

**LEGISLATIVE COUNCIL**

**GOVERNMENT BUSINESSES SCRUTINY COMMITTEE B**

**Friday 7 December 2012**

**MEMBERS**

Mr Dean  
Mr Finch  
Mr Gaffney  
Mr Mulder  
Ms Rattray (Chair)  
Mrs Taylor (Deputy Chair)

**IN ATTENDANCE**

**Hon. David O'Byrne**, Minister for Infrastructure

**Ministerial Office**

**Mr Simon Monk**, Adviser  
**Mr Josh Bradshaw**, Head of Office  
**Mr Dick Shaw**, Departmental Liaison Officer

**Motor Accidents Insurance Board**

**Mr Don Challan**, Chairman  
**Mr Peter Roche**, Chief Executive Officer

**The committee resumed at 11.02 a.m.**

**CHAIR** (Ms Rattray) - Good morning, minister. I expect that you have an overview you would like to share with the committee.

**Mr O'BYRNE** - Thank you. In 2012 MAIB has continued to provide vital support to Tasmanians injured in road crashes and continues to support the community more broadly in its ongoing commitment to the reduction of the number and severity of motor accidents in Tasmania.

MAIB has been able to provide vital services and support with no premium increase for all vehicle classifications, despite being given approval to do so by the independent regulator.

It is worth noting that since 2004 MAIB has only had one increase, which was in 2009, of 3.5 per cent and continues to be the lowest of any jurisdiction offering no fault benefits, by some margin. Premiums in Tasmania remain the lowest of any jurisdiction other than Western Australia and Queensland. Importantly, MAIB has been able to continue to provide a 20 per cent discount to pensioners on top of these low premiums. Across the four elements of: experience with claims officers; documentation; procedures; and rehabilitation, MAIB also continues to receive a high level of client satisfaction, returning an overall satisfaction score of almost 90 per cent in its biennial independent survey undertaken last year.

Of the 33 elements assessed, all received higher satisfaction scores than in the previous survey in 2009. In 2012, the MAIB continues to be a major player and supporter of everything this government is doing to make our roads as safe as they can be and in helping our community be as safe as they can be out on the roads.

Notably, MAIB has continued its funding of the Road Safety Advisory Council's enforcement and education program for a further three years. I note the important personal contribution Peter Roche is continuing to make as an active member of the Road Safety Advisory Council. This continued funding of \$3.5 million per annum for the next three years will come on top of some \$30 million MAIB has contributed since the establishment of the Road Safety Advisory Council, formerly the Road Safety Taskforce.

MAIB also sets aside 1 per cent of its gross annual premiums to fund their Injury Prevention and Management Foundation, which has funded a number of programs focused on the prevention and improved management of motor accident injuries. These include school programs, learner-driver mentoring programs, research and education programs with Kids Safe Tasmania as well as ongoing support for a number of charitable organisations. This overall approach and focus on road safety, crash prevention and management is undoubtedly having an impact.

In 2012, MAIB achieved the lowest claim frequency ever on record, making a reduction of 50 per cent since the 1995-96 financial year. The total number of claims received in 2011-12 also marks the lowest ever recorded. Despite a lower than budgeted investment return, felt similarly by MAIB's peers in other jurisdictions, MAIB paid a dividend of \$22.2 million to the state government in the last financial year and is continuing to show very strong returns against its budget as we progress through this financial year.

I am sure the committee will have a number of questions.

**CHAIR** - Thank you, minister. I might take the opportunity to kick off seeing you stressed a number of times the lack of increase in premiums. Can I just draw your attention to the fact that the duty on those premiums has risen significantly - as I understand, from \$6 to \$20? Some explanation of that would be useful for the average punter. Where that has gone?

**Mr O'BYRNE** - There are two elements and I will deal with the policy decision from the central government, and maybe I can take that on notice in terms of where it has gone. Obviously, it goes to consolidated revenue.

**Mrs TAYLOR** - That is the question; has it gone to consolidated revenue, or has it gone to MAIB?

*Laughter.*

**Mr O'BYRNE** - It has gone to Treasury and obviously MAIB has no control over these decisions - they are decisions of government, Treasury and cabinet, and go through the budgeting process. There are a number of charges, fees and levies across the whole of government that were reviewed as part of the budgeting process.

