

Mrs Cheryl Edwardes; Acting Speaker; Mr Max Trenorden; Mr Dan Barron-Sullivan; Mr Pental; Mr Paul Omodei; Mr John Bradshaw; Mr Rod Sweetman; Mr Colin Barnett; Mr Ross Ainsworth; Mr Matt Birney; Mr Mike Board; Mr Bill McNee; Mr John Kobelke; Chairman; Speaker; Mr Pental

EMPLOYERS' INDEMNITY SUPPLEMENTATION FUND AMENDMENT BILL 2001

Second Reading

Resumed from 2 May.

MRS EDWARDES (Kingsley) [7.03 pm]: The HIH Insurance collapse focused the attention of many people on not only workers compensation insurance, but also insurance generally. Workers compensation insurance is compulsory in Western Australia, as are a number of other insurances, such as third-party motor vehicle insurance, housing indemnity and professional indemnity for legal practitioners. General insurances, such as motor vehicle, house and contents, and wage supplementation insurance, are optional for people who wish to take those types of cover. HIH at its collapse comprised itself, FAI Insurance and CIC Insurance. HIH was well known and recognised in Western Australia as a very good workers compensation insurer. It operated generally at the good end, not the big end, of the market and did not have a large number of great risk policyholders. However, in 1999, HIH took over FAI, an insurer which heavily discounted and which used its cash flow as essentially the name of its game. After that takeover, HIH endeavoured to remove some of the poorer risk workers compensation policyholders. As the Government at the time, we were faced with a large number of those policyholders - employers - with an inability to reinsure with HIH and/or presented with huge loadings added to their premiums. HIH either assessed the loadings in taking on those risks or, in the case of some employers, put itself out of the marketplace. I do not know how far HIH succeeded in removing the poorer risks in its Western Australian workers compensation portfolio. However, in my observation, the takeover of FAI in Western Australia may prove to be one of the precipitous steps in the financial downfall of HIH.

After the collapse of HIH in Western Australia, SGIO Insurance Ltd assumed liability for its workers compensation policyholders on 15 March 2001. I requested from the minister a breakdown of the HIH portfolio and of the policies taken up by SGIO. Harry Neesham, the Executive Director of WorkCover WA, was most helpful in providing advice to me and, with the consent of the minister, answered all the questions I asked him. The minister and I have had a fairly good working relationship over the years, even when wearing different hats, and I allowed similar access to him when he was in Opposition. However, a number of matters were omitted from the second reading speech. Essentially, the speech dealt with process, not with facts and details. I requested further information on the whats and whoms and a breakdown of policyholders to identify the types and sizes of the companies involved. SGIO Insurance Ltd assumed liability for 4 483 policyholders as at 15 March 2001 and I wanted to know whether they were large, small or micro-companies. I was told that 3 904 companies, such as bakeries and so on, pay premiums up to \$10 000; 261 pay between \$10 000 and \$20 000; 182 between \$20 000 and \$50 000; 56 between \$50 000 and \$100 000; 71 between \$100 000 and \$500 000; and nine more than \$500 000. There are, therefore, a lot of mum and dad companies.

I then requested information on the number of claims. Among its policyholders, HIH had 2 662 claims, FAI, 668 and CIC, 80. If these companies - the employers - are unable to receive any form of assistance, it is reasonable to assume that they will go under, as employers assume direct liability for payments to employees and then seek reimbursement from their insurance company. Only 19 employees were being paid directly by HIH, which liability has now been assumed by SGIO.

I seek clarification from the minister on one matter because it does not make sense to me and he will obviously be able to advise me with a greater level of detail. I understand SGIO paid for those workers compensation policies and that a pre-liquidation contract of \$130 million occurred. One hundred million dollars was to be paid on the signing although there was approximately a \$10 million discount at that stage. Fifteen million dollars was on the basis of reinsurance of a certain percentage. I am not sure of the figure, but it may have been around 80 per cent. Reinsurance for the second year was around 60 per cent. I am filling in the facts on the basis of how and why this could happen as part of a preliquidation contract. Why would SGIO Insurance Ltd pick up all the insurance policyholders? One can imagine a conversation along the lines that somebody from the east saw a company with a cash-flow problem that wanted to trade out of its difficulties. Somebody soft in SGIO Insurance Ltd saw it as a good buy and that the HIH Insurance workers compensation policies in Western Australia were profitable. If it were not going to be profitable, why would anybody buy it? HIH Insurance workers compensation policies in Western Australia were seen to be a good buy for the next few years. SGIO has paid its money on that basis. HIH Insurance then went into liquidation. In the first instance \$100 million went to HIH Insurance to help its cash flow. The question needs to be asked - what has SGIO got? It has got a good business. It has tapped the minister on the shoulder and told him that it has bought a good business that has since gone into liquidation so it now has to face claims made prior to 15 March. I do not know what other options the

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Government looked at before it decided to resurrect the supplementation fund and levy five per cent in the first instance and gradually reduce the levy over five years.

If it was a good business bought preliquidation and SGIO was happy to pay \$130 million - I do not know whether the remaining \$30 million still has to be paid now that the company is in liquidation and the contract was entered into only a matter of days beforehand - why are the employers of this State picking up the claims made prior to 15 March? SGIO would have entered into the contract in full knowledge. It either did so in the knowledge that the company was going under, in which case someone along the line should have said something, or it did not know the company was going under and thought that it was going to survive and it was happy to pick up all the claims. Why do the employers of this State have to pay \$95 million? In the minister's speech the figure is \$93 million. The Opposition's support for this legislation depends upon the answers to the fundamental question: if SGIO was willing to enter into a \$130 million contract for the workers compensation policies, why are employers picking up the tab for the claims made prior to 15 March? The employers of this State want to know that.

Why did somebody not say something? I assumed that SGIO, along with the other insurance companies that are picking up the HIH Insurance policyholders, did it out of the goodness of their hearts. The deal would put SGIO into the marketplace to pick up a share of the workers compensation policies, but it would not have to pay for that. One can then talk quite easily about the claims prior to 15 March that would have been made on the company. It is a serious question that needs to be answered before the Opposition will talk about supporting and going further on this issue. It is a fundamental issue: why are the employers of this State paying \$95 million when SGIO was happy to pay \$130 million prior to 15 March? Does the minister want to say anything about that now?

Mr Kobelke: No, I will try to answer your question when you finish.

Mrs EDWARDES: In that case, I will continue. The main issue concerns small business and the make-up of HIH Insurance policyholders. From the information I received from WorkCover WA, I was able to see that we are talking about a large number of small policyholders. If the policyholders are not going to have their money reimbursed, it is important that some form of assistance be provided. What other options did the Government consider before it decided on the levy? The minister and the State Government have been very quick to say to the federal Government, "It's your problem; you cough up." The State Government receives stamp duty on workers compensation policies and other insurance policies. If I am wrong on that, I am happy to be corrected. The Government derives some benefit from the insurance policies. Did the Government consider a contribution? The Government derives benefit from the statutory requirements. The State Government very quickly decided that the federal Government should put its hand in its pocket. I have also received details of the actuarial cash-flow projections for HIH Insurance policies. The figures are inflated and are not discounted. For the payment year ending 30 June 2002, the amount is \$36.4 million; for the payment year ending 30 June 2003, it is \$23.2 million; for the payment year ending 30 June 2004, it is \$13.8 million; for the payment year ending 30 June 2005, it is \$7.9 million; and for the payment year ending 30 June 2006, it is \$4.5 million. They are gross projections that ignore any potential reinsurance recoveries. I will speak about reinsurance later. In the case of the reinsurance recoveries, HIH Insurance insured a number of its policies for 50 per cent for a couple of years with a major German insurance company. The Opposition would like to see the Government commit itself to working with the liquidator to recover those funds as quickly as possible without any administrative costs. If administrative costs apply, possibly the Government should pay them so that all the reinsurance recoveries are not absorbed by administration. The funds should be returned to a pool where they are needed to ensure a reduction in the impost on employers.

Mr Kobelke: I will answer those points later. The points about the figures given suggest that reinsurance would bring them down. My understanding is that the figures add up to about \$93 million. The gross liability is well over \$100 million and the reinsurance reduces it. That does not get away from the very important point that we need to ensure that we do not pay one cent more into insurance companies' pockets than we need to.

Mrs EDWARDES: I think it is the other way round. It does not take into account the reinsurance. The levy to be imposed - that is, five per cent in the first year - will not provide \$36 million. It takes into account some of the third and fourth quarters. It takes in \$32 million. The figures exclude the reinsurance and the Government's levy takes into account that the reinsurance recoveries will be made. Again, I ask the Minister to give me those other figures.

Mr Trenorden: You will also have to take into account the actuarial projections of about \$82 million.

Mrs EDWARDES: I was going to make that point. At the end of the day we want the minister to come back to this House following the actuary's advice every year, because we want to know what the Government has been

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spending the money on and the justification for the levy, as the actual losses may be far less than the current predictions.

Mr Kobelke: We hope they will be.

Mrs EDWARDES: A lot of uncertainty exists in relation to HIH insurance policies generally, including workers compensation, except for the question I raised earlier. SGIO Insurance Ltd must have done some assessment because it was prepared to pay \$130 million for that portfolio. That is an interesting question. Why would SGIO pay that unless it knew the company was going to go under? If SGIO did not know the company was going under, it was prepared to accept the risk. The claim is pre-15 March. It is not for the Government to bail out SGIO with an amount of money that it was prepared to pick out pre-liquidation.

Mr Kobelke: I do not think the member is correct there, but I will obtain advice on that.

Mrs EDWARDES: The other matter we want confirmed is that the levy being paid is on premiums and not on wages. That is a critical point and some confusion exists in the business community about that issue. I ask the minister also to confirm that the levy will be identified separately and that it will be levied pre the goods and services tax and stamp duty, and will then be excluded from GST and stamp duty. The reinsurance recoveries are estimated at about \$13 million. That is a considerable sum to come in and it would provide some level of comfort to the employers.

I move now to the supplementation fund. That fund commenced in 1979 and finished in 1986 with a one per cent levy. The current supplementation fund as at 30 April 2001, which obviously is a different figure from the one the minister mentioned in his second reading speech, stands at \$8 464 867.72 - obviously WorkCover has paid out some moneys due to HIH claims. Payments were made from the fund and it was created in the first place because Palmdale was the first company to go under and was one of the reasons the fund was established in the first place at one per cent; Bishopgate was next and then NEMGIA and Standard. I understand as a result of a briefing I had today that there were claims from waterfront workers as well. Some funds have been used for insurance companies that have gone under in the past. They were much smaller amounts than those involved with HIH. The sum of money involved with HIH - \$95 million - would be equal to a natural disaster. The fund is controlled by the independent commission for WorkCover, on which employers are represented. The proposal is for an actuarial review to take place in March of every year and the minister expects the levy to reduce. Again I seek an assurance from the minister that it is his intention that the levy will be no more than five per cent, the maximum required under the legislation, for the first year, 2001-2002, and from then it is expected to reduce. In the past I have provided the minister with actuarial reviews as we have been dealing with workers compensation recommendations and the like, and I would like the minister to commit to tabling the actuarial reviews every March in order to gain the confidence of the business sector - that aim was evident throughout his second reading speech - which is absolutely critical. That would allow better understanding of the claims and the call upon employers and how we are going with the reinsurance. I would like the minister to outline the steps he will take to work with the liquidators in an endeavour to ensure that any fees that they usually levy are either not levied or are picked up by the Government.

I refer now to the history of the workers compensation premiums, because it is important to recognise that over the past few years workers compensation premiums have reduced considerably. People were facing an increase of 35.3 per cent in the 1999-2000 rates, which for business was an enormous impost. At the end of the day, small businesses in particular bring in the bread and butter for many Western Australian families, and the impact of such a large increase was huge. The coalition Government introduced a number of amendments, which were supported by this Parliament, which led to the estimated average premium rate of 2.6 per cent. I raised this matter this afternoon during question time. The Government's direction statement on workers compensation identified some changes the Government would like to introduce, a number of which relate to its wish to bring solicitors back into the system. I am a legal practitioner, but let me tell members, as the president of the Law Society of Western Australia once said to me, "Every time I pick up a piece of paper, it costs you." Therefore, as soon as we bring lawyers into the system, every time they pick up a piece of paper it will cost us. There is no doubt that bringing lawyers back into the system will cost. A recommendation from the Pearson review referred to this matter. I asked the Law Society to tell me the cost benefit to the community of allowing them back in. Up until the election they had delivered nothing to me to indicate that there would be a net cost benefit. The minister referred to some legal practitioners last year on whom he relied for workers compensation advice, the Australian Plaintiff Lawyers Association in particular; they would love to be allowed back into the system. I know that that association put a huge sum of money into the Labor Party election campaign, but as soon as one of the lawyers picks up a piece of paper it is going to cost. If the Government plans to allow lawyers back into

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the system, how will it get around that cost? More than one piece of paper will be picked up by lawyers if they are allowed back into the system.

The Labor Government also is keen on increasing the level of access to common law. Victoria has tried that; it increased the level of access to common law, and its workers compensation premiums have gone through the roof. That insurance scheme is run by the Government. At the end of the day, the outstanding expenses have ballooned out of proportion, and when that State comes to budget time it will be scrimping and saving. Given the fact that Kennett left that State in a very strong financial position, it is absolutely appalling to see what is happening at the moment, particularly when one looks at the level of increases of workers compensation claims and associated costs, and the fact that the taxpayers of Victoria and the employers will have to pick up all those costs.

The Opposition is quite proud that the amendments it was able to bring in when in government have brought the rate down to 2.6 per cent. The present Government seems to have stagnated. In December of last year the previous Government had a number of reviews that examined the medical and other associated health costs, which are drivers of costs in the workers compensation system, and identified, with all the stakeholders, the administrative and legislative amendments which were able to be agreed to, and a smaller number which were not able to be agreed to. The same situation applied with insurance. The then Government wanted to rein in the insurance companies and have greater control over accreditation and the data being produced and coordinated. I understand that all of these measures are now on hold while Mr Guthrie does his thing. Mr Guthrie has been appointed as a consultant to either the minister or WorkCover WA to provide advice on how the Government's workers compensation direction statement should be implemented. That is fine, but while the Government is trying to work out how to implement its policy, the medical and other costs continue to increase. The changes made by the previous Government could have been in place by 1 July this year. Some of the changes are critical, including those measures that would rein in the insurance companies, applying greater controls and restrictions, and giving greater access to information, which is what the Minister for Labour Relations has been arguing for in the past two years. This data needs to be analysed, and the minister now has the chance, but what has he done? He has brought in Mr Guthrie to tell him how to do it. The minister is stagnating. He has decided on another review, or, rather, advice. The Opposition does not wish to use the word "review" because last year the present minister was complaining about "review after review after review". When I tried to argue that the process was that of the stakeholders getting together to tell the Government what they would and would not agree on, it was denounced as another review. This exercise by Mr Guthrie may not be a review, but it will involve some strong advice to the minister on how to implement the policy.

I would like a commitment from the minister, which I did not get at lunch time, that any legislative or administrative changes to the workers compensation system will not increase the average recommended premium rate above 2.62 per cent. The minister can continue to say that that is not what insurance companies are charging, and he is right, because some charge below the recommended premium rate. The premium rates committee puts out a wonderful little graph that shows the movement in the recommended premium rate, illustrating the increases and decreases and those that remain unchanged. According to the March rate statement, 371 categories were to decrease, 100 were to increase and nine would remain unchanged. If we are talking about some sort of benchmark, I ask the minister now to give a commitment that any legislative or administrative changes his Government brings in will not increase recommended premium rates above 2.62 per cent.

Mr Kobelke: I will give a clear commitment to clean up the previous Government's mess and have a top-class workers compensation system.

Mrs EDWARDES: That sounds like waffle to me. There is no commitment from this Government that the changes it will bring in will not increase workers compensation premiums. Will I be able to tell small business tomorrow that this Government will not commit itself to not increasing workers compensation premiums?

Mr Kobelke: The Government is committed to giving lower premiums that are sustainable. They were not so under the previous Government. They went up and down like a yoyo.

Mrs EDWARDES: For two years they have been going down, sustainably.

Mr Kobelke: They have been coming down off an all-time high. Last year they were the highest in Australia.

Mrs EDWARDES: The minister is stagnating. What is the current position of Western Australia in relation to the rest of Australia? It is looking pretty good. A Labor Government is in power in New South Wales, and it cannot even get the private sector to take over the workers compensation system, which is costing billions of dollars. I would not imagine that business would be that dumb. The Victorian Government does not know what to do. The Kennett Government left the system in a good state, and now it is impacting on the budget. In

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Queensland, the benefits available to injured workers are very low in comparison with those in Western Australia. Why is the Government stagnating on this issue, when a perfect opportunity exists to make some changes while receiving the advice from Mr Guthrie? Let me now consider industry and small business, which have been hit from all sides in the past, and the present Government does not care one iota.

Mr Kobelke: They were hit from all sides by the previous Government.

Mrs EDWARDES: One of the first decisions made by this minister when he came into government was to override the Industrial Relations Commission's advice on minimum wages. The Labor Party's policy statement says that a Labor Government will support the Industrial Relations Commission, giving it stronger powers, and yet the first decision the minister made was to override its advice without consulting anybody, certainly not business. Business people read about it in the newspaper, and then the minister did not know the date upon which this change was to be implemented. He claimed to be still working out the details. In light of what the minister has been saying for years, the decision to override the advice of the Industrial Relations Commission - advice that I took, when I was in office - was hypocritical.

Mr Kobelke: The member for Kingsley should return to the subject of workers compensation. She would then perhaps have a better idea of what she is talking about.

Mrs EDWARDES: I know exactly what I am talking about. The minister made that decision without consulting small business people, who are the ones who will be most impacted upon by it.

Mr Kobelke: I am very proud of increasing the minimum wage up to the federal award minimum.

Mrs EDWARDES: I bet the employers were very proud of that! It is another reason the Government does not support small business. Small businesses provide jobs; they put the bread and butter on the table in Western Australia.

Mr Kobelke: They were the ones that voted in the present Government, because the previous Government was causing them so much pain.

Mrs EDWARDES: Once the Government removes workplace agreements, and the flexibility that allows small business to compete, they are not going to be friends of the Government. The Government should listen to them now. Small businesses do not want the removal of workplace agreements, and neither do they believe the employer-employee agreement story.

Mr Day: They really love no ticket, no start.

Mrs EDWARDES: That policy involves bigger businesses, and it is slowly being applied to contractors. Recently a contractor on a major building site told me that he has 50 employees, and he signed the enterprise bargaining agreement. He would pay anything, because the liquidated damages would cost him more than paying the union for peace of mind. Once he has finished these jobs, he is going to get out and go to the smaller end of the market, and 25 people - half his workforce - will be without jobs. I predict that unemployment will rise enormously under this Government, and it will have nothing to do with the economy, because the Government is not standing up for business and industry. Youth unemployment, in particular, will rise, because the Government will take away workplace agreements which have given youth in this State a great opportunity to improve their skills and develop a work ethic. Do members remember when there was 30 per cent youth unemployment?

Points of Order

Mr KOBELKE: Mr Acting Speaker, although I appreciate the opportunity to debate these matters - they are certainly important issues and I would like the opportunity to refute them - they have absolutely nothing to do with the Bill before the House. As I thought we were trying to expedite this Bill through the Parliament, so that we can return to the Address-in-Reply in which the Opposition will have ample opportunity to raise these issues, I ask you to listen carefully to the member for Kingsley and make a judgment, as the debate continues to be totally unrelated to the Bill before the House.

