



Full Day Hansard Transcript (Legislative Council, 21 February 2012, Proof)

Proof

Extract from NSW Legislative Council Hansard and Papers Tuesday, 21 February 2012 (Proof).

<http://www.parliament.nsw.gov.au/prod/parliament/hanstrans.nsf/MostRecentLC/LC>

WORKCOVER REVIEW

The Hon. LUKE FOLEY: My question is directed to the Minister for Finance and Services. Does the Minister's review of WorkCover go beyond a review of the insurance scheme and also involve a review of WorkCover prosecutions and WorkCover's role in those prosecutions?

The Hon. GREG PEARCE: I thank the Leader of the Opposition for a good question. As he would realise, the State is facing a crisis in the workers compensation space. We have had the resignation of the chair of WorkCover and the resignation of the chief executive officer of WorkCover. We have introduced the harmonised occupational health and safety laws, which other States have now delayed. We have in prospect a deficit which was \$2.4 billion or so as of 30 June, which was the last time it was measured, but as honourable members know from the former chair of WorkCover he anticipates that that deficit may be \$4 billion and could even be \$5 billion or more.

All of those things make it apparent that a very significant review of WorkCover and the workers compensation scheme is required. We are trying to do that as transparently as we can. I can inform honourable members that each week for the past few weeks I have personally met with the remaining executives of WorkCover and the story of woe coming from those executives covers everything from the structure of WorkCover, work practices, the agency arrangements, prosecutions, and the guidelines and all the other materials that WorkCover is left to deal with to the adequacy of the current premiums. Employers have cause to be concerned about the adequacy of premiums.

Every aspect of the workers compensation scheme is in a mess because for at least the past seven or eight years the former Government failed to manage the scheme, to provide any leadership or to provide any oversight. Foremost amongst those who failed to do anything were the Hon. Michael Daley, the Hon. Paul Lynch and, of course, the Hon. Eric Roozendaal, who has some talents and would have been able, if he had focused on WorkCover, to see the looming crisis. At least he understands some aspects of international finance. He spent a lot of time on the plane and in hotels in New York and other parts of the world looking at investment returns and banking and those sorts of things. In answer to the Leader of the Opposition's question, I hope there is some support from his side to move forward with the review and the work we are going to have to do to get this scheme back into shape.

The Hon. LUKE FOLEY: I ask a supplementary question. I thank the Minister for his answer. I ask him to elucidate his answer with particular reference to whether the significant review that he spoke of includes a review of prosecutions commenced by WorkCover.

The Hon. GREG PEARCE: I suspect the question relates to occupational health and safety prosecutions. If that is the case, yes, the changes in the law that were brought in last June where the reverse onus of proof was removed and directors' liabilities were changed have meant there are a number of ongoing prosecutions, which we have asked WorkCover to look at to see whether they are being appropriately addressed. I understand that work is taking place now.



Full Day Hansard Transcript (Legislative Council, 21 February 2012, Proof)

Proof

Extract from NSW Legislative Council Hansard and Papers Tuesday, 21 February 2012 (Proof).

WORKCOVER

The Hon. ADAM SEARLE: My question is directed to the Minister for Finance and Services. Given the

Minister's previous answers to the Leader of the Opposition, has he instructed WorkCover to seek the adjournment of occupational health and safety prosecutions that are currently before the courts and, if so, why?

The Hon. GREG PEARCE: It is my understanding that WorkCover is obtaining some advice in relation to the applicable laws in relation to some of the occupational health and safety prosecutions. I gather that there are some cases where WorkCover is seeking an adjournment while it gets that advice. I do not know how many cases there are. That is a matter for WorkCover. It would be the normal course of cases whilst it gets its advice.



Full Day Hansard Transcript (Legislative Council, 21 February 2012, Proof)

Proof

Extract from NSW Legislative Council Hansard and Papers Tuesday, 21 February 2012 (Proof).