As you know, we lost about \$1.9 billion of income, predominantly GST related but also in terms of overall state revenue, out of the forward estimates. In the budget considerations, to ensure that we reduced the impact on health, education and policing services, there were some increases in some of those duties, fees and charges across the whole of government. In relation to where the money specifically went, I can confidently advise that it has gone to consolidated revenue to provide for a whole range of things. I would like to be able to say that it has gone directly to health but that would be incorrect. It has gone to consolidated revenue and is considered in the broader income that government generates. It is out of the control of MAIB, as an organisation. It is a whole-of-government decision and it goes through the budgeting process, as you would be aware.

**CHAIR** - Obviously, it is a policy decision. The road safety levy increased as well, as a policy decision, but it increased a year earlier than was committed to. Do you believe there will be further increases in those levies that do not go to the organisation collecting them but go instead to consolidated revenue?

**Mr O'BYRNE** - In relation to the Road Safety Advisory Council and the levy that is applied, Peter may be able to assist me with this. My recollection is that it was a recommendation from the Road Safety Advisory Council. There was a strong view that the work of the Road Safety Advisory Council is valued by the community, and we are seeing some tangible improvements in road safety. Education programs and the driver mentoring programs have a very direct link to the reduction in serious fatalities and crashes. There was a view, from the Road Safety Advisory Council, that more resources would mean they could do their work in a very evidence-based, systematic manner. That is in the first part about the levy and, once I have concluded the second bit, Peter might want to add something.

In terms of the duties; ultimately that is a matter for a budgeting process that a new single minister has some bearing on, but that will be a matter for the Treasurer and cabinet and then it will be presented to the parliament for debate. I cannot crystal-ball that.

**Mrs TAYLOR** - The road safety levy will continue to be applied specifically for that purpose - it will not go into consolidated revenue?

**Mr O'BYRNE** - No, all of the money for the road safety levy is with the Road Safety Advisory Council and its work across the state in providing infrastructure, improvements, education programs, learner-driver support and driver mentoring programs - all of that is within that package.

**CHAIR** - Mr Roche, did you want add something?

**Mr ROCHE** - No, I did not, Chair, thank you.

**Mrs TAYLOR** - They are interesting financial results in terms of the dividend that has been paid and the profits that have been made over the last few years and the predicted result for this year are significantly different. Would you like to talk us through that?

**Mr O'BYRNE** - Obviously it is a pretty tough trading environment out there, globally, and you can see from the result that we are in tough global economic circumstances. The investment portfolio is under pressure - very similar to like organisations in other states.

**Mrs TAYLOR** - I understand the investments end of it but then there is a long-term liability which has had a significant effect as well.

**Mr CHALLEN** - Our results for the last few years have seen some volatility. 2011-12 was a horror year for us. Two things are driving that. The easy thing to explain is that our investment income was sharply down on the previous year so in 2010-11 our investment income was \$77 million and in 2011-12 it went down to \$23 million - a \$50 million-plus turnaround - and that is the result of the fact that the markets were very poor indeed.

Our underwriting result was a large negative in 2010-11, which was not a great result. We had a positive underwriting result of about \$2 million. For 2011-12 it was a loss of about \$57 million. The major reason was that, over the course of the 2011-12 financial year, the bond rate fell sharply. So all around the world, because international economies are performing poorly, interest rates have been falling. The actuary assesses our long-term liabilities by estimating all the cashflows 50 to 60 years ahead and then discounting them back to a present value. You are essentially using the long-term commonwealth bond rate, and because that number fell so sharply over the year, the present value of those liabilities, which essentially influences the value of the liabilities - and the change in them is our claims expense - went up very sharply indeed.

The claims expense for 2011-12 was about \$201 million, compared to about \$134 million the year before or \$100 million the year before that. We have a double whammy; sharply falling bond rates drove up our claims expense and the value of our long-term liabilities. That pushed us into a relatively large negative underwriting result. At the same time we had a very poor year in investment markets which drove our investment income down and that produced a net profit of between \$27 million and \$28 million, depending on which line you look at.