Mr DAY: The House is considering the Employers' Indemnity Supplementation Amendment Bill, which relates to workers compensation arrangements. The member for Kingsley is talking about the general business environment of which workers compensation is an important part, and other aspects also impact on that general environment. A large part of her speech has dealt with workers compensation issues in particular, and she is now speaking about the broader environment as it relates to workers compensation aspects, so I think that she is in order.

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The ACTING SPEAKER (Mr McRae): I was interested in the general context of the member's discussion and debate. I take the point of the Leader of the House. The member for Kingsley has probably reached the limits of Standing Order No 94(1), which requires a member's speech to be relevant to the question under discussion. Discussing prospective legislation and how it might impact on a premium related to the collapse of HIH Insurance is probably close to that mark. I expect her to return to the question at hand.

Debate Resumed

Mrs EDWARDES: I am happy to return to the legislation before the House. Over the past few weeks we have spoken to a large number of small business organisations and even some organisations that represent medium to larger organisations. We have spoken to the Combined Small Business Associations of Western Australia, the Chamber of Commerce and Industry of Western Australia, the Housing Industry Association, the Motor Trade Association of Western Australia and the Small Business Association, which cover a broad range of employers. The small business industry does not want this levy. No-one would put up his hand to pay an extra tax. These people do not want it and they would be very interested in the SGIO contract. There will be no expedition of the legislation through this House until we get a satisfactory explanation about SGIO's \$130 million contract for those policies.

Those businesses have understood the proposal for the levy based on the advice the Minister for Labour Relations has given to them. They do not know about SGIO's \$130 million contract for HIH's workers compensation policies. The small business industry generally sees the levy as a necessary evil, but it does not trust this Government. That is one of its concerns with the legislation. The legislation sets a maximum of five per cent, but the levy is implemented by way of regulation. There is no end date for the levy. We have only the minister's commitment that the levy will be used solely for the reimbursement of HIH payments made by the insurance company. However, the business sector does not want this legislation to be a blank cheque for the Government. It was happy with the proposal because it meant there would be funds for HIH policies. The Government has said that the legislation will be used only to meet the shortfall in payments to HIH funds. If the Government's only interest is in raising sufficient funds, it will support our position. We do not support the extra burden on businesses. It is imperative that small businesses are supported as much as possible. Small businesses are already finding it hard to pay wages. Most feel that last year was fairly lean in some sectors, and they see the levy as an extra financial burden. We want to reduce the financial burden on small businesses; therefore, we propose a sunset clause of three years. As the Government is proposing to use the levy only to recover the funds for claims that have been paid out by HIH, it cannot reasonably oppose this amendment. The amendment is designed to ease the financial burden on small business by ensuring that the Government must ask the Parliament if it wants to continue the levy beyond three years. A number of things could change in that time. Actuarial advice may change as the expected claims pattern may not be the same in three years and insurance recoveries might be greater than expected. The Government will have access to a great deal more information over the next couple of years. If the Government needs money after three years, it is reasonable that it should come back to the Parliament to seek those extra funds. Three years is ample time, especially when the recoveries and the like are taken into account. A sunset clause would also obviate the fear of the business sector that the levy will be used as a blank cheque, because the Government would be required to come back and argue the case for extending the levy. It would be required to be accountable for those funds.

The current employers' indemnity supplementation fund could be made available in place of the levy. I pointed out earlier that, as at 30 April, the fund contained \$8.4 million. Obviously, some funds have been paid since then. I obtained from WorkCover the details of expenditure over the past five years, and it adds up to less than \$1 million. The funds paid out were \$49 356 to Palmdale Insurance Ltd, \$14 098 to Bishopgate Investments, \$721 438 to National Employers Mutual General Insurance Association Limited, and \$119 032 to Standard. All in all, it was less than \$1 million.

Mr Kobelke: The member should keep in mind that Palmdale took place in 1981 and Bishopgate in 1983. That is nearly 20 years ago, but we are still paying out money. They are small amounts, but it is a long tail.

Mrs EDWARDES: I am sure the \$7.4 million left in the fund would be ample for the Government to ensure the claims are paid. The minister should give us the facts and figures. I am the only one who has provided the figures to this House. The minister did not provide them in his second reading speech.

Mr Kobelke: Who gave them to you?

Mrs EDWARDES: I got them from WorkCover.

Mr Kobelke: Yes; because we opened the books for you.

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Mrs EDWARDES: Why were those figures not made available to this House? If we had not asked the questions, none of us would know about the number of HIH policies and claims and the amounts being paid. None of that information would be available. The Government did not bring the figures into this House. The minister's second reading speech concentrated on process. He said it was important for business community confidence that this measure be urgently introduced. The business community does not necessarily want that level of confidence. It wants to know why it is paying the levy and to whom it is paying it. I am sure the business community will be interested to learn about the \$130 million contract SGIO has to take over all the HIH policies. The business community will then want to know why it is putting its hands in its pocket. It is interesting; the member mentioned that it was \$100 million that would possibly be discounted to \$90 million. The employers are being asked to pay \$95 million. Those figures are fairly close. I am sure the businesses will want an answer from the minister about that. If the Government were really interested in reducing the financial impact on small businesses, it would make available the \$7 million from the supplementation fund. The minister can argue that when he makes his reply to the House. In three years the Government would have a better understanding and knowledge of the claims history and the likely uses of the supplementation fund. The minister should tell us how much he expects to pay out of the supplementation fund - other than to HIH - in 2002-03. If he has the projections of expenditure from the fund for the coming years, he should let me know. I think the claims have been wound up and are about finished. I do not think there is much more to be paid out. If he tells me that more than \$1.4 million is to be paid in that time, I will reduce the \$7 million forecast to \$6 million. However, the minister should tell us. We have done the figures. We have some of the facts, and we think that \$7 million from that supplementation fund can be used to help reduce the financial burden on small businesses. The Government should tell us if it is not enough to cover any potential future needs. We estimate it to be \$7 million. Given those additional sources of funds - that is, the reinsurance money and the \$7 million to fund the HIH Insurance shortfall - we believe that three years should be enough to meet the outstanding claims. If any levy is needed beyond those three years, the Government must come back to Parliament and argue its case. That will ensure that the Government is accountable to not only Parliament, but also the business sector. It is important that the business sector understands the amount of the expenditure and the purpose for which it will be used. As I said earlier, the estimates of the losses may be less.

Businesses want to be confident and reassured that the Government will not be provided with a blank cheque and that there will not be open-ended regulation that will go on and on for whatever reason. Members can understand their cynicism. WorkCover will be put into the new department. Businesses currently pay for WorkCover through workers compensation premiums and have some control over how that expenditure is used. Once WorkCover is incorporated into the new department, businesses do not know whether their funds will be transparent. They do not know whether those funds will be used to fund some of the day-to-day operations of Government and the new department. Will the Government try to make up for some of its promises and its expenditures by shuffling the deckchairs? Will the Government move WorkCover into a new department so that workers compensation premiums can be put into the pool so that the Government can tell everybody what has been paid into WorkCover without having to be transparent? I do not believe the minister would intend that. When the minister responds, he can identify how he will reassure the business community that any costs will be transparent in any new restructure involving WorkCover. At the moment, the business sector can see the potential for workers compensation premiums to be used for the ordinary day-to-day use of government funds.

The way in which the Opposition votes on this legislation will be heavily dependent on the Minister for Labour Relations. If the minister's answer concerning the \$130 million contract of SGIO is satisfactory, we want him to support the sunset clause. The minister should have no trouble in doing that. If the minister is serious about using the levy to reimburse only the HIH payments, he should have no difficulty in arguing in Parliament for more money and to be accountable for it.

Mr Kobelke: I think the member for Kingsley has that wrong, but I will come back to that in more detail. The two points she made are a non sequitur.

Mrs EDWARDES: The first point concerns the \$130 million SGIO paid. If the small business sector pays a five per cent levy, I have no doubt that it will want to know why SGIO has paid \$100 million in the first instance and still has a contract for the balance. That cannot be fudged. There is no way of moving around that. Clear answers must be given about how that occurred. Either SGIO knew the company was going into liquidation or, if it did not think it was going into liquidation, it was prepared to accept those claims prior to 15 March. That is a critical issue. The Opposition's support of this legislation, and any fast-tracking of it, will be dependent upon the minister's answer to that critical issue. The business sector can talk about the sunset clause and the fact that the Opposition does not want to leave it open for the Government to automatically have that levy go on and on past the issue of HIH to be used for whatever purposes it might think of at any time. The business sector does

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not want a blank cheque to be given to the Government to have an opportunity to build up a fund for other purposes or to regularly bail out any company without coming back to Parliament without justification.

The problems associated with HIH do not happen all the time; hopefully it will be a one off. It is a serious matter. I likened it earlier to a natural disaster. At the end of the day, businesses want an end to this levy. If there is a need for any more money, it should be scrutinised in Parliament and employers should be able to know what charges they must pay. The critical issue is the \$130 million contract by SGIO. I hope the minister has a simple answer to explain that.

Mr Kobelke: I have a good answer; however, I do not know whether these matters of insurance are simple.

Mrs EDWARDES: I want to know why it has been kept secret. No-one knows about it.

Mr Trenorden: I did not know about it.

Mrs EDWARDES: The member for Avon did not know about it. It is pretty secret. Nobody has raised it. When I was told that SGIO had taken over all the policies in the first instance, I presumed it was out of the goodness of its heart. Like the other insurance companies which pick up the other insurance, they will make money out of reinsurance. If SGIO knew that HIH was going into liquidation, why was SGIO not prepared to go into the marketplace? Why did it pay \$130 million? If it did not know that HIH was going into liquidation, it was prepared to accept the claims. The minister has nowhere to go.

Mr Kobelke: SGIO bought the book only from 15 March on, not before.

Mrs EDWARDES: Either explanation puts the minister's levy in serious doubt.

MR TRENORDEN (Avon - Leader of the National Party) [7.56 pm]: I will not debate this issue at length because my voice will not allow me to. I can hear some cheering!

This debate presents some undeniable facts. The workers must be covered. HIH Insurance has collapsed and left the people who should be covered not covered. They must be covered. On the corresponding side, so must the companies involved be covered. Some people genuinely took out an insurance policy with the full belief they had cover. When the insurance company went into liquidation, they found out that they no longer had the cover. As a result, they may have a six-digit liability, which is grossly unfair. Those two things are a given; therefore, I will not debate them. It is not the responsibility of either of those groups of people. There is no way that either an employee or an employer should contribute to this fund. That is the position of the National Party.

The circumstances we are debating surround a bailout of the collapse of HIH. I had intended to talk about the previous Labor Government's track record of backing finance companies, but I will not. When those finance companies collapsed, the Government did not propose that some of the investors' money be taken and put back; it put it into the consolidated fund. The sums of money then were far more sizeable. The current collapse involves \$34 million in the first year.

Members of the Opposition have spoken with their constituents and, frankly, the Minister for Labour Relations would not like the message they are giving us. They do not want to be a part of this levy. The constituents, particularly small employers, are considering what the ALP is offering; that is, an increase in workers compensation. They are considering also the ALP's rhetoric on the issue of workers compensation when it was in Opposition. The constituents are facing a future increase of workers compensation premiums and a one per cent increase in compulsory superannuation next July to nine per cent. Under a Beazley Government, they face a 12 to 15 per cent compulsory insurance levy on employers' superannuation; they are not jumping with joy.

The message coming back to us is extremely negative. It must be conceded that our constituency is doing it very tough. It is the minister's responsibility, not mine. Although the constituents do not understand what the five per cent levy relates to, they do not want to pay 2c or \$2 more. They do not want to pay, as it is not their responsibility. We will not impose a levy on them; it is as simple as that.

The minister does have alternatives. This morning, I heard the minister talk about \$730 million worth of alternatives in his Government's promises. This is no different from anything else in life. This should be a priority for the Government. It is for the Government to decide where to put its priorities. However, at the moment the Government is putting small business at the bottom of its priorities. That is the message that small business is getting. We have not given it that message. The Government has given it that message.

Ms MacTiernan: Small business is more interested in listening to the message on the GST at the moment.

Mr TRENORDEN: It is interesting the minister raised that matter, because if anyone will gain out of this process, it is the Government. Those employers who have had their insurance policies vanish will now need to

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pay a full round of GST and stamp duty for their new policies. That was one of the questions raised by the lead speaker from the Opposition, and it is a fair question.

Mr Omodei: Who will benefit?

Mr TRENORDEN: Yes, who will benefit? I trust the minister will tell us before the night is out that he will not take those funds into account and will give that GST and stamp duty back to those people so that they are not penalised in that way. I am not having a go at the minister; I suspect he knows that is the correct and moral way to go. However, it does not change the fact that we are faced with \$34 million in the first year. I appreciate the minister's briefing, and I do have some understanding of the insurance industry. We will get back some money from reinsurance. I agree with what the minister said previously. We cannot go out there and now say it will be \$8 million, \$13 million or \$20 million. Two days ago, it was stated in *The West Australian* that the liquidators would get back 50c in the dollar from HIH. I think that was an overstatement.

Mr Kobelke: We can hope.

Mr TRENORDEN: However, if that is the case, the minister has a moral responsibility to put it into the consolidated fund. When that money comes back, what will the minister do with it? He will put it in the supplementation fund for the benefit of some people in the future. How will the current employees benefit from whatever the minister will get back in three or four years from reinsurance or from a liquidation of the company?

Mr Kobelke: The tail may be the order of 15 or 20 years. The bulk of it will be over the next five years. We will be doing this on an annual basis. We will be assessing the potential liability in the following year and looking at the extent to which the levy met the debt in the year which we have just completed. If money did come back from the liquidator or the insurers, or from another source, that would immediately be figured back in and the levy would be decreased the following year, because we would not need the same amount of money.

Mr TRENORDEN: However, it will be for the benefit of the people who pay premiums in three or four years. It is not equitable. I will not argue that it is grossly inequitable -

Mr Kobelke: However, if we took up the recommendation of the Opposition and put a three-year limit on it, we would load up the front end even more and have an even greater inequity.

Mrs Edwardes: That would be a good excuse for the Government, rather than come back to this Parliament and be accountable for an increase in the levy. What a joke!

Mr TRENORDEN: The minister is not talking about large sums of funds.

Mr Kobelke: \$100 million?

Mr TRENORDEN: The minister said this morning that about \$730 million worth of promises was made during the election. The minister is right; the Government made the promises, and it should keep them. The Government made another \$34 million worth of promises to small business that it is expecting it to keep.

Mr Kobelke: This Bill approaches \$100 million.

Mr TRENORDEN: I know, but over a five-year period. That is also an actuarial projection. We must have an actuarial projection - I am not arguing about that - but actuarial projections can be up or down by five to 10 per cent, because actuarial projections are made on the earnings rate and the claims rate, as the minister knows. The minister cannot tell me, nor, with all due respect, can anyone on this side, whether the actuarial projection will be up or down by five to 10 per cent. This levy will be a sizeable impost on a group of people who right now are doing it tough. They will not appreciate it, and they have told us very clearly where we are to stand. We are to stand beside them, and we will.

New South Wales has put in \$50 million out of CRF, has it not?

Mr Kobelke: Not into workers compensation, because it does not have a problem with it.

Mr TRENORDEN: I thought I read in the paper a few days ago that it has.

Mr Kobelke: The difficulty is that the insurance sectors differ from State to State. We have a huge liability with workers compensation because HIH was a player here. The workers compensation system in New South Wales is a central fund, and no private provider is involved. However, in New South Wales the third-party motor vehicle fund, or the equivalent, has private involvement, and the liability from HIH to the third-party motor vehicle fund is hundreds of millions of dollars.

Mr TRENORDEN: That may be right. However, one important point that the minister is missing is that with eight insurers left in the pool, the next collapse of an insurance company will be of around the same magnitude

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as HIH. It will not be a Palmdale Insurance or a Bishopgate Insurance Aust Ltd. It will be substantial, because with eight insurers left to cover the amount of insurance business out there, the next collapse, when it happens, not if it happens, will be sizeable.

Mr Kobelke: HIH had about 16 per cent of the market, so that is one-sixth.

Mr TRENORDEN: In 10 years it will not matter whether the Government has \$8 million or \$40 million in some reserve fund, because we will be talking about \$200 million or \$300 million. Therefore, the Government cannot go back to the employers and say that it is doing them a favour by bringing in reinsurance and whatever it can get back from the liquidators and putting it into the supplementation fund, because when the next collapse occurs it will be of the same magnitude, multiplied by the inflation rate and the growth rate of the State. I am not all that happy about putting money back into the supplementation fund, because 10 years hence when the next crash occurs, I do not think that will benefit the minister, if he is still the minister by some chance, or some other minister or Government, because whatever is in the fund will cover only a small proportion of the crash. I am sure the minister will not argue about that, because, as he just pointed out, if the insurance business is divided by eight, it will be a sizeable amount of money.

I am concerned about a number of other issues, and the minister can probably put me right on this, because I am only going on what I have read in the newspaper. Did New South Wales appoint the liquidator?

Mr Kobelke: I cannot answer that.

Mr TRENORDEN: That is an important point. A group of people came to see me two weeks ago because they are very concerned about the liquidation industry. I believe they have every right to be concerned about the liquidation industry. The liquidators are highway robbers. Even if we are talking about the big four liquidators, they are still highway robbers. In this case, when we have a crash of such substance, I think the liquidator will find a project team of quality people to liquidate HIH, add its corporate expenses, and we will pay, as the people at the other end of the process, hundreds of millions of dollars, or it may even be in the seven digits, to the liquidator. That money does not need to be paid, because when we get into a program this big, we can pick the project team ourselves and pay a lot of money for that project team and still save ourselves millions of dollars. I may be totally off the planet and absolutely wrong, but I will be surprised if I am. It is the minister's responsibility to ask some of these questions. I would like to know the projected cost of the liquidator, because some of the liquidators' fees are up to 70 per cent of the amount that they recover. I imagine that would not be the case with a liquidation of a couple of billion dollars, or whatever we are talking about here, but it would not be out of the ballpark for the liquidator to pick up a million dollars plus. That is an important point, because when the minister talks to small business people about this matter, they will not treat him well. They will not be happy with him. The minister knows it is not personal, but it will not be easy to handle. The minister knows that.

Mr Kobelke: Last week I spoke to 50 or 60 small business people. They were very friendly.

Mrs Edwardes: How many paid \$1 000 to sit next to you last night?

Mr Kobelke: No-one paid me.

Mr TRENORDEN: I have put the National Party's point clearly on the record. Its position will not change. The lead speaker of the Opposition might want to note that the National Party will oppose this legislation. I can see where the minister is coming from, but our constituency wants no part of it. National Party members will vote against the Bill.

MR BARRON-SULLIVAN (Mitchell - Deputy Leader of the Opposition) [8.09 pm]: Talk about a red rag to a bull! Speak to any small business person these days about workers compensation and we are sure to get a fairly blunt reaction. It is fair to say at the outset that the vast majority of small business operators in this State have a responsible attitude to workers compensation matters. It is also fair to say that they take their responsibilities in this area seriously. However, the prospect of any additional impost at a time when small business has faced one increase after another in overheads will obviously cause considerable concern in the business community as a whole. In a news article, the minister pointed out that a five per cent levy would cause a reduction in the rate of the premium of some 3.2 per cent instead of 8.2 per cent. That speaks for itself. My initial reaction to this legislation was to oppose it outright. It is not pro-small business. It is the last thing that small business needs at the moment. As I said, small business has had a gutful of overhead costs and so on. After the member for Kingsley and I contacted a number of small business organisations and discussed the matter with individual business operators, their concerns in this area became clear. Something positive can be done here tonight to address those concerns.

