believe in looking after workers and ensuring that employers are charged a fair price for their workers compensation contributions to enable them to run their businesses while providing protection for their employees. We need a balance to enable businesses to manage their costs and still be able to employ people in a safe, secure environment.

Today we have heard a lot about the current status of the financial soundness of the scheme. In the mid-1990s, the Goss government was the Christopher Skase of workers compensation. It made the biggest financial mess one has ever seen. Just as with the secrecy that is happening now, the cover-ups were unbelievable. The member for Toowoomba North talked about a few little problems that occurred and how the Goss government looked at things in the mid-1990s. I can tell members what happened.

In 1995 we went to an election, and the government covered up an estimated debt of \$125 million. Minister Foley, who was in charge of the legislation at the time, covered it up. It was not discovered until the Labor party won government by a margin of one. When we came back into the parliament, the member for Mount Coot-tha received the poisoned chalice and had to take over. Seven months later, the coalition formed government and we discovered the bad news. When we checked the figures, the scheme had a \$320 million unfunded liability. It was an absolute financial mess. It will remain a stigma on the Labor Party forever and a day that a scheme, which was designed for the safety and prudential security of workers, which operated through a partnership between employers and employees and which was meant to provide compensation, was on the verge of absolute collapse. We hear about the Christopher Skases of the world, the HIH collapses and all sorts of other corporate collapses, but this occurred right in our backyard. The Labor government drove the Queensland's workers compensation scheme almost to extinction. It is still happening with Labor governments, because at the moment New South Wales is experiencing similar problems. That state has some massive financial problems at the moment.

We have to be careful that the scheme does not return to the position of financial ruin that was wreaked upon it by a Labor government. We must move carefully, step by step, to ensure that there are incremental increases in the benefits to workers and incremental decreases in the costs to employers. For that to happen, the finances of the workers compensation scheme must remain strong and continue to grow. As I mentioned, when we came to government we inherited a \$320 million unfunded liability and we had to do something to fix it. It was not very pleasant. I can remember the shock and the horror that we felt when we were first presented with the figures that showed the absolute mess that we had been left. It was left to the then member for Clayfield to review the situation and to try to find ways to make Queensland's once proud and great scheme, which had been virtually destroyed by the Labor Party, a good scheme again. He had to find a way to make it a viable, well-funded, safe and secure scheme, which is the condition that it should have been in. That was the difficult task that we had. It is probably a task that many conservative governments have when they take over from Labor governments and have to fix up the financial messes that they inherit. Part of the problem was the repayment of debt, and some additional charges were put on employers as a result. Everybody had to bear some pain to try to fix a huge problem and return the scheme to a degree of solvency. The scheme now has just reached statutory solvency. There is nothing great about it; it has just reached statutory solvency. While most of the debt has been repaid, some debt remains.

The purposes of the bill are to raise statutory lump sum payments available to workers for injury from \$103,000 to \$150,000, to raise lump sum payments available to dependants in the case of fatal injury from \$164,960 to \$250,000 and to give greater access to a payment of up to \$150,000 to compensate for care where a worker is permanently injured and is wholly or partially dependent on others for care. The bill also removes the requirement for workers to prove that they had not contributed to their injury and that they took all steps to minimise the effect of the injury.

A degree of mutual obligation is so important in a successful workers compensation scheme. It is not just about the money, it is about the associated training, the preparedness and the attachment of protective guards to equipment and machinery. It is also about ensuring that machines operate in the right way, that everybody knows how to operate them, that they are aware that unforeseen damage can occur, that they know how to lift and so on. Those things are an essential part of the whole process. There is a responsibility on the employee to adhere to directions about training and safety measures, for example, shutting down latches, putting protective guards in place and not moving a machine into a certain area until it is cleared. All of those sorts of issues are important if the scheme is going to work and if we are to reduce the potential for injury, the number of fatalities, the number of injuries and the effects that they have upon people's lives—their happiness and their future. It is important.