**CHAIR** - Which line should we look at?

**Mr CHALLEN** - Let us look at net profit before tax because it is easy to interpret: about \$27 million compared to, say, \$52 million the year before, \$74 million the year before that - this is life with a long-term insurance business. These things will happen and we manage our investments, in particular, with a long-term view. When you have liabilities that go out 50 and 60 years you must have a long-term view when you are managing the assets that are going to fund those liabilities.

While none of us felt very good about the 2011-12 result, you have to shrug your shoulders and recognise that this is going to happen from time to time. We have an investment strategy that is designed to carry us through those ups and downs and already 2012-13 is looking like almost the reverse of last year. Bond rates have not shifted much at all. Our claims expense and our underwriting results are running pretty much on budget and investment and markets have been

good for the first four or five months we have of this financial year. We are substantially ahead of budget on our investment income this year.

That brings us to the other part of your question, which was about the dividend. The way dividend policy for us works is that we pay 50 per cent of after-tax profit but it is the average of the after-tax profit for the current and the previous four years. We are smoothing our profit results over five years and applying 50 per cent to that to get the dividend and that is designed to help smooth out these ups and downs in our bottom line results, as underwriting results and investment income vary with the market. That is why we are able to hold up a relatively strong dividend in a year in which our net profit result was relatively poor.

**Mrs TAYLOR** - Chair, if I can pursue the underwriting result. I understand about your long-term investment strategy, that is the way investment returns have been over the last two or three years. But the underwriting, you are saying you take that 40 or 50 years, or 50 or 60 years as well with the bond rate. You know that is not going to be the same. You know that what it is today is not going to be the same for the next 40 or 50 years, just as your investment return is not the same this year as it was last year and will be next year. That is a dramatic turnaround. What is the measure that you are using that has not had such a dramatic result, considering that this is the best year you have in terms of claims? The minister said, 50 per cent of what it was, I do not know how long ago.

**Mr CHALLAN** - 1996.

**Mrs TAYLOR** - Yes. Your claims history is looking good.

**Mr CHALLAN** - I would emphasise that the underlying business of the MAIB is very strong. Our long-term claims experience is excellent and that is the reason that we have been able to hold premiums pretty much constant for what is now nearly eight years.

**Mrs TAYLOR** - You have lots of money in the bank, relatively, which you need to have; I understand that.

**Mr CHALLAN** - We have a solvency margin that is at the upper end of the range that we target and if the solvency market were to drift for a long period of time out of that range then you would see premiums come down. On the other hand, this time last year I was anxious because the solvency margin had drifted below the bottom end of the range. We target 20 to 25 per cent. At the end of the last financial year it was 18 per cent. It is now back at a number like 23 per cent or thereabouts.

**CHAIR** - Right now?

**Mr CHALLAN** - Right now it is about 23 per cent.

**CHAIR** - That is good. That was one of my questions.

**Mr CHAIRMAN** - Things have significantly turned around, and they do; it is the nature of investments markets.

I emphasise, the underlying business is in very good shape. The underwriting result is just premium revenue minus claims expense. Premium revenue does not shift much from year to year.

It depends how many insured motor vehicles there are, what the premium per vehicle is and the number is pretty much steady from one year to the next. I have the Auditor-General's report in front of me which goes back to 2008-09. Over that period premium revenue started at \$126 million and for 2011-12 it was \$139 million. It is going up rather gradually as the number of insured vehicles on the road increases.

**CHAIR** - There is a review by OTTER for 2012-13?

**Mr CHALLAN** - I will come to that in a moment, Chair. The claims expense, however, is an actuarially determined number that is hugely dependent on the bond rate, on the discount rate that is used to discount that 60-year stream of cashflows back to the present date. The reality is that the stream of cashflows has not changed much at all. It has changed a little bit because there has been a Fair Work Australia wage determination that affects our costs, which has driven it up somewhat and the actuary's projections are based on a continuation and then flattening out of our claims frequency. The thing that is driving the changes in the claims expense is something totally beyond our control. It is the discount rate, the bond rate, that is used to take this long stream of cashflows back into a present day number.