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Small business has put forward three concerns. Its first concern is the cost of the proposed surcharge levy. Although five per cent of the premium may not sound like much on its own, it amounts to \$32 million from the small business community. That is one helluva whack. The second concern is that this could end up being a blank cheque. If there is one thing that the business community does not like, particularly small business, which is the battler in business, it is the Government putting its hand in its pocket. The concern here is that this might end up as a blank cheque or as an open-ended situation. The third main concern is that small business wants a speedy decision on this issue. A five per cent levy on the premium might add \$50 to a \$1 000 premium or \$500 to a \$100 000 premium, but the total cost on the small business sector is \$32 million in one financial year.

The biggest concern that has been relayed to the Opposition is that this levy has the potential to become, in essence, a blank cheque. This is something that has not been raised in this debate. The amendments proposed by this Act would dramatically change the nature of, or the mechanism behind, the supplementation fund. I refer members to the reference in the explanatory memorandum to clause 4, section 3, which states -

Paragraph (b) creates a new definition of “surcharge period”. In conjunction with the amendments to section 14, this enables the surcharge to be re-commenced whenever necessary for either fixed or open-ended periods and for the period of the surcharge (ie the commencement and expiry times) to be prescribed by regulation.

That is fundamentally important because it completely changes the emphasis of the supplementation fund that was set up in the early 1980s. To put it bluntly, it takes the decision making behind closed doors, which could allow this levy to become an open-ended levy at some time in the future. It is in writing. It is in the explanatory memorandum. On reading that, the small business community can be forgiven for thinking that this will be another open-ended levy on small business. Their extreme concern can be understood. By amending the mechanism of the supplementation fund, this legislation enables a levy to be reinitiated at any time, and it enables either this levy, or a levy reinitiated in the future, to become an open-ended tax on small business. The minister has asked us to trust the Government, that the levy can be reviewed each year and so on. Small business will not go so lightly to the slaughter.

The Opposition has been provided with projected revenues. Like the member for Kingsley, I also thank, through the minister, Mr Harry Neesham for the advice he has given. I appreciate that greatly. The minister would have to agree that the projected revenues for the levy are based on a high degree of uncertainty at the moment. There is uncertainty about the final fiscal result of hauling back in some of the reinsurance funds or, as the member for Kingsley pointed out, other factors such as the possibility that the claims pattern may change over the next couple of years and so forth. Although the minister has said that the rate will be reviewed annually, small business can be forgiven for thinking that it will be a fait accompli. This is no aspersion on the Insurance Commission, which controls the fund, or anything like that; however, if it is done behind closed doors, small business will not see it in an open and accountable way. The reason small business wants a speedy resolution on this is simple: businesses are budgeting and planning for the new financial year. Even if this fell in a heap and the arrangement was not made and no safety net was available to provide insurance on behalf of the employers who might need it for injured employees, those employees would still have a legal right to compensation and medical care, as they should.

Mr Kobelke: Yes, but they could sue their employers, so their employers' costs could be greater.

Mr BARRON-SULLIVAN: The point I am making is that this legislation must go through quickly. Small business is saying that one way or another, Parliament should get this matter out of the way quickly. That is why, on this side of the fence, the Liberal Party has cooperated to ensure that the Bill is debated and moved through this Chamber as quickly as possible, provided that the end result meets the requirements of small business.

How do members on this side of the fence approach the two main concerns that small business has raised? The first concern is the additional cost. As the member for Kingsley said, the supplementation fund has \$8.5 million. There is no other purpose for that money. If a smaller amount could be picked up at the end of this levy, instead of the full \$8.5 million, it could be reflected in a lower levy rate or a shorter period of time during which to impose the levy. I appreciate that the levy is being used to take account of urgent financial requirements up until 30 June. However, the supplementation fund will be boosted to \$8.5 million or thereabouts by the time this levy is finished. In other words, the projection for the implementation of that levy includes increasing the supplementation fund. I know that there has been some debate over whether some of these claims will have a long tail to them. I will take some convincing that the Government could not dip into that supplementation fund, if I can put it very simply, to keep the impost on small business down.

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Mr Kobelke: I agree with you and we are doing that.

Mr BARRON-SULLIVAN: I think the minister is baulking at the idea put up by the member for Kingsley to allow for about \$7 million out of that fund.

Mrs Edwardes: You plan to reimburse the fund on the moneys that they are paying now, don't you?

Mr Kobelke: That is not right. All the money goes into the fund. I will go through the detail of how that will be worked out and accounted for.

Mrs Edwardes: What we are saying is that at the end of day, the Government should not leave \$8.6 million in the fund. You do not need that much.

Mr Kobelke: That is not an intention.

Mr BARRON-SULLIVAN: It is. It was pointed out in the minister's second reading speech. I indicate that the minister is not right by quoting from his speech, in which he said -

The surcharge period will be set initially for five years, by which time it is anticipated the supplementation fund will have met the full cost of the liquidation of HIH Insurance Ltd, including the initial \$8.6 million.

The Government has rounded it off to \$8.6 million; the Opposition rounded it off to \$8.5 million. It is built in.

Mr Kobelke: Do you want me to clarify that now?

Mr BARRON-SULLIVAN: I am not saying this is critical. I am saying that the minister has a very good opportunity to do the right thing by small business. I simply am saying that the \$8.5 million should not be clawed back at the end of the day but, rather, we should leave \$1.5 million in the fund. If another crisis occurs in the interim, obviously that can be taken into account as part of a separate decision-making process. However, if the Government is dinkum and intends to get out into the community and look after small business, the Opposition is suggesting a positive and constructive approach to reduce that burden at no cost to small business and without detriment to the scheme already in place.

Another salient point touched on by the member for Kingsley was whether the Government had looked at alternative ways to reduce the burden on small business by negating the need for a levy altogether, by reducing the period in which the levy needs to be imposed or by reducing the degree of the levy over that period. The Opposition, obviously, is not on the Treasury benches any more; however, the member for Kingsley specifically asked whether the minister or the Treasurer's staff determined whether the Government could tighten its belt in some areas to squeeze out a few dollars to reduce the impact of this levy on small business.

I say, not altogether flippantly, particularly in view of the Government's decision to postpone a royal commission into the Police Service and because it is a point of view expressed by a number of people, that if the Government intends to have a royal commission, it should get it over and done with now. If the Government does not go ahead with a royal commission next year, even on its costing of \$50 million - I believe pigs will fly because a royal commission would cost double \$50 million - it could halve the levy on small business.

Mr Kobelke: We are committed to fulfilling all our election promises.

Mr BARRON-SULLIVAN: I would be interested to see the response from the community if the Government said it would reduce the impact on small business. The point I make is that this legislation is about priorities and it is about the Government looking in its own backyard. The Opposition wants to know whether the Government has gone seriously about the task of determining other ways to offset the cost to small business.

I shall round up on the question of the risk of this Bill becoming a blank cheque. It is a key concern that has recently been expressed to me, the member for Kingsley and other party members. The sunset clause referred to by the member for Kingsley is the logical solution to this issue. It would provide unlimited accountability because the Government would have to come back to Parliament to amend the legislation if it wished to continue the levy or if it wished to reinstate it in the future. Importantly, it would ensure a high degree of fiscal discipline by all parties involved in this area. I am not casting aspersions on anyone who has done any of the actuarial work on this matter. However, people generally, not only the small business community, want genuine accountability. That is something about which the Labor Party has made a song and dance in the past, and if the Government is supportive of genuine accountability and prepared to bring the legislation back to the Parliament, it will see that the opposition parties do not adopt a blunt approach to these matters. If a genuine need exists for a levy to be continued, or something like that, it can be considered at the time.

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I remain convinced that three years is an appropriate time for a sunset clause. Looking at the projections we were provided with and the explanation given, we believe three years is a sensible time, even allowing for the tail end of some of these payouts referred to by the minister. If it is longer than that - if it is for four or five years - small business will regard it as the never-never and that it may as well be left in forever. However, after three years, the matter can come back to Parliament. Hopefully, the matter will be wound up by then, there will be no need to continue the levy and we can reduce the impost on small business. This will depend on all the fiscal factors in the meantime, as currently there is a great deal of uncertainty in the community.

Mr Kobelke: I do not know whether you were listening, but this legislation was the Liberal Government's legislation of the 1980s and we are still paying out today for a collapse that occurred in 1981. This legislation relates to a much larger amount and the matter will continue for years.

Mr BARRON-SULLIVAN: I appreciate that. The biggest payout in the past financial year was \$119 000 to Stamfords and the total in the past three years was less than \$500 000. However, as the member for Kingsley said, we are happy to hear from the minister on that matter. If the Opposition's suggestion is altered to set aside \$6 million instead of \$7 million to reduce the impost on small business, at least we will do something for small business. We are trying to be positive and constructive on behalf of small business. We ask the minister not to take a negative stance immediately just because the Opposition suggested it. Let us approach this matter objectively because, on the briefings we have had, we are sure it is achievable.

The important thing to stress is that this Bill will change the mechanism behind the supplementation fund. An annual review is not good enough. I say that for a couple of reasons: first, it makes it too easy to continue taxing small business an extra amount, hence the need for a sunset clause. However, the proof is there to be seen. If people say they trust the Government of the day to do the right thing, the proof is there. The kitty currently holds \$8.5 million, which was pulled from the pockets of the small business sector, and we do not need that full \$8.5 million. When the levy was put to one side in 1986, small business had by then paid more than it needed to pay.

To summarise the position on this side of the fence, as the member for Kingsley said, I suppose one could say there is a degree of reluctant support for the need to do something in this area, largely to support small business. However, the points made by the member for Kingsley about why the Government cannot reduce the levy by dipping into the money in the supplementation fund must be addressed by the minister.

I can see the minister is having a conversation with another member; however, I am trying to point out the main matters on which he needs to convince the Opposition if we are to sit on the same side of the House when we vote on this Bill. First, we want to hear from the minister whether it is a feasible and attractive proposition to dip into the supplementation fund or not to top up the levy at the end of its period so as to reduce the burden on small business. Secondly, the member for Kingsley wants an answer to the question of the \$130 million buy-out. Thirdly, we want to know whether the Government has seriously examined alternative sources of funding and ways in which it could pay towards the levy, such as through the consolidated fund, so that the levy is either reduced or negated. However, most importantly, we are looking to the minister for support on this sunset clause. Suggestions have come through in waves from small business that it would like a sunset clause in the legislation so that it can have confidence that this will not be an open-ended tax that it will have to pay. I refer the minister to his explanatory memorandum which refers to open-ended periods, which is a concern to small business. The most fundamental concern of the Opposition, therefore, is to insert a sunset clause in the legislation.

I quote from a press release issued by the West Australian Small Business and Enterprise Association, which sums up the view of small business very well. Two paragraphs under the name of the Executive Director Mr Philip Achurch read as follows -

"Most small/medium sized Business employers will be furious that they will be paying a 5% levy on their next workers' compensation . . . premium to cover the collapse of HIH Insurance"

Mr Achurch goes on to say -

"Most small/medium sized Business employers will be furious with the 5% levy, but in the public interest they will no doubt reluctantly accept it".

They will be less reluctant to accept it if we can insert a sunset clause and if the minister picks up on the positive suggestions made from this side of the Chamber to reduce the financial impact on the business community through that levy. We therefore look at the minister in a favourable light for some positive responses.

MR PENDAL (South Perth) [8.29 pm]: I want to support the Bill but, like other members and probably like the Government, I do so with some reluctance and hesitation for much the same reason outlined by a number of

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members in the past hour or two. Probably like all of those members, I am concerned about the propensity that has developed in the past 10 to 15 years and, in the case of the parent Act we are dealing with tonight, in the past 20 years when increasingly Governments and Parliaments have been asked to make sections of business carry the can when other sections of the business community have failed. I agree with the Deputy Leader of the Opposition's summation that, on the whole, all the policyholders who will be subjected to some form of surcharge will be furious. I am equally aware that the 3 900 businesses that will rely on some form of assistance to see them through the difficulties created by HIH Insurance will be less furious than the first group had the Government not decided to go down this path. It has been said in passing tonight that the legislation that is to be reactivated with the possibility of a higher surcharge was introduced for the first time in 1980 by a Liberal-National coalition Government. The Bill was given bipartisan support in much the same way as I believe the Bill before the House will be. The Leader of the National Party drew the analogy between the finance brokers collapse some years ago and what the House is dealing with tonight. I do not believe there is an analogy. Quite correctly, the Leader of the National Party wanted to examine whether there should be a perpetuation of the principle now entrenched in law that the public purse is used to pick up the tab when there is some form of business collapse. I do not like the idea canvassed by one member during the debate on the suspension of standing orders that it be referred to the consolidated revenue fund. It should not be a situation for the taxpayer at large to deal with. I mentioned a few minutes ago that no analogy could be drawn between the finance brokers collapse and the collapse in confidence in the workers compensation field for the reason that voluntary arrangements existed in the finance brokers situation. An investor took money to an investment house. There was no compulsion for a person to do that. In fact, many took the view that if people voluntarily took their funds to an investment house and made bad decisions, they should accept responsibility for it. That argument was muddled in the finance brokers debate when it became clear that the regulatory authorities had not been doing their job properly. The difference between the finance brokers situation and the workers compensation industry is this: we are not dealing with voluntary investment on the part of an investor who hopes to receive a direct return. Workers compensation involves a compulsory system that has had bipartisan support for almost 70 years in this Parliament and throughout Australia. We compel employers to take out compulsory insurance to cover them for the day when one of their employees may have the misfortune to have an accident. It has always puzzled me that workers compensation, in my experience, is the only form of insurance where the beneficiary pays no premium. It seems to be an oddity. It is an oddity that we move the burden from the beneficiary, who does not pay a premium, to people who have to pay a premium and do not get the benefit. It sounds odd in the extreme and it may be something that has to be dealt with in the years ahead.

I feel reasonably comfortable with the idea that when we have a group of small businessmen who employ people and contribute to the growth of our economy and they experience hard times, the hard times are not due to any negligence on their part. The negligence has been on the part of the people who should have the least call on our sympathy; that is, the insurance companies. Whatever happened to reinsurance? I am told in the course of inquiries that reinsurance exists. I do not believe that we have it at all. If a successful form of reinsurance was voluntarily imposed - as used to operate many years ago - we would not need Acts of Parliament like this. We would not have needed the 1980 legislation and we would not need the amendments being brought to the Parliament under these circumstances today. It is a matter that should be looked at seriously. We should seek to pre-empt some of the difficulties as it will not always be the case that a Parliament is submissive enough to pass legislation when it knows that the people who will be most adversely affected will be the employers, who must, by law, pay out injured employees. Escaping scot-free in all of this is the greed of a major Australian industry that knows no bounds. That is emerging in the case of HIH Insurance. That company was offering premiums that were not worth the paper they were written on.

Clearly, this legislation must be supported and it is made much easier by knowing that 20 years ago in this Parliament a coalition Government was faced with a similar dilemma and it did what the Labor Government is doing today. The Bill seeks to vary what has not been varied in the past. It seeks to vary the surcharge. I think a sunset clause is a good idea and I circulated an amendment earlier today to that effect. The Opposition has made out a case for a three-year sunset clause. The sunset clause I propose is not a sunset clause on the fund or the legislative structure with which the Bill deals. My clause relates to the capacity of the Government of the day to extend a surcharge of the nature of five per cent beyond 30 June 2006. I will not canvass the details as I would be ruled out of order, but I emphasise that the sunset clause seeks not to kill the legislative framework or the fund, but rather to bring to an end in the year 2006 - five years from now - on the capacity to vary the surcharge beyond one per cent. I am comfortable that a framework be kept in place for a one per cent surcharge to be applied if another crisis emerges. There is certain to be one unless changes are made to some of the more fundamental things that are at stake. One might ask, why choose a five-year period? I have chosen a period where the five per cent levy would lapse to reflect the Government's second reading speech. Somewhere in the

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minister's second reading speech, he said that he believed the bulk of call on the fund would occur within the next five years. That is properly reflected in the minister's second reading speech. In my opinion, the deficiency is that it is not reflected in the Bill itself. I do not know which amendments will come first. I have no objection to these issues coming back to the Parliament sooner rather than later. We do not use sunset clauses nearly enough. Other people may express views on this, but the idea that we will be passing regulations in this legislation really disturbs me. It is almost as serious a problem as the lack of a sunset clause, but that is not something I have sought to deal with here.

Finally, I reiterate a point made by the Deputy Leader of the Opposition. It disturbs me that something like 15 years after the fund was put into abeyance - that is, in 1986 when the fund continued but there was no input - we are confronted today with a figure of \$8.6 million. I am aware of what has been said earlier - that we are still dealing with some of the payouts from Palmdale or one or two other insurance company crashes - but I gather they are fairly minuscule, although this means that from 1980 to 1986 too much was asked by way of a surcharge from the businesses involved, otherwise there would not be an amount of \$8.6 million less the compound interest.

I ask the minister and the WorkCover executives to take this on board. If we come out of a crisis, such as we had with Palmdale in 1986, and as the years go by and that fund increases, there may in fact be an argument that says that because there is no likely call on it, maybe the Parliaments and the Governments of the day should use the money to offset some decrease in workers compensation premiums for a one-off period. In other words, if we increase workers compensation premiums to deal with crisis times, such as now, why could we not use any surplus to decrease workers compensation premiums in the future as a one-off? It always bothers me - and I know it bothers most members of Parliament - that when we impose surcharges, levies and taxes we never seem to take them off. In the future there may be a strong and powerful argument which says that we will not tolerate a situation where a fund effectively should not contain more than a couple of million dollars, because if those payments referred to by the Deputy Leader of the Opposition as annual payments in recent years for Palmdale or one or two other insurance companies were accurate - and I am sure they were - that would indicate that the amount should never have reached \$8.6 million.

I again indicate that I will support this legislation. I will do it with a lot of reluctance because of my concern for the impact on those smaller businesses. By the same token, one cannot be churlish and say that there is no upside for those thousands of small businesses who are in the process of being left hanging out to dry unless this legislation goes through Parliament. With those remarks, and with the indication that I would be happier to see a sunset clause of five years, I support the Bill.

MR OMODEI (Warren-Blackwood) [8.45 pm]: I will oppose this legislation. I see this legislation as an extra tax on small business and in all consciousness I cannot support it at a time when in my electorate we have had the announcement in the timber industry of reductions in volumes and restructuring of that industry and the impact of 400-plus job losses. I find it strange that we are discussing the Treasurer's Advance Authorisation Bill 2001, when we could have completed the Address-in-Reply debates, and when the members for Bunbury, Collie, Eyre, Wagin - the Deputy Leader of the National Party - and the member for Girraween are unable to make a comment on this legislation. I am sure that people in those members' electorates would have been keen to read their comments on this issue. This is one of the worst financial collapses to have occurred in the history of this country and it is important that we should all have a say. We see the Labor Party plunging in, trying to debate the legislation when we sat two weeks ago, only to find that it was in breach of standing orders and having to back away, without having seen what other States of the same political persuasions were doing and, of course, criticising the Federal Government.

I believe that when it comes to workers compensation, the end beneficiary is the employee. While they may sue employers, a simple solution would be to take the funds out of the consolidated fund and rectify this shortfall of \$36 million in the first year. The sooner we reach a situation in which employees are aware of their superannuation contributions and employers workers compensation contributions, and put it into some form by which they are paying it, albeit with the assistance of the employer, the better off we will be. We will have a lot fewer claims for workers compensation. That is putting it simply.