Removing the requirement for workers to prove that they have not contributed to their injuries, so that it is simply up to the court to determine, is moving towards the removal of some responsibility from one side. If an employer is blatant in not having proper safety measures in place and, as a result of that, a worker is injured, that employer should have the book thrown at them. If the employee is blatant in not following the legitimate and correct instructions that they have been given, thus endangering either themselves or their work mates in the workplace, they too must bear some responsibility. Otherwise, we will be taking from the system one of the key incentives or key components of the partnership arrangement. That arrangement makes everybody aware that they have a part to play. They are aware that they are all cogs in the wheel and that, if they do not do their bit, the whole thing will fall down and will not work properly.

The changes to the contributory negligence provisions concern us greatly. As the scheme gets back to a secure financial and prudential base, we believe that there should be a sharing of the responsibility. Once the secure funds are in place to back the scheme up forever, there should be a sharing of that responsibility, along with a gradual increase in the benefits to workers and a gradual reduction in what employers pay into the scheme. In that way, the balance is maintained. Considering the history of the scheme and the financial havoc wreaked upon it to the extent that it virtually collapsed financially, we must remember that an increase in payouts of the order of 50 per cent would be just too great for the scheme to remain to be safe financially.

I will go back a little in history. At the start of my speech I mentioned the \$320 million unfunded liability. That was the position of the scheme in June 1996. The scheme was haemorrhaging badly. In July 1995, we discovered that there was a \$125 million unfunded liability. The Goss government continued in power for some seven months and the scheme deteriorated at an absolute rate of knots. The Kennedy inquiry was established and anybody could see that Labor had placed the scheme in a most disastrous situation.

That inquiry found that the existing scheme was a disaster in the making, rapidly running up an unfunded liability initially of \$290 million but which had grown to \$319 million by June 1996. Something had to be done about it. Major problems for the deficit were common law claims, money-hungry lawyers and questionable claimants. Kennedy noted that three per cent of claimants were responsible for 50 per cent of the payouts, and there were some 79 reforms put in place or recommended to be put in place to save the WorkCover scheme so that we could ensure protection for workers. Those major reforms were undertaken in order to stave off bankruptcy and they brought the compensation pool eventually back into the black. The reforms were stridently opposed by the ALP. Yet the members opposite come into this House and talk about the fund coming back into solvency. It is only those difficult reforms that had to be put in place that saved the entire scheme and finally brought it back to solvency.

Statutory solvency has been gained. As I said, it is statutory solvency. It is nothing brilliant, but now that solvency has been achieved it would be timely to start to put some funds aside to build up a reserve for those times when there might be an inordinate run on the scheme, to build up those reserves for a time when there might be some unforeseen disaster that means that those reserves are needed and to build up those reserves for a time like now when investments are not running well. Recently, we heard the Treasurer speaking about QIC Investments. We saw in the budget papers that investments are not going as well now as they were some years back. That is being experienced by everybody, be it those with superannuation funds or shares. It is a difficult and uncertain time. Now is the time to be prudentially careful and safe and put some funds into a reserve so that we can build up

the reserve of the scheme and continue to provide some share of that solvency to both sides of the equation—the employer and the employee.

On 14 August 2001, the *Courier-Mail* revealed that the board of the Queensland workers compensation scheme had made enough profit to offer the state government \$60 million in debt repayments just before the end of the financial year. That massive payment was halted because WorkCover discovered that state laws ban that semi-government body from paying into state coffers at times other than the first four months of the financial year. The mix-up was confirmed in a letter and I understand it will eventually be overcome. However, the issue is that we have a body that is still repaying debt to the government as part of the whole process put in place to fix up the scheme.

The National Party recognises the importance of maintaining a just, fair and adequate level of benefits for injured workers, particularly for their families and dependants. For this to be delivered over the long term without causing an unacceptable burden on employment, the opposition believes that a number of key scheme designs and management features must be in place and effectively maintained and managed. The opposition is committed to ensuring that the Queensland WorkCover scheme is balanced and equitable and achieves prudent financial benchmarks. One of the things that we have to remember is that in this scheme we cannot just charge small business operators out of existence. All of us would have had complaints. I have had numerous complaints from those people on the minimum. It was \$60; it is now \$120.