CHANGES AT WORKCOVER

Mr DAVID SHOEBRIDGE: My question is directed to the Minister for Finance and Services, and Minister for the Illawarra. Noting the Minister's answer last week to a question on workers compensation in which he tabled the resignation letter from Mr Greg McCarthy, the former chair of WorkCover, will the Minister inform the House what was on the list and when will he make public the list of benefit cuts and other recommended actions to address the looming WorkCover deficit that was referred to by Mr McCarthy in the final paragraph of his letter of resignation?

The Hon. GREG PEARCE: I thank the member for his question. I have made it clear to members on a number of occasions that the New South Wales Workers Compensation Scheme deficit is growing. The scheme deficit was \$2.363 billion in the six months to 30 June 2011. The deterioration has been driven primarily by two things: firstly, an increase in the cost of claims, particularly in the number of workers expected to stay off work for longer periods whilst receiving higher lump sum benefits; and secondly, a 33 per cent reduction in the average premium rate handed down by the previous Government between 2005 and 2010. This decreased the scheme revenue by around \$1 billion per year and cut the margin between how much the scheme collects and its break-even costs to less than one tenth of 1 per cent. When announcing the sixth premium reduction in June 2010, the then Minister for Finance wrote, "The measured and responsible reduction was enabled by improvements in the scheme's financial position." However, at the time of that 2010 announcement, the most recent valuation showed the scheme was in deficit to the tune of \$1.2 billion and had sustained a deficit of over \$200 million from underwriting operations in six months. Back in June 2010 the trend was very clear—the scheme was going backwards under the former Labor Government.

Advice from the independent scheme actuaries at the time also highlighted risks to scheme performance in the areas of work injury damages and weekly incapacity rates. The New South Wales Workers Compensation Scheme is one of the largest insurers in Australia, with approximately \$11.3 billion of funds under management in international and domestic markets and \$2.5 billion in premium revenue from the State's employers. It provides insurance cover to over 267,000 New South Wales employers and their employees in the event of work-related injury. I have made it clear that action is needed to bring the scheme back into the black. The Government considers improved management of the scheme is vital and a matter of the highest priority. I am meeting weekly with the WorkCover executive to work on solutions. I have noted Mr David Shoebridge's scaremongering in the past few days on this issue, trying to cause a sense of panic.

The Hon. Dr Peter Phelps: No, not The Greens.

The Hon. GREG PEARCE: Yes, The Greens—Mr David Shoebridge—scaremongering. We know that it is going to come from the Labor Party, although they have been incredibly quiet in this place. Mr David Shoebridge should be working with the Government to come up with solutions to this very serious set of problems. The Government is continuing to work with business, workers and regional communities to ensure the long-term sustainability of the scheme. Our focus is on managing the Workers Compensation Scheme much better than it was managed under the former Labor Government. As to the letter that I tabled last week, yes, I did read it closely, but I was not given a copy of the document referred to by Mr David Shoebridge.

Mr DAVID SHOEBRIDGE: I ask a supplementary question. Will the Minister for Finance and Services, and Minister for the Illawarra further elucidate his answer by informing the House when he will request that list and when the list will be provided to the people of New South Wales, given that it potentially raises cuts to weekly benefits, common law benefits and other entitlements, as the Minister has just referred to in his answer?

The Hon. GREG PEARCE: I do not intend to ask for the list. That list is an opinion of the former WorkCover chair. If Mr David Shoebridge would like the list, perhaps he should ring the former chair's office. This is the man who put Mr McCarthy's private address and phone number on the web and tried to incite people to chase after him. I do not know what sort of behaviour Mr David Shoebridge thinks is appropriate but that was an absolute disgrace.

The Hon. Jeremy Buckingham: Point of order: My point of order is relevance. The supplementary question related to a specific question about when the list would be released. I ask that the Minister be drawn back to the substance of the question.

The PRESIDENT: Order! The Minister was being generally relevant. However, I remind him that he should not make imputations about other members.