I know that the Labor Party has criticised the policing body - the Australian Prudential Regulation Authority. From briefings we have had, I understand that had APRA acted precipitously, the payout may have been more. I dare say that will come out during the royal commission that the Commonwealth Government will be embarking upon.

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Small business around the State is facing the impact of the goods and services tax, extra superannuation contributions and difficulties in the housing market. My constituents - and I have heard the Leader of the National Party say the same thing - are expecting us to stand up and support them on this matter. There is no doubt that this levy will cause job losses in Western Australia, particularly in country areas. I am at a loss to understand how that will assist the employee. I will oppose the legislation. I know that may be a concern to some. I know that the Opposition has looked at this matter very thoroughly and has received as many briefings as is necessary. Our shadow minister, the member for Kingsley, has a good understanding of this legislation - particularly the workers compensation legislation. However, I cannot see how imposing a further tax will assist small business to employ more people.

MR BRADSHAW (Murray-Wellington) [8.49 pm]: Like my predecessor, I will also oppose this legislation. It is sad that we have before us legislation that will be another imposition and tax on small business. As members have been reading for the past few months, my electorate has received a fair belting following the deregulation of the dairy industry, as a result of which the incomes of all dairy farmers have dropped dramatically, in some cases by 50 per cent or more. As was noted in other speeches last year, the Murray-Wellington electorate had the highest percentage of quotas and therefore the returns dropped the most. That has had a flow-on effect to other businesses in the electorate, such as machinery dealers, garages and other service organisations, and it is not a time to be imposing another five per cent tax on those people. In some cases it probably is minimal, but in other cases it is fairly substantial. It is very difficult for those who are battling to make ends meet. Under the circumstances I cannot and will not support this legislation. It was interesting that this Government came to power with the intention of playing merry hell with its magic wand on the Treasury bench, and of doing wonderful things. It was going to fix up the health system, education system, and law and order. The Opposition will be watching with great glee, because the Government is already in trouble. Without increasing taxes or borrowing, the present Government will not be able to make the budget stretch any further than the previous Government did. I can say now that at the next election the three major issues will be health, law and order, and education. Nothing will change.

The Government thinks it is very good with finances, so it is incumbent upon it to find this money over the next few years. Small businesses should not be walloped with this impost, but rather the community as a whole should bear it. I say that because employees will be the beneficiaries of this measure, not employers. It is, therefore, important that the Government makes sure that small business is not lumbered with another tax. Small businesses have suffered badly from government red tape, which has added to their running costs.

It is a sad state of affairs in many cases, particularly in my electorate of Murray-Wellington, where dairy farms and other businesses have been adversely affected by the deregulation of the dairy industry. The effects were much worse than anticipated. Farmers thought they would get an average of 28c to 30c a litre for their milk, and instead the price is down to 24c or 25c a litre or even lower, depending on circumstances.

I think our party made the wrong decision and I cannot support another tax on the small business people of my electorate. Even some of the big business people are finding it hard going. It is up to the Government to find that money, and I certainly will not be supporting this legislation.

MR SWEETMAN (Ningaloo) [8.52 pm]: Like several of my colleagues, I oppose this legislation outright. I do not wish to pre-empt what a royal commission may conclude. It is a sad state of affairs when an insurance company, particularly one the size of HIH Insurance, folds and leaves many people in this difficult situation. The shortfall should be met out of the State's consolidated revenue, or another means should be devised to spread the load more evenly across the population. In this State with a population of about two million, if we could impose a one-off levy of \$50 on every man, woman and child, we would have the \$100 million straight away. Of course, that cannot happen, but it is grossly unfair to say that small business should pick up the bill for this. I know some people are in difficulties because their broker insured them with HIH, and they are vulnerable. Employees can sue their employer, and the employer may go broke as a consequence. I am not suggesting that that happen; I am suggesting that the compassionate position for the Government to take is to cover those people.

I will develop further something that the members for South Perth and Warren-Blackwood mentioned. It has always puzzled me why the employer has met the workers compensation payment. I do not have a problem with the employer paying that amount. My problem is with the fact that the employer takes that responsibility on behalf of the employee. If we have been clever enough to work out the employee and employer contributions to superannuation, quarantine that amount and pay it into a fund, I do not see why we cannot add workers compensation onto the employee's award, based on his hourly rate, and at the end of the month, or year, whichever period is agreed on, quarantine that sum and place it into a reputable or registered fund, so that the employee is insured. In developing that idea further, the minister would take a completely contrary point of

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view if today we were looking at, say, 15 000 employees who happened to be insured with HIH themselves. It is too convenient for the Government and the minister to say that because employers insured with HIH it is up to them to make this additional contribution to ensure these employees are covered.

As the Leader of the National Party and the member for Murray-Wellington have said, businesses are doing it tough, whether they be in the city or the country. I refer to some of the maiden speeches of government members, particularly that of the member for Geraldton, who mentioned the number of empty shops and warehouses in Geraldton, because that city is in decline. You, Mr Acting Speaker, have referred to the plight of Geraldton businesses and those in your area. It is no secret that businesses are doing it tough, and this is just an additional impost. I do not think it is fair. It is not going to be the only levy. It remains to be seen what the federal Government will do, because it is likely that all insurance policyholders will have to pay an increased percentage on their premiums to cover further HIH losses. My request to the Government is that it looks compassionately at business as this is a one-off situation. The actuaries are saying that approximately \$93 million will be needed. It may vary a little either way. The money should come from consolidated revenue or alternatively by other means to cover these losses.

My plea to the Minister for Employment and Training - and maybe when we have neither of those he will hark back to this situation and the pleadings of the Opposition - is to remember situations like this, of skyrocketing unemployment and business failures. According to today's newspaper, bankruptcies are at their highest level for some time. I am not heaping the blame for that on this Government. It is due to a combination of factors in the economy, the actions of the federal Government and perhaps some of the sins of the previous Government in this State. The new Government must be aware that the books have been ruled. The Government will be responsible for any further business failures if they relate to this impost. This is not a tax on profit, it is a tax on companies, whether they are losing money or making money. In this State, 3 900 businesses pay \$10 000 or less in workers compensation premiums. Those businesses have only two employees each. Many larger companies are paying a lot more than that. I ask the Government, and the minister in particular, to reconsider the imposition of this levy. I do not support it, and I will be remaining on this side of the House to vote with several other colleagues and members of the National Party in opposing this legislation outright.

MR BARNETT (Cottesloe - Leader of the Opposition) [8.58 pm]: This is a significant piece of legislation. The member for Kingsley and the Deputy Leader of the Opposition have articulated the issue and the concerns of the Opposition, and a number of individual members of Parliament and the National Party members have also expressed their concerns. There is no doubt that this is a difficult time for many businesses, particularly small businesses, in this State and across the nation. Consumer demand is fairly soft, businesses are feeling cash flow problems and there are continuing issues dealing with the implementation of the goods and services tax, the business activity statement and the like. It is a difficult time, and members would be aware that this morning's newspaper carried a report of high levels of bankruptcies in Western Australia. I do not place too much store in bankruptcy figures, because they have many vagaries, but I believe most people would agree this is an uncertain and difficult time. Anecdotal evidence suggests that although interest rates are low, there is somewhat of a self-imposed credit squeeze as banks are pulling back the lending limits of a number of companies. Indeed, one could argue that, to some extent, Western Australian businesses have been adversely affected relative to those across the country. We will wait and see how the year pans out economically, but it is proving to be a tough time for business. We recognise, and it has been said by a number of speakers on this side of the House, that the collapse of HIH Insurance did not have much to do with government, particularly the State Government. I am personally not sympathetic to bailouts, which is a view that has been expressed by a number of members. However, we recognise that a distinction could be made in this case as workers compensation - and third party compulsory insurance, if it applied in Western Australia, which it does not because of the history - is a mandatory statutory obligation imposed by government under a government regulatory regime. The collapse of a private finance group is unfortunate. Victims suffer through no fault of their own. The mandatory statutory requirement places some onus on government. Most members would agree that the Government must deal with the issue. It cannot be left alone. If the Government simply walked away from the issue and left the 4 000 affected small businesses to meet the cost of the medical and wages compensation requirements, many of those businesses would collapse. We have a problem and we are sharing it. The community largely understands that. The business community certainly understands the problem with workers compensation.

The Opposition is not trying to get political mileage out of this, nor is it politicising the issue. We are being responsible, as any member of Parliament should be. The Opposition has put forward a simple proposition that it will - although some members have indicated that they will not - reluctantly go along with the tax increase on the simple and fair condition that a sunset clause come into operation after three years. In other words, the Government is required to come back to this place in three years and, if it needs to extend the levy, mount its case and let the Parliament consider it. There is nothing untoward about that. It is a responsible approach. As

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the Deputy Leader of the Opposition said, it is the indefinite nature of the levy that is worrying the small business constituency so much. It recognises that the issue must be dealt with one way or the other. Costs and casualties will be involved. It is a matter of spreading the load and treating it as fairly as possible. A sunset clause would at least provide confidence that this tax impost is being introduced for legitimate reasons. The Liberal Opposition has made this offer in good spirit, even though a few members have indicated they will not support this view, in keeping with the wishes of their constituencies. I respect that. However, as a party, we are saying that we will support the Government in dealing with this issue in a bipartisan way on the simple condition that it agree to a three-year sunset clause so that it must come back to this Parliament if it wants to extend the levy. I do not think that is unreasonable. It is a fair position. If the Government, for whatever reason, does not agree to a three-year sunset clause, it will not have the support of the Liberal Opposition on this legislation.

Mr Ripper: The levy scheme has existed for some time, although the maximum has been one per cent. We are now proposing to increase that to five per cent because of the HIH problem. Would you agree to some sort of compromise in which a sunset clause applied to the increase, but not to the provisions of this legislation, which have existed for some time?

Mr BARNETT: I must defer to the member for Kingsley, who is handling the Bill. The essence of what we are saying is that there be a sunset on the five per cent levy.

Mrs Edwardes: We do not want the potential for a never-ending levy administered by regulation. It is a different issue if you want to keep the legislation in place and come back at some point to implement another levy. However, I cannot understand your rationale as you would have to do that by coming back to the Parliament. We do not want an open-ended regulation to implement a levy at will.

Mr BARNETT: It is a fair position. The easy thing for us on this side of the House would be to take an opportunistic, populist approach and bag the Government for increasing taxes on small business. We could make hay while the sun shines. However, we are not that sort of Opposition; we are very considered.

Mr Ripper: You're weak!

Mr BARNETT: We are making a generous offer. In a sense it is conditional, but it is an offer, given that the Government makes the small step towards a sunset clause. If it does not do that, the majority of members of the Liberal Party do not believe we would be keeping faith with our small business constituency by supporting the legislation, therefore we will not support it. We recognise that it will go through, but the Government will not have bipartisan support for it.

MR AINSWORTH (Roe) [9.05 pm]: I oppose this legislation. During the extra fortnight we were given by the Government not pushing ahead with this rushed legislation, I and other members of this House had time to consider the matter, both as individuals and through feedback from our various constituents. The overwhelming feedback I received from individual small businesses and groups such as chambers of commerce was that people were overwhelmingly opposed to any additional impost on their insurance policy. The reason is quite straightforward. They believe they can ill afford it, but that is not the only reason. The major reason is that they have experienced significant increases in their insurance premiums in the past few years. The rise in premiums has not been an across-the-board rise for everybody. It been quite unequal in some cases. Some people have experienced increases of well over 100 per cent in a 12-month period. The highest I have heard of, and I have not verified it with the contractor concerned, was 327 per cent for a shearing contractor who had made a couple of claims. His premium shot up so high that he did not feel it was worth his while staying in business. He was at the age at which he could consider retiring. He asked himself why he should continue with these sorts of imposts and pulled out. The premiums that some people are paying are horrendous. They were unfairly singled out by the previous system in which, because of the great blow-out in payments under the common law, a projected \$2 million or \$3 million payment under the second gateway proposition blew out in the first year to about \$100 million. It was quite significant. That had a huge effect on those premium increases, which were not spread equally. The percentage increase on each premium was not the same. It depended on the industry and the risk at which the insurers rated that industry. The industries in which there were a greater history of claims - the shearing industry is one that comes to mind - were the industries that suffered such huge increases, and they are the people who are telling me they cannot sustain a five per cent increase on their premiums over five years. They cannot sustain it for one year, let alone five. On that basis, I am opposed to this proposal.

The other surprising and overwhelming response I received from small business people in towns - members of the chambers of commerce and others - was that they would not pay the levy. Those people said that if this legislation were passed and they received a bill containing a five per cent increase on the premium, they would pay the premium amount, but would duck the five per cent levy. I am not sure how they would stand legally, but it was the overwhelming response. It was not just one hothead who said that; it was a widespread point of view.

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People feel that way because they are already feeling the economic pinch. Workers compensation insurance is just one of the costs they are having difficulty meeting. What might seem to be a modest increase of five per cent in some people's eyes is an increase that many small business people are not prepared to accept. In keeping with the vast majority of the responses I have received, and also my own feelings on the matter, I oppose this legislation.

MR BIRNEY (Kalgoorlie) [9.09 pm]: I understand that, for want of a better alternative, a number of my colleagues tonight will vote in favour of this legislation. I have a few reservations about it and I will convey one or two of those to the House. A constituent of mine who is in small business in Kalgoorlie saw me some two and a half months ago about a problem with workers compensation. He told me that after paying all his expenses, including his electricity, phone bill and his wages, he ended up with a profit of approximately \$14 000 for the year - a fairly modest profit.

In the following year, the constituent's workers compensation premiums increased by 100 per cent. The premium he paid initially was \$14 000, bearing in mind that he made a net profit of \$14 000. In the subsequent year, his premium increased by \$14 000, which effectively means that the increase in workers compensation premium gobbled up his entire net profit. Must we say to that constituent who runs a small business that not only have the workers compensation premiums gobbled up his entire profit, but also we will hit him with another five per cent levy? It seems inequitable to me. This is typical Labor Party mentality.

When the Labor Party needs money, it goes to the small business sector. When Kim Beazley forms government, he will increase the superannuation payments made by small businesses. Somebody said the payments would rise from nine per cent to 13 per cent or 14 per cent. If the Labor Party forms the next federal Government, it will stick the boot up the backside of the small businessman. The Labor Party in this State Parliament is about to do the same thing to the small businessman. When the Labor Party needs money, it goes straight to the small business sector. This is a typical Labor Party philosophy. The Labor Treasurer says that perhaps the Opposition is weak for not taking the opportunity to criticise the Government for increasing taxes. I will take the opportunity because I firmly believe that what the Labor Party is doing today is an insult to small business people in Western Australia.

I will talk about some of the businesses in my electorate and some of the hard times that those businesses have fallen upon. It has been suggested that one in six or seven shops in the main street of Kalgoorlie are now closed. A number of issues have affected the people of Kalgoorlie; for example, tax effective schemes and the recent collapse of Centaur. Mining has hit the business community hard. I have some severe reservations about supporting a Bill that once again places an added imposition on small business owners.

Somebody on the other side of the House said that the goods and services tax was a problem. People on this side of the House, and perhaps even the federal Government, realise that some problems have occurred as a result of the implementation of the GST; that is probably a fair comment. It is an unfortunate situation when the Labor Party can take advantage of the problems with the implementation of the GST. The ALP asked small business people to vote for it after the hard time they had had with the implementation of the GST. Now, however, it has decided to stick it up the backside of the small businessmen because that is its philosophical position. Members of the Labor Party cannot help themselves.

I have probably said enough. I have advised the House where I stand on this issue. Members of the Government might take this opportunity to endear themselves to the small business sector.

MR BOARD (Murdoch) [9.14 pm]: I rise to put my thoughts on this legislation on the record. The position of the Opposition has been outlined clearly by its lead speaker and by the Deputy Leader of the Opposition. The Opposition will reluctantly support the legislation.

This is a sad day not only in this State but also throughout Australia. The number of employers in this country is diminishing. They are the people who have the courage and the commitment to generate dollars and wealth in our community. They show a great deal of courage by employing people. Often they mortgage their houses and all of their possessions, sometimes when they are very young, and often at later stages in their lives. They try new ventures and try to do something that is good for the future of our country. In an overall sense, the Government in this State and Governments around Australia tend to put more and more imposts on that dwindling number of people. I say that not to attack the current State Government or the federal Government.

Tonight we celebrate the federal budget in which the Federal Government will stimulate business and give the business sector some relief. At the same time, however, we are imposing a greater impost on those people who are struggling to employ people. It is difficult to employ people. Over the past 10 or 20 years, more and more regulation, control and protection for employees has been introduced, and rightly so. However, it creates a great

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financial impost that creates a disincentive for businesses to employ people. The last thing employers do these days is create jobs because of the difficulty and costs involved.

Although, in relative terms, a five per cent levy might be seen to be small, to generate the turnover to be able to provide another \$300 a year to pay for the levy probably means another \$3 000 of turnover. To generate that additional \$3 000 requires more hours at the coalface. It means less personal time for business people and possibly more gambling of their personal finances. In the end, each impost creates a disincentive to create employment in our community. That is why what we are forced to do tonight is sad. It is sad that Parliament is condoning another impost on employers. We should reward those people. I would be much more comfortable if, over the next couple of years, members of Parliament can talk about how we encouraged and stimulated employment and how we were able to reward those people for making the effort.

Many people are dependent on the Government and its income. Those people who not only generate income for themselves but also provide jobs for other people should be rewarded. They need a pat on the back. Parliament should support them. Tonight, we reluctantly bring another impost to those people. I say that with great sadness. We have nowhere to go on this issue. We must have more control in this area. We must look at how we can protect small businesses from more and more imposts and get behind those people in the future.

MR McNEE (Moore) [9.19 pm]: It is with some reluctance that I have risen. However, this is an important issue and I respect the view of my colleagues who have a different view from me.

How many members of the Government have actually employed anybody? How many have actually paid the wages and done it hard? I am glad to see that a few members have, but they have not learnt much, I can tell members that.

Mr Hyde interjected.

Mr McNEE: Shall we talk about the unions? Shall we talk about the thugs on the building sites and about Kevin Reynolds? If the member wants to talk about them, that is just great. It is said that a leopard never changes its spots. Well, this one has changed its spots. This is a Government that went into the community and crept and crawled around the small business people. It cuddled up to them and told them it would do some good. The member for Kalgoorlie summed it up correctly when he said that this Government will stuff it right up for small businesses. It never fails to do it every time. It dared to ask one of my colleagues what our answer was. I remind members on the opposite side that they are the Government. They are the people who provide the answers, not us. We will analyse their answers and tell the Government whether we will support it.

Mr Hyde: It was the member's mob who led us astray.

Mr McNEE: My mob is not the one to worry about. The Government is the mob that is now running the outfit, and it is not doing very well. It has been in office for 100 days and it has not yet made a decision, except that we have more summits than the Himalayas. Members opposite do not need to tell me what the coalition did when it held office; I am discussing what the Government has and has not done.

On behalf of my electorate I will not support this load of garbage the Government is trundling up because I know how tough the employers are doing it. I know of shearing contractors who have given the work away. The member for Roe also mentioned a shearing contractor. On the issue of workers compensation, people live in fear of that thing called WorkSafe as there is no protection for an employer against it. Employers cannot get employees to use safe work practices; they would not even pass a test, and the poor employer is then left holding the baby for these workers.

Several members interjected.

Mr McNEE: Members can have their say later but I am having my say now. My electorate has reached the end of its tether. We are not about to cop any more levies and I will make sure that my constituents know precisely what this Government does. I will not support the motion.

