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Senator Chris Back
Chair, Legislation
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Via e-mail eec.sen@aph.gov.au

Dear Senator Back

Inquiry into Safety, Rehabilitation and Compensation Legislation Amendment Bill 2014

I refer to your letter dated 20 May 2014, addressed to the Chief Minister of the Northern Territory inviting submissions for the inquiry into the Safety, Rehabilitation and Compensation Legislation Amendment Bill 2014. The Northern Territory Government has two concerns:

1. Removal of the Competition Test

The Northern Territory workers compensation scheme is underwritten by five private insurers and currently generates \$126 million per annum in premium income.

Northern Territory insurers have indicated to NT WorkSafe that the value of premium income from multistate employers is \$32.5 million, which is 25% of the Northern Territory's premium pool. Of great concern is that two out of five approved insurers depend on national employers for 50 to 60% of their annual income. There is a risk that if national employers exited the Northern Territory scheme that two insurers will lose the economy of scale necessary to maintain a viable operation. A reduction in the number of insurers will mean less competition and less choice for business.

The existence of large claims in the Northern Territory means that the loss of such significant income will produce more volatile results for insurers and pricing challenges.

It is difficult to estimate how many employers would pursue an option to participate in the Comcare scheme but the potential consequence could be:

- withdrawal of insurers;
- loss of competition;
- increased premiums for employers;
- loss of jobs for insurance industry workers;
- loss of employment and career opportunities;
- impact on other businesses who supply services; and
- loss of an NT based claims service for injured workers.

2. Removal of cover for injury due to serious and wilful misconduct

On face value, this exclusion appears of no great importance, but workers compensation jurisdictions currently cover workers who are seriously injured, despite being due to serious and wilful misconduct. The effect of the proposed exclusion is that persons catastrophically injured due to serious and wilful misconduct after commencement of the National Disability Insurance Scheme (NDIS), will fall under the NDIS rather than workers compensation. As the Northern Territory funds 50% of NDIS costs for persons who live in the Northern Territory this exclusion could increase NDIS costs for the NT Government.

A lot has changed in the national scene for both workers compensation and work health safety over the 10 years that have passed since the 2004 Productivity Commission inquiry into the National Workers' Compensation and Occupational Health and Safety Frameworks. It is not established that the drive or reasons for change are as strong as they were 10 years ago.

Aside from the impact on the Northern Territory workers compensation scheme, the proposed change have potential to lead to a jumbled mixture of arrangements with individual businesses being in or out of Comcare depending on their own cost benefit analysis. This could lead to complications in assessing the liability of principal contractors and the extended coverage to sub-contractors.

There will also be complications for work health safety regulators where different contractors are on a site, for example if the principal contractor is regulated by the Commonwealth but sub-contractors are regulated by the Northern Territory.

Thank you for the opportunity to bring Northern Territory's concerns to the Committee's notice.

Yours sincerely

DAVID TOLLNER

17 JUN 2014