I find myself often saying at these meetings that some of the features of the accounting standards are a bit arcane. If I were the accounting standard-setter for insurance, I would never use the arrangement they currently have of using whatever the bond rate is on 30 June because it imports a huge amount of volatility into our reported numbers and makes them hard to interpret. If, on the other hand, we settled on some sort of 25-year average number of, say, 4.5 and used that to discount, you would be able to look at our claims expense number from year to year in the knowledge the only thing driving changes was the underlying business of what was happening to claims. Unfortunately, we are required to adhere to the accounting standards so we have to use the 30 June bond rate and consequently you get this huge volatility in the numbers. The underlying business of the MAIB is in very good shape and very solid and no Tasmanian needs to lie awake at night worrying about the solvency or ongoing viability of this business.

**CHAIR** - We will leave that to you.

**Mr CHALLEN** - I do not have to lie awake worrying about this one because it is in good shape.

OTTER is our regulator. It undertakes a five-yearly review of our premiums, and we are up for review in this coming calendar year. At the moment we are beginning the process of preparing our submissions on which OTTER will make its decisions. It will be interesting for us because in the five years since the last review was done we have not moved premiums anything like as much as OTTER would have permitted us to do, so we are substantially under-recovering the maximum revenue we could. Claims frequency has continued to track downwards over that period. We have a very good scheme in Tasmania. There is a lot going on with road safety that is making a difference: the initiatives of the Road Safety Taskforce; some of the things we have been able to do with the police; and some of the work that is done with the Department of Infrastructure, Energy and Resources. Also, to give credit where credit is due, there is an improving and more responsible attitude from the Tasmanian community generally to road safety, drink driving and observing speed limits. I think all of us have seen improvements in the way people on the road behave over the last decade or so. OTTER will take all those things into account and make a decision about our maximum revenue towards the end of the year. That, in

turn, will produce some decisions about the next review of premiums that we will do in November.

**CHAIR** - Will they take into account the previous year as well? Do they look at an average? You said this will be a better year but last year was not such a good year, so does OTTER take that into consideration?

**Mr CHALLEN** - No, they will take actuarial advice and look forward; so they will ignore what has happened in the past, apart from the extent to which it creates a set of initial conditions about the way things are now: the solvency margin, claims expenses, the valuation of our long-term claim liability, the recent behaviour of schedule benefit claims and so on. Mostly they will look forward, so they will take advice from their own actuary independent of ours and the actuary will look at the work our actuary has done and take a forward view in assessing what premiums are required, having regard to what claims expense and administrative costs we can expect into the future.

**Mr DEAN** - I want to go to community involvement and partnerships, as referred to in the annual report. The first one is the Road Safety Taskforce - and I think it is still referred to as that -

**Mr O'BYRNE** - It is the Road Safety Advisory Council - RSAC.

**Mr DEAN** - The police component of that - I think there is still funding from MAIB to the police - how is that operating now? Is that still happening?

**Mr O'BYRNE** - Absolutely. There is a level of support for resources broadly, human and others, for example, the new speed cameras - I think it was \$12 000 for the new speed cameras that we have put in.

**Mr DEAN** - That was going to be my next question as to what equipment you provide funding for, and that comes under this.

**Mr ROCHE** - The funding per calendar year 2012 to the Road Safety Advisory Council is \$3.48 million of which 64 per cent goes to the police department and that is, as the minister indicated, for the employment of 16 police officers and equipment. The police department have a budget that they have to adhere to. Obviously, they cannot spend more than what is provided, and that equipment consists of stuff the minister referred to. There are some brand new breath-test buses that, as you would be aware, are quite an expensive item.

At the end of every financial year, the Auditor-General provides an audit certificate on the expenditure from the police and the expenditure for DIER to make sure that all the money is properly accounted for. In fact, I was looking for the audit certificate yesterday and it is somewhere very soon coming to me.

**Mr DEAN** - You are guessing some of the questions I was going to ask. That was one of them. How do you know where this money has been spent; how is it accounted for and what is the return that you are getting from it? The other question is: is the police budget currently going to impact on this program that they have with you with regard to police numbers that will be engaged in this program?