MR KOBELKE (Nollamara - Minister for Labour Relations) [9.24 pm]: I thank all members who have contributed to the debate. I will attempt to answer the questions raised because it is a serious matter, and a range of very important points were highlighted by members who expressed their concerns. The following are some of the fundamental issues we are dealing with.

The members who wish to be the champions of small business would do a lot more for the sector if they tried to understand what is happening. Business people who employ are required, under our law, to take out workers compensation insurance. They are liable to meet the debts and the costs, which, under this legislation, are passed onto the insurer. If the insurer is not there, the employer is liable. If the insurer goes under, the employer is liable. Are members opposite telling us that they want to leave small businesses in the lurch? Do they want

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small businesses to not only meet the cost but also be uncertain about whether the money will come through WorkCover and whether they will have to take out a loan to cover the costs in the meantime? The proposal from members opposite will not look after small businesses. They are saying these things because there is pain in this area, and they are right. None of us likes this, but it will be of no help at all to small businesses to then take the next step and leave them up the creek without a paddle.

Mr Barron-Sullivan: That is not what we said.

Mr KOBELKE: I do not mean this to be an attack on the Deputy Leader of the Opposition, the member for Kingsley or the Leader of the Opposition, who all quite rightly addressed these issues in a very sensible way. Those members who just had a rah, rah about small business clearly demonstrated that they do not understand the issue; that is, do we put in place a scheme that gives certainty and meets the costs or do we leave small businesses dangling, to fend for themselves and fight through all the problems that arise with uncertainty and the liabilities that are passed onto the employer? It is only when the insurance company stands behind the employer that the employer has certainty. We are giving certainty to small businesses and reducing their costs because they will not have to pay for legal advice on the situation. If the quantum is not met up-front, there will be interest charges through the funds that are finally paid back to the businesses. Insurance companies will meet not only the liability costs, but also the interest costs.

It may seem strange to one or two members opposite who spoke, but this Bill was introduced by a Liberal coalition Government; it is not Labor legislation. The Bill was passed in 1980 following a collapse at that time which had to be accounted for. It was a small collapse compared to today's standards. These liabilities have very long tails and we have been paying out on that collapse now for 20 years. The amount paid decreases but an ongoing debt still needs to be met, and that is why a Liberal coalition Government put in place this legislation in 1980. However, when it did so it was playing catch-up. When the Bill was originally introduced, it was retrospective. That is why we are pushing this legislation through so urgently. If the legislation is retrospective, it creates more problems for the small businessmen or businesswomen who cannot quantify their costs up-front. We would much rather have this legislation which enables it always to be prospective so that they know when they do negotiations what the cost is for both the quantum of the premium and whatever levy goes on top of it.

We do not want the old retrospective system. The retrospective system is not evil and is workable. As we know, with workers compensation an annual reconciliation is made. When people do the annual reconciliation, they are hit with the extra bill. It can be handled all right, but the people who have spoken on behalf of small business should think about what it means for a small business person to say that he has a cost coming up with an extra five per cent which will hurt, but he has to cope with it. That is one option. The other option if the scheme is retrospective is simply to have the charge lobbed on small businesses before they have a chance to negotiate and so they must pay for the past three, six or nine months retrospectively. That is the current form of the Bill, which allows a maximum levy of one per cent. We are saying that we have a much bigger problem and we want to be able to give as much certainty as we possibly can. We want therefore to be able to give warning and say that the scheme will come into effect from late June, because about half of all the premiums are written on 30 June. If we get the legislation through the Parliament by the beginning of June, at least there will be three weeks or so for the insurers and the brokers to talk to businesspeople, so that they have that certainty and can quantify the cost. I put it to members opposite again that although it hurts, and we accept that and do not like it, it will cost business people less than will leaving the matter to drag on with the uncertainty of their having to seek legal advice and so on and having to find the interest payments on borrowed money, because WorkCover WA will have to borrow money to cover the costs if that money is not coming through.

Mr Barnett: If certainty were your motivation, you would support a sunset clause of three years. That, more than anything else, would give certainty and security to the small business sector about the intentions of this Government. That is all you must do. It is a small condition that you must give to get support.

Mr KOBELKE: I will address the sunset clause later. However, it does not give certainty. The Government is putting in place a mechanism that provides a way to manage the whole HIH Insurance problem through. The Leader of the Opposition is saying that the Opposition does not want the Government to manage this problem. It wants the Government to look after the first three years and then come back and tell Parliament how it will deal with the next 17. That is what the Leader of the Opposition is saying when he talks about a sunset clause.

Mr Barnett: The Opposition is saying that a five per cent tax can be put on business. That is what it is -

Mr KOBELKE: A maximum of five per cent.

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Mr Barnett: Yes. A maximum five per cent tax. The Opposition recognises the difficulty faced by the Government because of the HIH collapse. The Opposition is saying that the Government should give small business the certainty and respect that it will come back to Parliament within three years. At that time it can say either that it is sorted out or that it will mount a case to extend the same or a lower level of premium surcharge. That is the fairest thing. That is a minimum condition. All the Government must do is agree to that and it will get bipartisan support.

Mr KOBELKE: I will talk about the sunset clause and provide the Leader of the Opposition with the Government's position and with details on how it will try to accommodate him. However, what the Leader of the Opposition is saying is simply not true. He is putting more uncertainty into the whole thing. Palmdale has been paid out since 1981, Bishopgate since 1983, NEMGIA since 1990, and Standard since 2000. Those dating back to 1981 and 1983 have been going for nearly 20 years. The same applies to HIH - it cannot be fixed in three years. The Government wants to give certainty about how it will be managed. The issue that causes the Leader of the Opposition concern, and which I understand, is that he thinks it will be like writing a blank cheque. However, it is not. The Government will be accountable to Parliament each year, not just in three years. The Government will be required, by regulation, to come back each year and specify the quantum of the levy and the year for which it will run. It could be specified for six months. A period, and the quantum for it, must be specified.

The member for Kingsley read out the amounts of the liability. It is expected to be about \$36 million next year, \$23 million the next year, and about \$14 million for the year after that. If it is chopped off then, it will be with the knowledge that for the next year the liability is expected to be nearly \$8 million, and the year after that nearly \$4.5 million, and so it goes on. The Government is putting a mechanism in place to enable it to present accounts to Parliament in March each year which will show the liability being paid out in the current year, what has come in from the levy, and what has been set for the following 12 months. That is the regime the Government is laying before Parliament today and is seeking to put in place. It is not accountable in three years. It is accountable to Parliament every year. If there is a blow-out in cost, the levy may have to stay at four or five per cent for an extra year. On these figures, it can probably come down to about three per cent in the second year. If reinsurance or recouping of other funds is possible, it may be brought down to one or two per cent. The books will be presented to justify a reasonable levy to meet that need. The scheme was put in place 20-odd years ago by a Liberal Government. This Government is saying that it should be made to work, to provide certainty to business.

I will quickly go through the various questions that were raised. A minor question raised by the member for Kingsley concerned a figure of about \$93 million or \$95 million. The member for Avon, who knows insurance better than I, addressed that question for the member. These are projected liabilities; therefore, they cannot be exact. For instance, some of these payouts have been going for 10 years or so. What happens is that sometimes when a payout is made, the company comes back and says that it has received a claim for an accident that happened 15 years ago. It is a claim against one of these insurers that went belly-up 15 years ago. The accident occurred 15 years ago, but the claim is only presented today.

It must be met. However, it is put against the year in which it is recorded, therefore the figure for a year changes all the time. I suggest that the difference between the \$93 million and \$95 million is that in the couple of weeks since this was done, another claim has been registered against that cost. Therefore, it always changes up and down. This is the best estimate we have. Obviously, the figures must be taken as indicative, and they cannot be tied down to an exact million dollars.

Another question asked by the member for Kingsley concerned stamp duty and the goods and services tax. I am advised that this is a tax that goes on the top. On that basis, it does not attract GST or stamp duty.

Mrs Edwardes: It will be identified separately.

Mr KOBELKE: Absolutely, on top of that.

Mrs Edwardes: It is on the premium, not on the wages.

Mr KOBELKE: Correct. An issue was raised about the actual position of SGIO Insurance Ltd, or NRMA as it owns SGIO. My understanding is that SGIO bought the workers compensation book and other parts of the insurance business from HIH Insurance a few days before 15 March. On 15 March the collapse became public. What SGIO bought - this is the whole of Australia, not just Western Australia, although Western Australia would be a substantial part of it - was the ongoing workers compensation business from 15 March this year. I am not across the exact details of that complicated purchasing arrangement, but it is of the nature of buying the business.

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Mr Omodei: You are the minister. You should know.

Mr KOBELKE: We are talking about the biggest corporate collapse in Australia's history and the member expects me to know what the liquidator knows. The Government will get reports from the liquidator if the member wishes. If the Opposition has detailed questions about liquidation - rightly, it should have - the Government will try to get reports from the liquidator to answer them. The issue raised by the member for Kingsley is very important. It is one of which I am very conscious and which I want to pursue. When SGIO bought the book - I am trying to give members an understanding of the situation so that I can come to the point raised by the member for Kingsley - it got a cash flow, because many big companies pay monthly or quarterly. Therefore, when that insurance was bought, all that business was locked in. However, the liabilities were also picked up. Therefore, if an accident was reported on 16 March, SGIO must meet the claim. However, if a premium payment came through direct debit on 16 March, it would have pocketed it.

As I said, I am not across the financial arrangements that were made between SGIO and HIH, but I understand one element is that if those clients stay with SGIO at renewal, which may come up in six or nine months, it will pay a further payment back to HIH to keep the business. The concept was that SGIO picked up liabilities, but it also picked up cash flow and business. It made a business assessment that it was good to buy the book. I think what the member for Kingsley was getting at was whether there was an up-front and square deal or whether money was hidden away, which passed the costs on to the employers, and then indirectly through the scheme passed them on to everyone. I am concerned about that. The Government can only make inquiries and check with the liquidator. I understand the liquidator was appointed in New South Wales by HIH. Hopefully, the royal commission will be set up soon. It can trawl through all these matters to ascertain whether that deal between HIH and SGIO was proper in respecting the interests of the creditors through insurance policies. If it was not, the Government will seek to recover whatever moneys it can and put them back into the pool so that the cost to Western Australian businesses is lessened.

Mrs Edwardes: Another question is whether SGIO will seek to recover the premium it paid for the book when it took over the reinsurance of those HIH policyholders. Those businesses will cop an increased workers compensation premium in the future to recoup SGIO's \$100 million.

Mr KOBELKE: That is a market factor that I do not think is important to what we are doing here now.

Mrs Edwardes: It should be important to you as the minister.

Mr KOBELKE: That is a business arrangement between SGIO and HIH. Through regulation as a compulsory insurer, the Government has a responsibility to monitor that to ensure it is performing properly in the marketplace. The huge problem in workers compensation insurance with which we are dealing is all those claims prior to 15 March, which must be met and which are quantified as being in excess of \$100 million. With reinsurance and some things we can get back, it falls back on that. If there is a payout by the liquidator and we are able to claim on that, it will come back even further. However, the Government is trying to give certainty to business to know that this system covers what we can quantify currently as the maximum cost. As we know in these complex cases, often the cost is sometimes far more than estimated. We hope that does not happen with this case. This is the best advice we have and this is the potential maximum liability. It could be more; we do not know.

Mrs Edwardes: It could be less.

Mr KOBELKE: We hope it is less. We will use our every endeavour to check on liabilities that will bring back money into the system to reduce the cost to employers in Western Australia. We also have the difficulty of not knowing what the commonwealth package will be and whether there will be any crossover. Again, because we are putting in place this levy, we will seek to protect employers in WA. There is no indication that it will happen; however, I am conscious of protecting employers in this State by ensuring that there is no double-dipping.

I shall now refer to the sunset clause. The existing Liberal legislation that we are amending has no sunset clause. This sunset clause is a new amendment that the Opposition is trying to insert in the legislation. As I indicated, there is a very long tail on these costs and we must manage them all the way through. By inserting a sunset clause of three years, the Opposition is saying it wants to do part of the job and wants to come back to Parliament to do the other part. That is not the way to go.

Mrs Edwardes: No, we are asking you to come back and justify it.

Mr KOBELKE: If the member will allow me to finish the point, I will take her interjection. If we have no mechanism to manage this issue, we may be caught out with delays in legislation and have to go back to the

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retrospective model. I do not believe we should have the retrospective model. We want to give certainty to business.

Unfortunately, another matter of concern with four commercial collapses since 1981 - this is the fifth - is there is a chance of another one. This legislation provides a mechanism to enable the Government in the interim at least to deal with such a collapse. We may have a levy of only one per cent but need four per cent or five per cent. That would mean we would have to come back to the Parliament, through either regulation or a sunset clause, to amend the legislation. However, we do not want a situation in which we do not have ongoing mechanisms in the legislation to deal with these problems when they arise. I repeat that the mechanisms were put there by a conservative Government more than 20 years ago. It makes sense to give certainty to business so that it knows that we have a mechanism to deal with not only this matter and its long tail but also other incidents that we may have to cover.

Mrs Edwardes: The minister has raised the very concern of business. The minister said that if another collapse occurs, the Government will have a mechanism in place. That is exactly what business does not want - an open-ended regulation or a blank cheque. Business wants the Government to come back to the Parliament if there is another collapse and justify the legislation. That is why the Opposition is saying that if in three years the Government still needs to pay out for the HIH collapse, it can come back to the Parliament and justify it; that is not unreasonable.

Mr KOBELKE: It is most unreasonable. In the 1980s, the member's predecessors in conservative Governments implemented legislation to give certainty to business without the need for further legislation. That legislation was able to deal with Bishopgate Insurance Co Ltd in 1983, with National Employers Mutual General Insurance Association Ltd in 1990 and with Standard Insurance Co Ltd in 2000. This mechanism will be used to manage the problem. The Opposition wants to argue that it is a blank cheque; it is not. It goes only to the specified need for meeting the collapse of an insurer and will not be used for any other purpose. It cannot be dragged out and used in any other way and exists for that purpose only.

Mrs Edwardes: You are suggesting that you might retain a one per cent levy even beyond five years, forever and a day, just to cover "what if" situations.

Mr KOBELKE: No, I am saying that if a one per cent levy is needed to deal with an ongoing tail, it will be quantified each year. A regulation can be disallowed by the Parliament, and the Opposition can ask the Government to come back to the Parliament with a regulation for half a per cent, or whatever, to justify the funding of an ongoing tail. That flexibility to examine the regulation will therefore exist annually.

In March of each year a report will be brought to Parliament with the regulations giving the new levy that will apply from June the next year. That will be able to be disallowed. If members think it is too high they will be able to bring it back to a smaller percentage. There will be time to do it. The accounts will be available, and the whole process will be open, so that members will be able to make a judgment. The levy will be tailored so that not one cent more will be collected than that which meets the ongoing liabilities for the next year. That is a workable scheme. Some members of the Opposition, in taking up these matters, think they can wave a magic wand and it will be all right. It will not be all right. This money must be found. This is the result of a disaster of the magnitude of HIH Insurance. A magic wand simply does not work. We have to find a way to look after business, so that it does not cop increased liabilities and further costs. That is what the Government is doing.

Mrs Edwardes: Did the Government look at alternative sources? At any point did it look at a government contribution of some proportion?

Mr KOBELKE: There is a difficulty with a government contribution. Do members opposite want to take it out of the consolidated fund, given that we are talking about \$100 million? The Liberal Party has 16 members in this place. If 10 of those members wanted to vote against this, we could divide 10 into \$100 million and take \$10 million out of each of their electorates. If we reduced the services in their electorates by \$10 million we could pay this off. Is that a suitable offer? This comes down to a simple question: do members opposite want a centralised fund? The member for South Perth mentioned this. Do members opposite want to take private insurers out of the equation because they have no confidence in them and go back to a centralised fund? That sentiment was echoed by some members, but it is not my view. However, if we have a private fund with private insurers offering workers compensation insurance to employers, that is a commercial relationship. While it is compulsory, it is a commercial relationship and the Government should not have to step in to bail people out. That was the decision made by a previous conservative Government in 1980, and it is the position that we are holding to. That is not to say that it is not appropriate to obtain some money from consolidated revenue. The Treasurer will probably shrink from this, but we can look at that. We are looking at that in relation to one of the

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questions posed by the member for Kingsley. However, with a liability of \$100 million, which could grow, the Government would not simply step in with the money from Treasury. That would mean we had to close schools, build fewer roads and the like. A Government would not sensibly take that approach up-front.

Mrs Edwardes: My other question relates to the liquidator's costs.

Mr KOBELKE: I have some sympathy for the member for Kingsley's cynicism about liquidators, having dealt with the liquidators involved with the finance brokers scandal, and knowing what happened to the people who lost their money. I support the policy put in place by the previous Government. It has cost Treasury in excess of \$5 million to help pay for liquidators and supervisors. That is a huge cost. However, in this instance, the liquidator was appointed by HIH Insurance, and we are not able to interfere in that. The royal commission may be able to inquire into whether the liquidators did their job in a way that was fair to all people involved. It is a complex matter. We cannot get involved in the appointment or withdrawal of the powers of the liquidator, but we can question the liquidator and follow through on issues where we feel it is in the interests of the people whom we represent.

Mrs Edwardes: In terms of reinsurance recoveries, if you cannot interfere with the liquidator's waiving its costs to recover those funds, given that they are in Germany and the costs might be considerable, would the Government consider contributing to those costs? When the minister talked about the contribution from government, what was he thinking?

Mr KOBELKE: This is such a complex mess that there may be areas we need to move into. The member for Kingsley asked whether we could provide a rebate on the new stamp duty.

It is a matter of coming up with a scheme that is equitable and fair, whereby, out of consolidated revenue, we can rebate or recoup the stamp duty for people who have to take out reinsurance due to the collapse of HIH Insurance. That is what we are looking at.

Mr Omodei: The Government would reap heaps of GST revenue.

Mr KOBELKE: That is a different issue and it is not relevant to this matter. Does the member for Kingsley have any other questions?

Mrs Edwardes: What about the contribution from the supplementation fund and the Opposition's proposal not to provide reimbursement?

Mr KOBELKE: The Government has a totally different conception. The \$8 million may be more than is needed and it may be pruned back but we still have to leave in the fund provision for the continuing costs for the next year. We want to get to the stage at which there will be no levy at all. We want to achieve that stage as soon as possible. If the levy is stopped, the supplementation fund must have adequate funds for the following years, otherwise the situation will arise whereby funds have to be borrowed. Debt will be created that can only be relieved through another levy, even if there are no further collapses. The amount of money that should be left in the supplementation fund to look after the runout of costs for future years is a matter of financial judgment. As we have seen, that may be 20 to 30 years. It has to be a matter of judgment. It should not be a matter of coming back later and saying it was only \$8 million. We will endeavour to stop the levy as soon as possible and we would seek to have a quantum which, on financial advice, would meet the outgoing costs of this particular insurance collapse and the ones that may be in train.

Mrs Edwardes: The Government is not seeking to put the supplementation fund back in the same position that it was in prior to the HIH Insurance collapse?

Mr KOBELKE: The supplementation fund needs to be restored to the same position so that it can look after continuing claims without any levy being needed to provide reimbursement to the supplementation fund. If this Bill proceeds, we will be able to shut down the levy in about five years and an amount of money will be left. I cannot say whether it will be \$8 million; the judgment on how much will be needed will be made in five years. A quantum will be kept but the amount will be decided in five years or whenever the levy is closed down.