**Mr Nuttall:** That's the first rise in five years.

**Mr HORAN:** It does matter. The government has doubled the price. That cannot be justified. They have to get that money out of their existing business. That \$60 might not sound like much to the minister, but to someone who is struggling with a small business it makes a big difference. The minister heard my colleague the member for Cunningham speak about the massive increase that occurred. Because of the reforms that we put in place bringing about the gradual solvency and fightback of the scheme to a position of financial security, the government has been able to make some reductions in the average rate being paid by employers. But we so often hear of employers saying they have had a massive hike in their costs. It is not always because they have had accidents. There are all sorts of different reasons. The minister's figure is about the average rate of deduction, but there are also all of the changes to the categories. When people are put into higher categories it can mean that they are forced to pay it at a higher rate than they were before. It is all of those sorts of changes that can also make for a far higher cost of WorkCover.

I think all employers realise that WorkCover is essential. But when we talk to employers about the costs they have to meet before they make a reasonable profit at the end of the day, we find that they include WorkCover, superannuation and so on. They all add up to a cost that makes it difficult to do business. At the end of the day, the greatest thing most employers would like to do, if they could do it, if they had some extra money, is to put on an extra staff member. There is hardly a small business that would not like to do that. We have to continually monitor, as a government or an opposition, what the costs and imposts are, and the benefit of it.

In this case, there is a wonderful benefit of being able to care for people and provide for that sort of security that can occur from injury in the workplace. However, at the same time, we have to make sure that we do not just cost jobs out of the equation so that people end up with so many costs and charges for so many different fees and levies and so forth that at the end of the year, when they work out their pluses and minuses, they say, 'We'll have to do a bit more ourselves. We can't put on another employee. Or we'll have to put someone on temporary employment or back to half-time or we might have to do without the employee.' That is not what we want. We have the worst unemployment in mainland Australia. We have got it consistently under this government. We have to look at ways and means of enabling small business in particular to be able to employ people and to be able to employ people in a very secure way.

There are a number of other concerns that I wanted to touch on in the time that is left. Employers are quite concerned about the government's apparent commitment to repeal current contributory negligence and mitigating loss provisions. Employers are concerned that the government is removing the court's ability to hold employees responsible for their contribution to their injury, if that has been the case. That is the system of mutual obligation and everybody holding true to the responsibilities and obligations that every party has to make the workplace safe.

There is also the issue of the way this government has been charging stamp duty on top of the GST. That is a nice little earner and windfall. We have a tax on a tax. Quite immorally, they have been charging stamp duty on the product plus the GST. It gives them a greater amount of stamp duty and a significant increase. Some \$30 million has been raised in WorkCover related stamp duty, and no doubt a part of that would be from this formula that is applied to the tax-on-the-tax system.

I wish to conclude by reiterating the principles that I have concentrated on in this debate. Not very long ago, we had an absolute financial disaster in this state. The wonderful WorkCover system was

almost destroyed and wiped off the map through the financial mismanagement of the Goss Labor government. It was left to the coalition to undertake the difficult task of restoring that fund. There is nothing more important to the work force than knowing that they have the umbrella of safety of a WorkCover system so that in the event of an injury or fatality there is something there to help them, their family and loved ones. That is absolutely essential. At the same time, it is also essential that we make sure this scheme is in operation and that it continues to grow as a result of the pain that everyone had to undergo during the reform process. At the end of the day, we can always be confident that we have a secure financial system.

Our belief is that, if we make massive increases and if we make some of these large changes to the issue of contributory negligence before we have this scheme in a position where we have secure, substantial and large reserves so that it is insulated and safe forever from the sort of mismanagement that occurred under the Labor government in the 1990s, that is what we should be aiming at—going carefully, sharing the benefits with both the employers for a lesser contribution and the employees through gradually increasing rates in a fair, honest and reasonable manner—

Time expired.

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