**Mr O'BYRNE** - There is an audited and very clear 'this is the role; this is what we are funding' guideline that is quarantined from the other matters of consideration before the police budget. From time to time organisations, including Tasmania Police, make submissions to the Road Safety Advisory Council for programs, ideas, or initiatives and the Road Safety Advisory Council, independently of the minister's role, make an assessment about whether that will have tangible benefit or improvement in the road stats or in education. There is a very clear relationship between the Road Safety Advisory Council and the money to Tasmania Police. As has been said, it is audited and accounted for and quarantined. It would not be appropriate for the Tasmania Police budgeting process to cut the activity that we have been funded for from the Road Safety Advisory Council and generate that across the rest of that department. There are very clear programs and relationships.

**Mr DEAN** - Tasmania Police is required to provide the 16 police that you were saying are funded from this program?

**Mr O'BYRNE** - Within traffic.

**Mr DEAN** - They are required to work within the program, albeit there are budgetary problems for Police.

**Mr O'BYRNE** - Absolutely.

**Mr DEAN** - No changes there at all?

**Mr O'BYRNE** - No, they need to work within the agreement they have with the Road Safety Advisory Council for the funding. You apply for the funding; the relationship is established; money goes that way; activity occurs; activity is audited, as is the money, and that is very clear and quarantined.

**Mr DEAN** - How long is that in place for? Are Tasmania Police advised that this program will be funded by MAIB for the next five or 10 years? I would not have thought it was an annual thing; the police would need some security. How is that?

**Mr ROCHE** - There is a three-year agreement in place and it has another two years to go. In the third year of each agreement, we have the program independently assessed by a road safety expert from the University of Adelaide so that we are not looking at our own outcomes; we want someone independent to look at it. The agreement or memorandum of understanding with the Road Safety Advisory Council, which affects both DIER and Tasmania Police, includes key performance indicators. We have made it perfectly clear to both bodies from the outset that unless we see meaningful outcomes out of this investment, there is little point in MAIB investing. The primary KPIs are what we call serious injury claims, 18 to 25-year-old drivers, which was identified as the target group from the beginning and their total number of claims that were lodged with the MAIB each year. So if we deal with them in reverse order - the minister has indicated in his opening address that in the 2011-12 financial year we have had the lowest claim frequency on record so we are extremely delighted about that.

[11.30 a.m.]

The 18 to 25-year-old drivers is an area in which it is particularly pleasing that they are fewer than our arbitrary target as to where we think they should get to.



The number of what we call 'serious injury claims' - we deem, in our terminology, a 'serious injury claim' is one that exceeds the threshold expenditure and that is indexed. We have been doing this for 16 years. For these sorts of claims we are going to expect a certain amount of volatility but we are looking at the long haul from where we were back in 1996. Over that 16-year period there has been this sustained small incremental reduction.

Whilst in 2009, for example - as we remember 2009 was not a very good year on the roads in Tasmania - we got that with a hiccup but you cannot interfere with the program for what happens in one particular year if we look at the longer term.

The results basically speak for themselves that the investment in the Road Safety Taskforce, when you compare this with the cost of providing care, say, for catastrophically injured people, it is a very sound investment indeed.

**Mr DEAN** - Minister, in relation to the duties carried out by the Road Safety Taskforce and RSAC, what position is there in regard to identifying the functions to be carried out by that taskforce? I raise the question at just about every opportunity I get in relation to drug activity and the impacts of drugs on road safety, in crashes and so on, is there some function here that this group has to say to the police, 'We want you to target drug-drivers'? Is that a part of this program?

**Mr O'BYRNE** - I do not think it is a formal request and response; it is more of working with Tasmania Police in their contribution to road safety, especially for the Road Safety Advisory Council. The Road Safety Advisory Council is very much focused on pulling together the evidence and responding in an appropriate way through the Commissioner of Police, who is on the Road Safety Advisory Council.

There is a really good level of cooperation and, whilst it would be inappropriate for a government to intervene operationally in Tasmania Police and tell people how to do their work, they need to do their work and there is that line between policy and operational activities of Tasmania Police through DIER, through the Road Safety Advisory Council and also, as the Minister for Police and Emergency Management, we do set the overall themes and government policies.