Mr Trenorden: The Government does not really need \$8 million.

Mr KOBELKE: It does because the costs for HIH Insurance will be met out of the \$8 million. The claims in the past five years have included almost \$50 000 for Palmdale, \$14 000 for Bishopgate, \$721 000 for NEMGIA and \$119 000 for Standard. Over a five-year period, that represents almost \$1 million. I accept that the \$8 million is not needed for the tail for those collapsed businesses. It is fortuitous that the money collected in the 1980s is now assisting businesses that are suffering due to the HIH Insurance collapse.

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Mr Trenorden: If people have to buy a new policy that covers the unexpired period of the old policies, the Government will have a windfall.

Mr KOBELKE: Yes. I was addressing that issue with the member for Kingsley. It is not my portfolio but the Government is looking at that issue. The Government will announce its position in due course.

Mr Trenorden: It does not involve a lot of money and it is a bit of goodwill that could be given to small business.

Mr KOBELKE: What is the cost of administering that and the benefits derived? If the benefits are adequate, the Government will go down that road. The Government is looking for a mechanism by which it can make sure that a double burden is not placed on people when they have to reinsure after having lost out.

Mrs Edwardes: It will stop the Government from double dipping. The Government will otherwise collect from the same period that was covered by HIH Insurance.

Mr KOBELKE: I have tried to answer fully the questions raised. Are there any more?

Mrs Edwardes: What about the sunset clause? What about further potential amendments?

Mr KOBELKE: This legislation has been in place since 1980. It serves a useful purpose. It does not make sense to include a sunset clause that will wipe out the fund in three years simply to have it reintroduced. I am happy to consider a time limit so that the maximum surcharge reduces from five per cent in five years. If we shut it off after three years, in the next year the liability will be estimated at \$8 million. That is more than one per cent. However, if the maximum surcharge were reduced to one per cent we could manage that. We may need some borrowings, but too much borrowings would be a burden on employers.

Mrs Edwardes: It could be less due to the reinsurance; that \$7.9 million does not take into account reinsurance.

Mr KOBELKE: This amendment seeks to cover the worst case scenario. The Government will drop the percentage levy to the lowest possible level as soon as possible. If reinsurance suddenly halves the bills next year, the rate may reduce to one or two percent.

Mrs Edwardes: Business does not trust you.

Mr KOBELKE: It does not trust the Liberal Party either. Small business voted for us in droves at the election. It is incumbent on all members of Parliament to accept this model and ensure that each year in March, after the summer recess, the regulations are properly scrutinised and the accounts are open for people to examine. They can disallow the levy if the rate cannot be justified. We will do that annually. If the five per cent is needed for only the first three years at the most, we can say that five per cent should not be on the books in the future and we will consider a lower maximum after a few years.

Mr Barron-Sullivan: Earlier you referred to the legislation as it stood in 1980. Are you happy with that situation?

Mr KOBELKE: That deals with it retrospectively. I would rather have this prospective method of setting by regulation the quantum of the levy and the period for which it will apply. It could be set for a shorter period of, say, six months. It will provide flexibility to manage it closely through the many years of liabilities and when they trail off to very small amounts. The Parliament could then assess what amount should be left in the supplementation fund against the levy. One view may be to keep the levy at one per cent for another two years and another view may be to keep it at two per cent, build up some money and shut down the levy. Those judgments can be made in future. If it is removed that would imply that we did not want a solution now; we wanted half a solution so that we must deal with it again in three years. This legislation has been in place since 1980. We should proceed with it and ensure the fund is properly managed and scrutinised so that no money is being squirreled away and that it meets the needs of business and provides certainty. Certainty is the key word. As we said from the start, that is why we have given the Bill this priority. We could have introduced the Bill in July or August rather than be rushing it through tonight. However, it would have been retrospective. That would not have given business the certainty it wants. I commend the Bill to the House.

Extract from *Hansard*
[ASSEMBLY - Tuesday, 22 May 2001]
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Mrs Cheryl Edwardes; Acting Speaker; Mr Max Trenorden; Mr Dan Barron-Sullivan; Mr Pandal; Mr Paul Omodei; Mr John Bradshaw; Mr Rod Sweetman; Mr Colin Barnett; Mr Ross Ainsworth; Mr Matt Birney; Mr Mike Board; Mr Bill McNee; Mr John Kobelke; Chairman; Speaker; Mr Pandal

Question put and a division taken with the following result -

Ayes (33)

Mr Andrews	Mr Hill	Mr McRae	Mrs Roberts
Mr Bowler	Mr Hyde	Mr Marlborough	Mr Templeman
Mr Carpenter	Mr Kobelke	Ms Martin	Mr Watson
Dr Constable	Mr Kucera	Mr Murray	Mr Whitely
Mr Dean	Mr Logan	Mr O’Gorman	Dr Woollard
Mr D’Orazio	Ms MacTiernan	Mr Pandal	Ms Quirk (<i>Teller</i>)
Dr Edwards	Mr McGinty	Mr Quigley	
Dr Gallop	Mr McGowan	Ms Radisich	
Mrs Guise	Ms McHale	Mr Ripper	

Noes (19)

Mr Ainsworth	Mr Day	Mr Johnson	Mr Sweetman
Mr Barnett	Mrs Edwardes	Mr McNee	Mr Trenorden
Mr Birney	Mr Edwards	Mr Masters	Mr Waldron
Mr Board	Mrs Hodson Thomas	Mr Omodei	Mr Bradshaw (<i>Teller</i>)
Mr Cowan	Mr House	Mr Sullivan	

Pair

Mr Brown

Mr Marshall

Question thus passed.

Bill read a second time.

Consideration in Detail

Clause 1: Short title -

Mr BARRON-SULLIVAN: I seek your guidance, Mr Chairman. I thought that in debate on the short title of the Bill some latitude is given to the topic under discussion.

The CHAIRMAN: In fact, the reverse is the case - a very small amount of leeway is given. The member should confine his comments to the actual short title.

Mr BARRON-SULLIVAN: In terms of the title being appropriate for what this legislation sets out to achieve, I would have to reiterate what I said earlier tonight; namely, that the legislation changes in a most fundamental way the mechanism by which the supplementation fund is administered. In that process, in effect, it provides the potential for an open-ended measure of taxation. Consequently, it could be argued that the intent of this legislation has been changed dramatically, and that this is not reflected in the title.

The point that members on this side of the Chamber have already made is that we have tried to approach this matter in a positive and constructive way. We have put forward some very positive suggestions about how the impost on the small business community could be kept to a minimum, and how the period over which this levy would be imposed could be shortened. It is unfortunate that, for the sake of one relatively small amendment, the Government will push ahead with something that in its current form has no support whatsoever in the small business community. In terms of the suitability of the title, while I will not suggest anything specific that is different, something a bit different might have relayed some of the points in the Bill. What we are looking at now is not so much a supplementation fund initiative as a taxing initiative. If it were a supplementation fund initiative, it would operate, as it did in the early 1980s, in such a way that, when the levy was withdrawn, as it was in 1986, that is the end of the matter. However, the mechanism sits in the cupboard waiting for another day, and for the Government of the day to bring it out and use it again in some severe crisis. The mechanism has changed dramatically and fundamentally under the amendments that the Government has put forward today, by

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creating the opportunity for an open-ended period for this surcharge. I have referred previously to the explanatory memorandum, which actually uses that phrase. It states -

... this enables the surcharge to be re-commenced whenever necessary for either fixed or open-ended periods ...

Consequently, it could be argued that the title should be changed to reflect the fact that this is, in effect, a new taxing Bill on small business. I reiterate that the Opposition has tried to be very positive on this point. We have tried to present a way of providing for the surcharge levy to be imposed over a reasonable period on the basis that the Government would be prepared to come back to Parliament after a proposed sunset clause took effect, if it were necessary to continue the levy at whatever rate might be deemed suitable at the time. The Opposition is a little confounded about why the minister has not picked this up and run with it.

I did try, during the second reading debate, not to be negative or political in any way, but the composition of the Cabinet of the current Administration reveals a lack of personal understanding of the situation confronting small business. From the direct experience of members on this side of the Chamber who have been in small business, and from the information the Opposition has received from business associations and individual businesses, we know the business community will not be happy with a blank cheque arrangement that could cost it dearly in the future.

Mr BARNETT: The short title is the Employers' Indemnity Supplementation Amendment Bill. It could quite rightly be called the workers compensation tax impost Bill because it places on workers compensation premiums a five per cent tax. It does not matter what the title is; the Bill is about a tax increase. How many members opposite took the trouble over the past two weeks to talk to their small business constituents and ask whether they support a five per cent tax? As has been said by a number of members, the Opposition has been extraordinarily fair and generous. Why would we, as an Opposition, support a tax increase that affects the small business sector? We have looked beyond the short-term political advantages and recognised that the collapse of HIH Insurance is not the fault of any government. It is one of those tragedies that occurs occasionally, and people are innocently affected, particularly in the area of workers compensation, in which there is a mandatory statutory requirement. Government has a role in this. We said we would give the legislation bipartisan support. All we asked on behalf of small business was for one simple measure of accountability: that the Government apply the five per cent levy for three years and come back to this Parliament to seek to reinstate it as a one per cent or two per cent levy or whatever. It is a small measure of accountability; the minimum requirement that we asked for on behalf of small business. I suspect that no member opposite asked his small business constituency whether he should support a five per cent tax increase. Have the members gone to the cafes and delis in their electorates? Have they asked whether it would be better if there were a three-year sunset clause? The small business community in this State will probably reluctantly go along with this, although many operators are unhappy about it; however, it would support a three-year sunset clause without exception. This Government professes to be the champion of accountability. Yet, it faces one simple test - to come back to the Parliament to seek to continue a tax impost - and what does it do?

Mr Hyde interjected.

Mr BARNETT: The member for Perth has been in this place for two minutes. That is not the way the Parliament works. The Government has the opportunity to come back in three years. It will impose a tax increase of five per cent. It could have done it with bipartisan support. It could have neutralised the issue. It has guaranteed that this will become a political public issue for small business in this State. That is entirely on its head. In the eight years that we were in government - and we had to deal with many difficult situations and tax measures - I cannot recall the Opposition of the day offering bipartisan support on a tax increase. This Government received it on the fourth day of the Parliament and it rejected it. It is on its head.

Mr BOARD: This Bill could also be called the disincentive to employment Bill as this is another impost on small business. I will not reiterate what I said in the second reading debate. However, given the sensitivity of this legislation and that the Government knows it is not popular in the community, and given that it will create further unemployment and disincentive to employment, particularly for young people in Western Australia, it is tragic that the Government could not put a line in the sand and provide some surety to business by saying when the impost will finish and that if it needs to extend it beyond that, the Government will come back to this Parliament and argue in front of the elected representatives of this State for a continuation of the impost either at the same or a reduced rate. It could not do that because it sees another way of putting an impost on business ad infinitum. The business community will see through that and penalise the Government for it. The Government had the opportunity to have the bipartisan support of the majority of the Parliament. Some people in opposition

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oppose it, either because they are small business employers themselves or because that is the nature of their electorate and they want to defend that electorate.

Unlike the Labor Party, the Opposition gives its members the right to express their views, and we respect those views. We offered the Government bipartisan support for a very sensitive Bill and the opportunity to show that the Parliament was united on a tax impost. We recognised that the Government could not avoid this legislation and that we as parliamentarians were able to do something for the benefit of small businesses and to protect employees in this State. The Government could not accept that. I do not know why. Do members opposite have some difficulty supporting opposition initiatives? Is it a fundamental problem that they cannot recognise the olive branch? In a few years, prior to the next state election, the Government might want to hold out an olive branch. Is that the reason for not accepting this compromise? It is a tragedy that the Government cannot see that accountability is important to employers and the community. This has flown in the face of bipartisan support. Members of the Opposition will remember that when the Government had the chance to unite the Parliament early in its term in office it rejected that opportunity. It is a tragedy and I believe the Government will regret it.

Mr McNEE: I am surprised at the action of members of this Government who lectured the previous Government at length about honesty, sincerity, purity, accountability and all those fine-sounding phrases. That meant nothing. I used to think that if those members were ever elected to office things would be very different. They are not. Some members opposite have told me that they have paid wages and employed people.

The Leader of the Opposition said that this should be called a tax Bill. That is correct; that is what it is. Members opposite must hate paying tax as much as members on this side hate it. Their first failing is that they are not sincere. They are required to vote for this measure whether or not they like it.

Mr Kobelke: Did you vote for the legislation in 1980?

Mr McNEE: The minister wants to talk about 1980. Does he want to talk about his grandfather's birthday socks? He probably does not realise that 1980 was 21 years ago. Government members might still be back in the 1980s, but everyone else has moved on. The minister should make no mistake about that. Members opposite are happy to assert that 1980 is important.

The minister talks about accountability. He has tried to rush this legislation through because he says it is very important. I wish he would realise that when one rushes things one usually stuffs them up. The Government has been in office for just over 100 days, but it feels like 100 years. Members opposite are like Rip Van Winkle - they have already nodded off. They cannot make a decision; they will look into it.

Mr Bradshaw: It is called using mirrors; the Government is using mirrors.

Mr McNEE: That is right. The Government has got it wrong. It ought to be called a tax Bill; the Government could at least be honest.

Mrs EDWARDES: I am disappointed about the Government's response because the Opposition was very conscious of and recognised the problem, and it was prepared to give bipartisan support. We recognise that the minister wanted to give some confidence to business and to put the levy in place in sufficient time for businesses to be able to calculate their ongoing payments. Some businesses pay quarterly, some pay monthly, and others pay annually. The minister wanted to give them the ability to budget for the levy and to put it in place. The Opposition recognises that.

The minister would recognise that members on this side of the House have done considerable work over the past few weeks to endeavour to inform ourselves and to get as much information as possible to ensure that we were in the best possible position to make the best decision. Businesspeople told us that if they must cop it - they do not want it - they do not want to give the Government a blank cheque. The term "blank cheque" is theirs, not mine. I am happy to give ownership back to the small business community who used HIH Insurance. We do not want to give the Government a blank cheque. We do not want it to have open-ended regulation.

The Minister for Labour Relations said that there might be another collapse. The industry is concerned that a regulation is in place that the Government can use forever and a day without bringing it back to Parliament for proper scrutiny and debate. Regulations come into existence either from the date they are gazetted in the *Government Gazette*, or from the date the changes are put in the regulations. However, Parliament might not be sitting at that time. There might be a number of reasons that the ability to disallow that regulation might turn from weeks into months, in which case it would be in place and businesses would have to pay the levy.

The minister says he wants certainty for small business, but this measure will not provide that certainty. The Government offered a sunset clause of three years. The minister asked why the Opposition was chopping it off, because there might be further payments, and there might very well be. The Government would have to justify

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the expenditure it had made over those three years and to justify any ongoing levy to be paid by employers. The measure would have to be justified to them, not to the Opposition; we are their representatives. We are informing the Government of their concerns because it is obvious that members opposite have not listened to the concerns of the business sector as we have.

I do not know how many government backbenchers have asked the business people in their areas whether they want a five per cent levy. The business people will say that they do not want it. Have the government backbenchers explained that if the businesses do not pay this levy, there will be a consequence for the other 4 900 claims? The small businesses are asking for a finite time if they must cop it. The Government has refused to give that commitment because it does not want to make changes to its legislation; it wants to rush through the legislation. The Government has been concentrating more on the basic process. If the Government were genuine about giving confidence to the business community, particularly to small businesses, it would do that.

There is no difficulty with the Government coming back to Parliament with amendments to the legislation to justify its position. In the years that I have been here, this Parliament has shown again and again that it can deal with legislation in a timely manner to meet various demands and the requirements that must be put in place. Parliament has proved itself in the past. The Government has no justification whatsoever for not wanting to come back to Parliament unless it does not wish to be accountable to the business community, or unless it would be happy to leave the levy at one per cent for ever and a day. The member for South Perth wants to reduce it from five per cent to one per cent. That might be very comfortable for the Government, so it always has a fund there just in case. The small business community does not want "just in case". It wants a finite period. It wants the sunset clause. We moved it in a spirit of bipartisanship and the Government has denied that to small business.

The SPEAKER: The last speaker did not touch on the short title of the Bill at all; in fact, it was more in tune with discussing clause 3. Several members have spoken about clause 3 rather than about the short title. I ask members who wish to speak to this clause to speak to this clause, which is the short title.

Mr BARRON-SULLIVAN: It disappoints me that the short title does not more accurately reflect that this is a taxing Bill. The reason I am particularly disappointed is that if I were one of the 360 000 small business people in Western Australia today, and someone told me that there was an Act to amend the Employers' Indemnity Supplementation Fund Act 1980, I would pour myself another beer and forget about it; I do not know what it means. We will need to tell people that the Government has introduced a new taxing measure through stealth - it is explained in the explanatory memorandum - which has the potential to be an open-ended tax on small business. One thing one learns very quickly in this game is to send out the tentacles and listen to the people within one's local community, particularly those in small business. I am not talking about Woolworths, the big international oil companies, the big employers and so on; I am talking about small business - the mums and dads, those who have a few people on staff and so on. I am sure the member for Ballajura would have a lot of experience in this area. Frankly, I do not know how, if I were in that situation, I could look at my local small business counterparts in the area I live in, and particularly in an area in which I might have worked alongside them, and explain why I allowed a tax Bill to go through Parliament by stealth at 10.30 at night. It sounds pretty dismal, and it could be pretty dismal. I heard the member for Albany's maiden speech, which was very touching at times. The member for Albany said that he had been in business.

Point of Order

Mr KOBELKE: Members are supposed to be addressing the short title of the Bill. This Bill will be cited as the Employers' Indemnity Supplementation Fund Amendment Act 2001. It deals with quite specific matters relating to the percentage and the method of collection of a levy. I do not see how the comments that have been made for the past half an hour have anything to do with the short title at all.

Mr BARNETT: The Opposition is making the case very clearly. We think that the Bill is inappropriately titled.

The SPEAKER: The point of order is well founded; the discussion should be on the short title. There are other clauses and the actual content of the Bill will be debated then. Once again, I ask the member for Mitchell to keep his comments to the short title.

Debate Resumed

Mr BARRON-SULLIVAN: The point I was trying to explain is that when I start going around the small business community in some of these regional areas, such as where the member for Bunbury comes from, or when I am going through a number of the local chambers of commerce and small business organisations in the metropolitan area, whether it be Bassendean, where the Minister for Small Business comes from, or places like Southern River, Canning Vale, industrial areas and so on, it would be a lot easier for me to explain the impact of

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this Bill if it had the word “tax” in the short title. I urge members opposite to think clearly. Tonight, the Opposition has been very positive in suggesting at least one minor amendment, which would go a long way towards meeting or addressing the concerns of small business. In the end, members will be answerable to their small business communities and they will have to explain how they supported a new tax at 10.30 at night.

Mr BARNETT: This is a very poor choice of a short title. As the member for Mitchell said, it does not convey the tax component, and I will make a point about that because we have talked a lot during this debate about small business. Small businesses would not recognise from that title that this is a tax increase on them. Indeed, why are we concentrating on small businesses? It is because small businesses tend to be relatively more labour intensive relative to their turnover than are larger businesses. Many larger businesses can often get concessions or negotiate premiums. Very large businesses can often self-insure. This may not be particularly relevant to very large businesses. However, Mr Speaker, if you would concentrate on my speech, which I think is very important to the title -

The SPEAKER: The member for Peel will come to order.

Mr BARNETT: The short title does not convey to the public what is the issue. Labour costs are relatively more important for small businesses. Proportionally, they are a higher share of total costs for small businesses relative to other businesses. However, if we go beyond that, and go into a sector analysis, it is fairly obvious we will get different results. Workers compensation premiums may be higher, obviously, if the risk of industrial accident is higher. That is one dimension, but there is also another dimension. Changes are taking place in the services sector. Which parts of the services sector are now relatively more labour intensive and more sensitive to the risk of occupational injury and, therefore, workers compensation premiums? I will tell members one obvious point. I hope the Minister for Health is listening. Has he bothered to inquire about the impact of this legislation on the labour intensive aged care nursing home sector? I bet he has not. That sector will be particularly hard hit by this tax increase. The Minister for Education is not here, but those members opposite who purport to have an interest in welfare areas and in community service and charity organisations, which are labour intensive, will find that it will impact on them greatly.

Mr Hyde: Like the goods and services tax on power bills.

Mr BARNETT: That is a very important contribution! I am sure the member for Kimberley would be very conscious of the number of agencies that work in rural areas and are very labour intensive, private and non-profit organisations that will be impacted upon severely by this legislation. An area of great need, early childhood care, is again attracting more attention because of industrial accidents.

Mr Kobelke: That has nothing to do with the short title.

Mr BARNETT: It has everything to do with the short title, because the legislation will affect labour intensive and important areas of community services in which workers compensation is becoming more important. Key areas of the services sector, albeit involving small to medium-size business, in health care, aged care, community services, non-profit organisations, child care and the like, will be impacted on the most. Is it not interesting that during the whole debate not one of those members opposite who pretend to represent those sectors of the community bothered to speak. Not once did they talk about small business, which might seem to be the constituency of members on this side of the House. All those businesses operating in aged care and nursing homes, child care, charitable organisations and educational organisations were not thought about by one member opposite. They sat opposite and sneered and sniggered, because they believe this Bill will impact on the small businesses that they think are represented by members on this side of the House. They should go back to their constituencies and see which small businesses and profit and non-profit organisations employ large numbers of people in the community services area. The biggest area of employment in this State is community services, an area that members opposite purport to represent, yet not one of them drew attention to the impact this will have on those groups. It will be more disastrous for those community-based groups than for many of the small business constituents that most of this debate has been about.

Clause put and passed.

Clause 2: Commencement -

Mrs EDWARDES: On what date does the minister expect the Act to come into operation?

Mr KOBELKE: It will come into operation when it receives royal assent. We clearly wish to have it in place as early as possible so that it will provide certainty to business. As soon as it has gone through the upper House and procedures have been gone through and regulations have been prepared, which will not take long, it will be proclaimed.

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Mrs Edwardes: Essentially the regulations have been drafted, so there is not much risk of delay after the Bill has passed through the Legislative Council.

Mr KOBELKE: The purpose is to give certainty to business as soon as possible; therefore, the legislation will be moved along as quickly as possible. The member for Kingsley will well know, as a former minister, that takes a week or two.

Clause put and passed.

Clause 3: The Act amended -

Mr BARRON-SULLIVAN: I move -

Page 2, after line 6 - To insert the following -

- (2) The amendments in this Act shall cease to have effect upon the expiration of three years calculated from the date on which this Act comes into force.

The reason for moving this amendment was explained in detail in the second reading debate. However, I will stress a couple of points, mainly for members opposite who were not here for the debate. This sunset clause will not throw the whole Act out of the window at the end of three years. All it will do is make the provisions of the Bill being debated here tonight redundant after three years. A mechanism would still be in place if a levy were required in the future. All the Government would be required to do would be to come to Parliament and explain why a levy was required, provide details of that levy, and achieve the support of Parliament to get it through.

The point that has been made by the small business community about this legislation is that, quite frankly, it does not trust government - I use that term in a general sense - to have at its disposal yet another open-ended taxation measure. The explanatory memorandum provided by the minister a couple of weeks ago states at the beginning of the second page that paragraph (b) of clause 4 -

... creates a new definition of "surcharge period".

It goes on to say that -

... this enables the surcharge to be re-commenced whenever necessary for either fixed or open-ended periods and for the period of the surcharge (ie the commencement and expiry times) to be prescribed by regulation.

That means that at any time in the future, the Government of the day, of whatever political persuasion, could simply bring in a levy at whatever rate it wanted up to five per cent for whatever period of time that it wished. It could do this by regulation. As we all know, dealing with something by regulation is nowhere near as accountable as dealing with something directly in Parliament through a Bill before both Houses. This amendment simply provides a three-year sunset clause. The briefings provided to the Opposition, courtesy of the minister's office, have convinced its members that that is a reasonable period within which the current HIH Insurance system can be addressed. If, after three years, that were not the case, and if some of the flexibilities and unknowns surrounding the financial circumstances proved that a levy were required for a longer period, the Government would simply come back in here and say that the levy must be kept on longer, give the reasons and the financial details to explain it, and the Parliament would view the matter accordingly. It is a positive suggestion. It is something that would allay many of the concerns in the small business community.

Small business does not want an extra impost. It would prefer that the Government did some soul searching and tried to come up with some funds from internal sources to at least offset the burden of the levy. However, the minister has indicated that that was not done and has made it clear that that will not be done. In the face of that, and because members of the Opposition can count and know that the Government essentially has the numbers in this Parliament, we have tried to be constructive and positive. Although the Opposition is disappointed that the Government did not find some other way to offset the cost, it has asked that the Government at least listen to small business and include a sunset clause. This would provide full accountability, which would hopefully earn back a little bit of the trust from the small business community. That would be better than the small business community saying that at 10.40 at night this House passed what amounted to an open-ended taxation measure.

Mrs EDWARDES: During the second reading debate, and earlier in the committee stage, I expressed the strong reasons that we need a sunset clause. In the minister's second reading response, he did not adequately explain the expenses. He said the expenses could be more. I said they could be less. The minister agreed. Therefore, we do not know. At this stage of the HIH collapse, there are a lot of unknowns. We have a list of the number and amount of claims. However, more claims may come in at any time. We know the number of policyholders for which SGIO Insurance Ltd has assumed liability. We know those facts. A sunset clause will allow the

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Government, at the end of three years, to tell this Parliament and the business community, which is effectively paying this increased tax for workers compensation, what it has spent, what is the history of the claims to date, and what it believes the situation will be in the future. The Government may then say that it will provide some of the funds out of the supplementation fund, because it now knows that it does not need to reimburse the full \$8.6 million; therefore, it is happy for some of those funds to be used for the HIIH collapse. That is not unreasonable. The supplementation fund is employers' money. It is not government money. It may be the case that we get more from the reinsurance recovery. The minister said the amount may be as high as \$20 million. He said also it may be as low as \$8 million. We do not know. We will take an average of \$13 million. A sunset clause will allow the minister, at the end of three years, to tell this Chamber what is happening with the reinsurance recovery.

We do not know how the administration costs of the liquidator will be paid. Will the Government pay those costs from consolidated revenue in order to reduce the financial burden on employers? At this stage, there are a lot of unknowns. The Government is saying, "Trust us. We will come back in March each year." What if we do not sit in March? The minister says he will bring in the actuarial report. We did not get it on this occasion, although I did get it when I asked for it. This is the Parliament, where people can have access to the debate and to the documents. A conversation between me and a chief executive officer, which is not recorded for the future, is not the way we should be doing business if we truly believe in the Parliament. A lot of new members said in their maiden speeches how proud they are to be members of this Parliament. This Parliament is an extremely important place, and we should emphasise the importance of this place and ensure that all of the information is available in this place.

The minister has given us no reason that he cannot come back in three years and explain to the business community, which will be paying the levy, where the money has gone and what has happened, and justify the need to extend the levy further. In three years, the Government will be going into an election, and so will we. Imagine what we will do and what the Government will do if it must bring this matter back in three years and justify the levy to the business community.

We recognise the problem, and we have offered bipartisan support. The minister and his colleagues are missing a great opportunity by not accepting a sunset clause.

Mr BOARD: This clause goes to the heart of the Opposition's position on this Bill. During the second reading debate, the Opposition said that it would offer bipartisan support, which has now been rejected. The Opposition did that because these are extraordinary circumstances. The Opposition recognises that the Government finds itself in extraordinary circumstances through the collapse of HIIH Insurance. It is no fault of this or any other Government in this country. That is the situation. The reality, though, is that as a result of this legislation the Government will put an impost on a relatively small number of people in our community to pay for the rescue bid. The Opposition recognises that there is no alternative, but why should that rescue bid, that tax, that impost, be open-ended?

I think it was Oliver Cromwell who introduced taxation as a temporary measure, and that is the issue. This tax, this impost, will become comfortable. The Government will grow into the revenue acquired as a result of this new legislation. The problem is that if the Government does not put a line in the sand, in a couple of years it will be in a situation from which it finds it difficult to draw back. It would be much easier for the Government to come back into this Parliament and be accountable to the Parliament, to the community and particularly to the employers in Western Australia on whom this additional levy is being imposed, and explain to them why that levy must continue, how it has performed and where the money has been used over that time, or why and by how much it can be reduced. That is an accountability factor, and we on this side of the Parliament believe that would have been the right way to approach this legislation in a bipartisan way. We should not leave it open-ended and say to the business community that this tax will be imposed because of extraordinary circumstances, but the Government will not put a line in the sand; it will just keep it rolling along for a long time thereafter until the Government feels comfortable about it. What about the impost on the people paying the tax? What about the effects it will have on the creation of employment and security for those people employed in Western Australia? The Government should rethink the amendment proposed - it should rethink its position.

Mr Kobelke: You are speaking against your own amendment. It is your amendment to which you are speaking. You said the Government should rethink -

Mr BOARD: The Government should rethink its position. The minister is opposing a legitimate amendment offered in a bipartisan way to bring about some accountability and to give certainty about this impost to employers in this State. Those employers are the people who must pay the tax. They do not want to pay workers compensation insurance at all.

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Mr Kobelke: You do not know what you are talking about. You haven't got a clue.

Mr BOARD: We do - we understand it. The Government is putting an additional levy on those employers. It is a requirement of legislation that they pay workers compensation insurance.

Mr Kobelke: You support that.

Mr BOARD: Of course, but the Government is now saying that it will charge them an additional amount of money because of the collapse. The Opposition understands that, but why make it open-ended? Why have that period when there is no line in the sand and employers do not know when the levy will be lifted? The Opposition wonders why the Government is not prepared to give that certainty. It thinks there might be sinister reasons for that. The Government should be more open and accountable about the levy it will impose as a result of this legislation.

Mr KOBELKE: The Government will not accept this amendment. The contributions from opposition speakers reflect their total lack of understanding of the issue and possibly the fact that they are in opposition because they cannot make hard decisions. They cannot protect small business, which is what this legislation does.

The member for Kingsley spoke about the many unknowns. Clearly there are unknowns, and mechanisms should be provided that have maximum flexibility. Without that flexibility, it would be difficult to cope with the fact that the liability could be higher; it could be reduced. The Opposition's amendment does exactly the opposite. It says that the levy can be imposed for only three years. We can charge five per cent for three years and recoup nearly all the money required to be recouped, but that would not be fair to business. We are saying it should be spun out so that a minimum charge is levied and if we can recoup the money in that period the levy can be dropped. It is a system that will work. However, members opposite have been caught out by not wanting to look after small business. They just want the feel-good stuff and have come up with a concoction that is against the interests of small business. The Government's legislation was not developed by me. It was developed by WorkCover WA, which has representatives of business who designed the legislation, and presented it to Cabinet, which accepted it. The Chamber of Commerce and Industry of Western Australia supports the legislation.

This approach will work and will give certainty to the business community. If we insert this amendment to provide for a sunset clause, we will be saying that we should not have flexibility but we should whack employers up front and get as much money out of them as we can and have them pay the bill. That is what the Opposition is saying with this amendment, and the Government does not accept that. We say this issue can be managed sensibly and we can minimise the impact on business by spreading it over a longer period. We should insert a sunset clause if we are to manage the legislation in a flexible way to protect the interests of business. All we have heard so far from members opposite is a whole lot of cant, which has no bearing on the facts of the matter or on the interests of small business.

Mrs EDWARDES: I have never heard such nonsense in my life. The minister is saying that because there is a sunset clause, he will introduce a five per cent levy every year. He has given a commitment that the levy will be imposed for only the amount of expenditure needed in any one year. He would never get away with imposing a five per cent levy every year. Backbench members would revolt; they may be revolting! Their constituencies would not accept that, and that is whom they represent in this place. A levy of five per cent is the Government's style.

Mr Kobelke: That is what you are suggesting.

Mrs EDWARDES: Absolutely not! We are suggesting that the Government should come back into the Parliament and be accountable not only to the Parliament but also to the business community. That is what the Opposition is asking, and there is no reason that the Government cannot do so. It can come back into this Parliament, exactly as it has done today with this legislation. The Parliament has been able to deal with this legislation in a timely manner; therefore, there is no justification for the Government's proposition. It is trying to get out of having to come back to this Parliament and be accountable for what it wants to do. I believe it secretly wants to have a one per cent levy, or whatever, carry on indefinitely just in case.

Mr Kobelke: It was your Leader of the Opposition's suggestion of five per cent for three years.

Mrs EDWARDES: No, the minister raised the figure of five per cent much earlier, by way of interjection, and that is not acceptable.

Mr Kobelke: It was the Leader of the Opposition's suggestion.

Mrs Cheryl Edwardes; Acting Speaker; Mr Max Trenorden; Mr Dan Barron-Sullivan; Mr Pental; Mr Paul Omodei; Mr John Bradshaw; Mr Rod Sweetman; Mr Colin Barnett; Mr Ross Ainsworth; Mr Matt Birney; Mr Mike Board; Mr Bill McNee; Mr John Kobelke; Chairman; Speaker; Mr Pental

Mr Ripper: You are handling this issue just like you handled your budgets. You know that the expenditure must be incurred and you know that the money is needed, but you want to put your head in the sand and pretend that it will not be required in the future. You will not make the decision now that is required to be made.

Mr Board: We are talking about accountability.

Mrs EDWARDES: We are talking about accountability; about being accountable for expenditure and for any proposed extension of the levy. If the Government again wants to fail the test of accountability to the small business community, it should go right ahead. Does the Government believe that small business will accept an ongoing levy for whatever and whenever? It will not and, if the minister were to accept a three-year sunset clause, small business would certainly not accept a five per cent levy for every year. That is an outrageous claim.

Mr BARRON-SULLIVAN: I am interested in the minister's comment that he is looking after the interests of small business. As opposition members said in their contributions at the second reading stage of this Bill, we are not debating the need for an urgent measure to deal with the current workers compensation situation that arose as a result of the HIH collapse in March. Perhaps the minister could let us know by way of interjection - because he said he was looking after the interests of business - whether he consulted with all the small business organisations about the need for a sunset clause, and whether they would prefer that or prefer the legislation in its previous form?

Is that something that the minister explored with small business?

Mr Kobelke: No, because the sunset clause was some harebrained scheme that the Opposition lobbed on us tonight.

Mr BARRON-SULLIVAN: Is it not something that the minister has thought of? Would the minister explain what his consultation with small business comprised? The minister mentioned the Chamber of Commerce and Industry: what feedback did the minister receive?

Mr Kobelke: This is a ridiculous filibuster. The member can make his comments and I will make mine.

Mr BARRON-SULLIVAN: The minister says that, but he also says that this is looking after the interests of small business. We have obtained our advice from small business and worked with them. To say that the Government is looking after the interests of small business, to use the cliché, is like Dracula looking after the blood bank.

Mr Kobelke: Can the member for Mitchell tell me which people consulted want a sunset clause?

Mr BARRON-SULLIVAN: I have correspondence from a number of business associations and individual businesses, generally through faxes. I would seek their approval before using those faxes. The one I quoted earlier today was a public statement by one of those in more general terms. I do not reveal correspondence, and I think the minister will appreciate that. The minister will have some time before this gets to the other place. I suggest that it would pay to talk to some small business people as it might be something that the minister can entertain.

The other thing that has not been talked about in relation to this amendment is that it will impose a financial discipline on the Government of the day. The proof is in the pudding. One has only to look at the supplementation fund at the moment. It has \$8.5 million in it. We have heard the minister's arguments that it is needed to snip the tail off some of these liabilities over the next few years. However, in the interim, it has been too much money. It is money that was raised from small business up to 1986. In essence, small business was overtaxed to pad out a fund. Those businesses that were in operation up to 1986 are paying for some of these accrued liabilities. The worry, of course, is that if the brakes are not put on this new levy quickly enough, the same situation may arise. Let us say, for argument's sake, that when we get to the fourth full financial year, and an amount of \$5 million was required, without the sunset clause the levy of one per cent, or whatever it might be at the time, would carry on, but with a sunset clause, the Government of the day would have a lot of financial discipline imposed on it. It might decide not to come back to Parliament to impose a new levy to raise that \$5 million; it might tighten its belt by looking in its own backyard and finding some other way of doing it. In other words, it imposes a financial discipline as well as provides for a healthy dose of financial accountability.

Amendment put and a division taken with the following result -

Extract from *Hansard*
[ASSEMBLY - Tuesday, 22 May 2001]
p289b-325a

Mrs Cheryl Edwardes; Acting Speaker; Mr Max Trenorden; Mr Dan Barron-Sullivan; Mr Pendal; Mr Paul Omodei; Mr John Bradshaw; Mr Rod Sweetman; Mr Colin Barnett; Mr Ross Ainsworth; Mr Matt Birney; Mr Mike Board; Mr Bill McNee; Mr John Kobelke; Chairman; Speaker; Mr Pendal

Ayes (20)

Mr Ainsworth	Mr Cowan	Mr House	Mr Sullivan
Mr Barnett	Mr Day	Mr McNee	Mr Trenorden
Mr Birney	Mrs Edwardes	Mr Masters	Mr Waldron
Mr Board	Mr Edwards	Mr Omodei	Dr Woollard
Dr Constable	Mrs Hodson-Thomas	Mr Pendal	Mr Bradshaw (<i>Teller</i>)

Noes (29)

Mr Andrews	Mr Hyde	Mr McRae	Mrs Roberts
Mr Bowler	Mr Kobelke	Mr Marlborough	Mr Templeman
Mr Carpenter	Mr Kucera	Ms Martin	Mr Watson
Mr Dean	Mr Logan	Mr Murray	Mr Whitely
Mr D'Orazio	Ms MacTiernan	Mr O'Gorman	Ms Quirk (<i>Teller</i>)
Dr Edwards	Mr McGinty	Mr Quigley	
Mrs Guise	Mr McGowan	Ms Radisich	
Mr Hill	Ms McHale	Mr Ripper	

Pairs

Mr Marshall	Mr Brown
Mr Johnson	Dr Gallop

Amendment thus negatived.

Clause put and passed.

Clause 4 put and passed.

Clause 5: Section 14 amended -

Mr PENDAL: I move -

Page 3, line 19 - To insert after "5%" the following
and after 30 June 2006 cannot exceed 1%

I believe in sunset clauses and that is why I gave notice earlier today that I would move in this direction. I noticed that a few minutes ago the minister asked one of the Opposition's speakers whether there had been any demand from the business community for a sunset clause. The Opposition speaker gave a different answer than I would have given. No-one from outside Parliament has ever made a request to me for a sunset clause. Most people who are outside the system would not know what are sunset clauses. Therein lies the point. A member of Parliament or a Government may insist on sunset clauses for no better reason than it requires legislation intended to be prolonged to return to the House in order to be prolonged.

I voted earlier in favour of the opposition amendment for a three-year sunset clause. However, I did not speak on it. I have reason to think that the five-year clause is more appropriate. It is a government Bill; it is not a political Bill. The Government spelled out in its second reading speech that it believed there would be a five-year period during which time the major call would be made on the new fund. That was the Government's intention. The deficiency was that that was not reflected in the Bill; therefore, it prompted me to move to that position. I circulated an amendment earlier that would have cut off any surcharge after five years. It was suggested by the Government's advisers, who have been advising Governments for many years on these matters, that my initial intention would have the effect of not giving any capacity to have any surcharge in place after that period.

There should therefore be a sunset clause. It is good practice for Parliament to insist on sunset clauses so that legislation is reviewed within a given time. There is a good reason to tie in a sunset clause with the financial implications of the Bill. There does not seem to be much point in having a three-year sunset clause when it is known actuarially that the draw on the fund will be principally over a five-year period. In a way that is splitting

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hairs. The principle at stake is that the Bill should contain a sunset clause. I commend it to the Chamber and I hope the minister is prepared to give it government support.

Mrs EDWARDES: The Opposition supports the amendment moved by the member for South Perth. It is a second-best option to the amendment moved by the Opposition earlier. It will leave a one per cent levy in place for however long the Government determines, which could be forever. The amendment is certainly better than that which is proposed in the Government's legislation.

With reference to the comments made by the member for South Perth about how many people would come back and refer to a sunset clause, business people who are members of associations know well the purpose of a sunset clause. They first raised it with me, not me with them. Members will find that most of those people have been around for a long time, are extremely experienced and support sunset clauses. With reference to concerns raised about a blank cheque, the Combined Small Business Association of Western Australia wrote to me as follows -

CosBA is concerned that the proposal to amend the Act in a form so as to provide for the current HIH situation, and other future such occurrences as they occur by regulation, gives the Government a 'blank cheque'.

The HIH type situation is a rare occurrence, we would hope, and if and when others occur, each situation ought to be transparently debated by Parliament as a Bill to amend the Act to suit the specific situation, so that the public, and in particular small business, is fully aware of the issues involved, and not covertly dealt with by Parliament through regulations.

It is clear that small business does not want to give the Government a blank cheque. Although this amendment seeks to reduce the surcharge from a maximum of five per cent to one per cent, we supported a sunset clause to not allow even one per cent to be in place forever. This issue was raised by the Chamber of Commerce and Industry of Western Australia. I understand that the chamber has received a satisfactory response from the minister in relation to self-insurers, but I felt it was appropriate to put it on the parliamentary record again. The concern of the Chamber of Commerce and Industry was the ability to apply a double levy for self-insured employers. The letter goes on to say -

Self insureds can be levied according to the premium they would have paid using the recommended premium rate as well as a levy on the extra indemnity insurance required under the Workers' Compensation and Rehabilitation Act.

An inequity applies as the recommended premium rate is based on both a statutory and common law component. The indemnity insurance required is in lieu of the catastrophe cover normally contained within a workers' compensation insurance policy. The levy should therefore be applied only to the calculated premium. We suggest that Section 16(2) be deleted and the proposed definition under Section 14(1) be amended to exclude policies under a self-insured arrangement.

As I said, I understand the chamber has received a satisfactory response, but it is important, given the fact that the issue was raised as a potential concern by self-insureds, that we put the outcome on the public record.

Mr TRENORDEN: Not everyone in Western Australia is covered by some industry group, particularly the people whom I represent in rural areas. We have a situation where a prescribed charge can be placed on a policy and be adjusted, and employers do not have any input into that process. I know that the Chamber of Commerce and Industry and the union movement claim that they have input into that process, but many rural employers do not have that access. As a National Party member, I cannot support a process that allows these matters to be implemented through delegated legislation. We know that some 2 000 to 3 000 pieces of delegated legislation go through each Parliament, and that will not change. I have listened to some of the mirth that has come from my left during tonight's debate, but the truth is that we will all be shocked during the next four years at what actually goes through as delegated legislation and will all be amazed at how it has occurred. That process has been repeated.

We in the National Party are at a great disadvantage, because we no longer have Bob Wiese, the ex member for Wagin, doing both tasks. He would be an hour away from waking up and would be warming up to this task around about now, having read the legislation from cover to cover and having made notes on every page. He would be prepared to debate it until after the cows had come home. We will not be doing that, but I wanted to make that point. A process is a process. I can understand why the process is put there. Most people who have been around this Chamber for some time would agree that I do not oppose how the process works. It has worked well over the years. However, the minister is taking something to the employers of Western Australia, and they will not like him for it. I have already told him that, and I know he nods in acceptance, but he has to sell this. It is not my responsibility as the Leader of the National Party to go out and sell it. It is not the responsibility of any

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of my members to sell it. We have already asked the employers, and they do not want it. They certainly do not want a prescribed situation where they will read about it in *The West Australian* or through some other process. They will certainly not be getting a letter from the Chamber of Commerce and Industry or any of those sorts of groups because they are not members of those groups.

Mr BOARD: In supporting the amendment moved by the member for South Perth, I indicate that this is a secondary proposal to the one put by the Deputy Leader of the Opposition. We believe this amendment is at least a compromise between the Opposition's position and that of the Government. In rejecting that amendment the minister indicated during his speech that it did not allow flexibility, and it did not allow an ongoing opportunity to create additional funds for claims that may come in the future.

Mr Kobelke: Primarily, it did not address the HIH disaster.

Mr BOARD: For sure, but what this does -

Mr Kobelke: The Government is going to accept the amendment.

Mr BOARD: If the minister is accepting the amendment, I will be happy to sit down.

Mr KOBELKE: The Government will accept this amendment and I thank the member for South Perth for the work he has done. This amendment is radically different in effect from the amendment moved by the Opposition, because what that amendment was proposing was a three-year sunset clause, which simply meant that the HIH problem could not be dealt with in the extent and size we now perceive. This amendment curtails the ability to use the Act as it will be to address a further collapse, and I can see some merit in having that ability. Having heard the debate, however, I think there is a fairly clear view from the Opposition, the member for South Perth and the members of the National Party that they really do not want this measure to do anything other than deal with the HIH problems. Some of the contributions from members opposite seem to indicate that they do not even want to do that. The amendment from the member for South Perth does enable the Government to address the liability arising from the HIH collapse as it can currently be quantified. That is a very workable model. Allowing the one per cent levy to run into the future is very important. It should be remembered that the one per cent is the maximum, and it does not have to be used. These cases can continue for a time. My adviser, the chief executive officer of WorkCover, has pointed out to me that two cases have come forward in the past month or so, one of which involved an accident in 1971, and the other an accident in 1976. These matters are just being brought to book now. It is likely that, with HIH, in another 20 or 30 years, occasional cases will crop up that will have to be met. Hopefully a small reserve will still exist which can meet the exigency, or the one per cent levy can be made to meet the cost. This particularly applies in an area involving asbestos, because the latency is so long that someone can make a major claim from asbestos-related illness decades after exposure. If that is a claim which should have been met by HIH, the Government anticipates being able to meet it with this amending Bill.

Mr Board: There may also be passive smoking cases in the future.

Mr KOBELKE: We may indeed have passive smoking cases in the future for which HIH has the liability. With this amendment from the member for South Perth, which I welcome, we have a mechanism which enables us to deal with the HIH problem to the extent to which it can be presently quantified. It provides the flexibility for reducing the size of the levy as quickly as possible, and to as low a level as possible, but with that one per cent continuing as a back up. I quite honestly suggest that the Opposition was proposing - the Leader of the Opposition said this - that the levy could be five per cent for three years. That would get the money in, but it would be a painful way of doing it, and it would not allow claims that may arise many years from now to be met. The model we have here enables us to meet fairly large liabilities with the five per cent in the first year, and then to drop that as quickly as possible to a much lower level. If we underestimate the requirements, we have that one per cent continuing into out years, even if a debt is incurred, to manage those claims. The one per cent currently amounts to about \$6 million, and is a sizeable amount of money, in terms of that long running debt. It is a very manageable proposal, and sits well with what has already been proposed - that is, that the levy will run from 25 June 2001 to 24 June 2002. That is the Government's intention, although it might shift by a day or two, and it will be at a fixed level.

The Government will come back in March next year with accounts showing the liability and the collection from the levy, and it will set in train a new levy to start from June 2002. I sincerely hope that we will move the levy down from five per cent very quickly and be able to keep it at a low level as soon as possible. That will be conditional on the full extent of the liability, the amount of money we can recoup through the liquidators and a range of other matters that we need to monitor to protect the interests of employers in this State. I give an

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undertaking that the Government wants to do that. The accountability will be evident in just under 12 months when we come back with the accounts and recommend what the levy should be for the following 12 months.

Mrs EDWARDES: The member did not answer the question about the self-insurers.

Mr KOBELKE: I understand that the problem with the self-insurers has been taken into account. Self-insurers already pay a levy through the contribution to WorkCover, which is based on the general level of their policy and set by the premium rates. Self-insurers also take out additional policies in case of large claims, such as catastrophe claims. The self-insurers were concerned that they would be paying the levy on both the standard rate and the catastrophe rate. WorkCover has advised me that they will not pay on both. They will simply pay the levy on the standard rate. That is proper, as the standard premium rates are set through the premium rates committee and more accurately quantify the general level of insurance carried by a self-insurer. There is no suggestion or intention that the levy should be included in any other part of their insurance arrangements.

Mr BARRON-SULLIVAN: The minister highlighted in his answer to the previous question the concern we have been trying to raise with him. The Government has essentially left it open for this levy to continue. In fact, he almost justified its continuation by saying that by the end of the five-year period, we might find the repayment had been underestimated.

Mr Kobelke: We wish to get the levy down as low as possible as quickly as possible. If we underestimate the cost, we will have to pick it up later. The alternative model, which is encapsulated in the Opposition's view, is to hit them high and hard and recoup the money.

Mrs Edwardes: I think you are misrepresenting it.

Mr Kobelke: We have a huge problem and we are setting out to address it. We are not setting out to half-address it. The situation has two extremes: a five per cent levy for three years or a low levy with a long tail. Between those extremes are a range of potential settings.

Mr BARRON-SULLIVAN: I appreciate that. I will use the minister's own figures and information to demonstrate that he is wrong. The information provided subsequent to a briefing approved by the minister gave the actuarial cash flow projection for the next five years. The clear implication is that the levy will run to the year ending 30 June 2006, at which time there will be \$8.5 million in the kitty. The minister said that in his second reading speech. It is in black and white. Based on the current actuarial projections, the Government expects to have \$8.5 million in the kitty by the end of 2006. These figures are gross projections and ignore any potential for reinsurance recovery. In other words, they could be an overstatement. I have heard no factual argument as to why this levy should continue beyond 30 June 2006. I am concerned by the way the minister has been talking, because it is almost as though he is comfortable with the idea of leaving the legislation open for a one per cent levy after the initial period. I would like a firm indication that it is his best understanding that, under current actuarial projections, this levy will be finished by 30 June 2006. If he is unable to say that and give us comfort, small business will be doubly worried.

The levy could be left at one per cent. That has nothing to do with the HIH situation, because the Government's figures show that will be sorted out by 30 June.

Mr Kobelke: Our figures do not sort it all out by then. The figures you have indicate that the bulk of the amount will be covered by then. Those amounts add up to about \$80 million. The quantified cost is \$93 million to \$95 million.

Mr BARRON-SULLIVAN: There are still potential reinsurance recoveries and so on. There is no financial discipline in doing this. The great concern is that it is leaving the gate open for the one per cent levy to continue. I will be the devil's advocate and hypothecate that a major institution collapses in 2009. We will be back in this place debating the issue then anyway because a one per cent levy will not do the trick. It worries me that this is included. It is better than a bash in the belly with a wet fish and it sends a faint message to small business that we are imposing some limit. However, it is not as strict as the approach the Opposition is proposing.

Although I appreciate the member for South Perth's good intentions, this is not a sunset clause. I do not know what we should call it. This is the sun going over the horizon but with a residual ray of light. A sunset clause is a provision stating that legislation will automatically expire after a certain number of years. The effect of the clause is the same as would happen if the legislation were repealed. This is not a sunset clause; it is a watering down of the situation. As I said, it is better than a bash in the belly with a wet fish.

Mr TRENORDEN: I do not support the amendment moved by the member for South Perth. According to the information provided, the levy requirement in the fifth year is \$2 million. The Government's levy will raise \$8 million or \$9 million because the pool will grow. Even though we get a warm fuzzy feeling, and it is always

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good to see a member of the Opposition succeed with an amendment, this amendment does not achieve anything. It will not provide any comfort to the people required to pay the contribution. I repeat: the weakness of the argument is that the Government is not prepared to contribute any money to this process. The minister is telling business operators that they must raise the entire amount. I know that the minister will respond by saying that in two years or 18 months the reinsurance money might be repaid. Nevertheless, that is not state money or assistance.

When the minister comes into this place a couple of months from now and talks about having to support an opposition member, I will remind him of this. The day will come - the minister knows it will - when one of his colleagues will be keen to give \$5 million, \$10 million, \$15 million or \$20 million to one of the Government's pet projects. I will remind the minister of this day.

Amendment put and passed.

Clause, as amended, put and passed.

Clause 6 put and passed.

Clause 7: Section 17 repealed -

Mrs EDWARDES: Clause 7 deals with the intention of the Bill to allow sufficient funds to be levied to cover claims of HIH Insurance and any other approved or formerly-approved insurer that may be liquidated. Small businesses have raised concerns that this fund may be used for any situation or for any other insurance company that collapses without the Government having to come back to Parliament to be held accountable.

I want a firm commitment from the Minister for Labour Relations that the amendments we pass tonight will be used to reimburse only the HIH Insurance funds. Irrespective of whether the levy is in place, if there is a collapse of any other insurance fund and it is put into liquidation, the Government must come back to this House to explain why it wants to make changes to the levy.

Mr KOBELKE: The member for Kingsley has misconceived the issue. I see the merit in the suggestion that we not have any money in the supplementation fund but allow the current \$8 million to run down. If we run all that down, and we still have claims coming in from past years, part of the fund would be used to meet those claims. That is one area in which I cannot give the Opposition that guarantee because the old claims may need to be met if we use all of the funds in the supplementation fund to meet the HIH claims.

I now address future problems. If a case like Standard arose, which had total liabilities of about \$100 000, we would have to come back to Parliament and move an amendment for a \$100 000 claim.

Mr Trenorden: There are only eight insurers left.

Mr KOBELKE: New ones may come in. An insurer that offered workers compensation 20 years ago may no longer be in existence and a claim may be made against it; that is why I cannot give the Opposition a guarantee. It is clear that we want to remove the levy altogether as soon as possible. If that happens and there is another collapse - even a small one - it is likely that there will be no funds to deal with it and we will have to seek the approval of Parliament to raise the amount required to meet that problem.

Clause put and passed.

Clauses 8 and 9 put and passed.

Title put and passed.

Third Reading

MR KOBELKE (Nollamara - Minister for Labour Relations) [11.34 pm]: I move -

That the Bill be now read a third time.

MRS EDWARDES (Kingsley) [11.35 pm]: I do not propose to speak for very long on the third reading because the debate has outlined the Opposition's position clearly. We do not support an extra financial burden being imposed on small business, including industry.

Despite the fact that the levy on premiums will be limited to five per cent to help pay for the outstanding claims against HIH Insurance, we believe it is important to support small business to the maximum extent possible. That is one of the reasons we put forward a sunset clause. We put forward a number of different proposals designed essentially to ease the financial burden on small business. The sunset clause would have required the Government to be accountable to Parliament and to small business. We suggested that the Government ensure that some aspect of the supplementation fund go towards the collapse of HIH and not necessarily be reimbursed,

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that it look at any potential for it to maximise the amount that could be recovered, whether that includes meeting some of the liquidator's costs, and that it talk to the liquidator and ensure that the recovery of those funds be returned to businesses in Western Australia as soon as possible. The sunset clause was the most important of those proposals. It would have meant that the Government was not given a blank cheque and it would not be an open-ended regulation. If the levy were needed beyond the three years, the Government would then have had to come back to Parliament to argue its case. It would have ensured a level of accountability. The intention was not to cut it off after three years; it was to enable the Government to be accountable for the expenditure and the levy.

We appreciated the urgency of the legislation. We dealt with it in a timely fashion. We know of the need for the payment, particularly the benefits to injured workers. We know that employers pay it up front and therefore need the reimbursement. Our deliberations on the legislation involved a number of discussions with the small business community. I know that associations do not represent all individuals. I spoke to some people in my electorate, and they have the same view. They do not want the levy; they do not want this tax. The only level of confidence and comfort they would have had was the fact that there would be a finite period. We now have a piece of legislation that has the potential to have a one per cent tag going on and on. The minister has said that he wants to ensure there is sufficient money in the fund to cover the what-ifs. I understand that to mean there will always be an argument for the what-ifs. I am concerned that there will not be that finite period. The objective of the Liberal Party has always been to ensure that taxes are reduced as much as possible. Although we recognise the need for them and we are prepared to support this legislation in a bipartisan way, we are very disappointed that the Government did not see its way forward to support an accountable measure; something to ensure it explained to the Parliament and to the small business community what it was doing about extending the levy if it were needed further.

MR KOBELKE (Nollamara - Minister for Labour Relations) [11.38 pm]: I thank all members who contributed to the debate. We all started from the same point; that is, the HIH Insurance collapse has been a disaster, particularly in the area of workers compensation. A great deal of pain will be inflicted and our job is to manage that so we minimise the pain. There is some difference in opinion about how we should best do that and the difference in one particular area remains. The commitment is to ensure we have a response that meets the needs of business. I thank all members who have helped to bring on the matter when the precedence of the House should be given to the Address-in-Reply. It is a very important time for new members in the Opposition. The fact that the Opposition has worked with us to expedite the passage of this legislation is most appreciated and represents the way in which members of the House can work together to address the very real needs that confront us in Western Australia, particularly the problem this poses for small business.

Question put and a division taken with the following result -

Ayes (28)

Mr Andrews	Mr Hyde	Ms McHale	Ms Radisich
Mr Bowler	Mr Kobelke	Mr McRae	Mr Ripper
Mr Carpenter	Mr Kucera	Mr Marlborough	Mrs Roberts
Mr Dean	Mr Logan	Ms Martin	Mr Templeman
Mr D'Orazio	Ms MacTiernan	Mr Murray	Mr Watson
Dr Edwards	Mr McGinty	Mr O'Gorman	Mr Whitely
Mr Hill	Mr McGowan	Mr Quigley	Ms Quirk (<i>Teller</i>)

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Mrs Cheryl Edwardes; Acting Speaker; Mr Max Trenorden; Mr Dan Barron-Sullivan; Mr Pendal; Mr Paul Omodei; Mr John Bradshaw; Mr Rod Sweetman; Mr Colin Barnett; Mr Ross Ainsworth; Mr Matt Birney; Mr Mike Board; Mr Bill McNee; Mr John Kobelke; Chairman; Speaker; Mr Pendal

Noes (18)

Mr Ainsworth	Mr Day	Mr McNee	Mr Trenorden
Mr Barnett	Mrs Edwardes	Mr Masters	Mr Waldron
Mr Birney	Mr Edwards	Mr Omodei	Mr Bradshaw (<i>Teller</i>)
Mr Board	Mrs Hodson-Thomas	Mr Sullivan	
Mr Cowan	Mr House	Mr Sweetman	

Pairs

Dr Gallop	Mr Johnson
Mr Brown	Mr Marshall

Question thus passed.

Bill read a third time and transmitted to the Council.

House adjourned at 11.44 pm