There is a high level of cooperation between Tasmania Police and the Road Safety Advisory Council. The Commissioner of Police and I have had many discussions about how, not only intelligence when policing, but understanding what the trends in road safety are, what other jurisdictions are doing and how education and the infrastructure department and the Road Safety Advisory Council can work in with day-to-day policing.

Ultimately it is a matter for the Commissioner of Police to determine that.

**CHAIR** - But you sign off on those decisions that the commissioner makes, is that true?

**Mr O'BYRNE** - Which decisions?

**CHAIR** - Regarding operations, I know that when police are removed from communities the minister signs off on that. So, do you have a role in the operation?

**Mr O'BYRNE** - I receive a brief from Tasmania Police that they have made a decision on operational policing matters and there are many jurisdictions across the globe where that line has become fuzzy and that is where people are getting into problems. We set the overall policy framework for Tasmania Police but ultimately the commissioner, through the consultation with his districts and the communities in which they serve, makes the decisions on where to put resources. It is data-driven and need-driven.

That is why in this latest restructure - and it is not a matter for the MAIB - some districts have increased in terms of their policing presence while some others have been - or there are alternative ways of providing support.

**CHAIR** - I was of the understanding the minister signed off. I need to reassess.

**Mr O'BYRNE** - Ultimately, we take political responsibility for those decisions. I think it is very important that we say that it is not appropriate for politicians to tell police where to put policing resources.

**CHAIR** - Or where to put programs?

**Mr O'BYRNE** - Yes. Ultimately, it has to be data-driven and evidence-driven. In a political context, the easy thing for me to do would be tell police to put certain people there because it is politically popular or it is expedient for the government at the time.

**Mr MULDER** - Madam Chair, with respect, we are heading in a totally different area with a totally different agency.

**CHAIR** - It was a clarification about the minister's role in being able to say, this is where we would like this money spent in the programs.

**Mr MULDER** - That was answered some time ago and we have now had a long history on the relationship between the police and commissioner.

**Mr O'BYRNE** - The Road Safety Advisory Council receives submissions from a whole range of people in the community about road safety issues and they make their decisions and recommendations, and we let the Road Safety Advisory Council do their work. They are independent of the political process *per se* in their decisions.

**Mr DEAN** - At the Road Safety Advisory Council, of which the commissioner is a part, a decision could be made at that meeting to say we want more emphasis on drug-drivers and the commissioner is then required to do that operation - is that the position?

**Mr O'BYRNE** - No.

**Mr DEAN** - What happens?

**Mr O'BYRNE** - What would happen is, if the Road Safety Advisory Council believes that - or whatever - is an issue, they have a budget and resources and decision-making capacity to say, 'We think this needs to be done'. From the Road Safety Advisory Council levy, they have this allocated for the budget to response to this need. Tasmania Police, operationally, will make their decisions how they see fit to best serve the community. The Road Safety Advisory Council have

their own budget and their own initiatives and they may say to Darren Hine - and it may have come from the Commissioner of Police that we cannot afford to do this at the moment or we are not able to do this; we think it is a road safety initiative and the Road Safety Advisory Council would fund that. As part of an agreement between Tasmania Police, or that arm of government, and the Road Safety Advisory Council, that program would then be delivered as we have done now with the equipment in human resources that are currently applied. It is not a command-and-control relationship. The Commissioner of Police has his destiny. But anything funded by the Road Safety Advisory Council needs to be delivered.

**Mr DEAN** - Thank you.

**Mr MULDER** - I note in your vision and mission you talk about being highly regarded nationally in the provision of a competitively priced, quality and service-driven organisation and your mission also talks about cost-competitive schemes. With whom are you competitive? How do we compare with interstate jurisdictions, if that is what you mean? How can a state-owned monopoly service provider be competitive?

**Mr O'BYRNE** - Other jurisdictions is the point of reference and I will refer to Don in terms of how that is measured.

**Mr CHALLEN** - What we are trying to do, to the extent that there are other benchmarks and there are only two other schemes in the country that are similar enough to ours to compare directly, is to make sure that our premiums for comparable classes of motor vehicles are at the lower end of the scale. We have been successful in doing that.

In terms of delivering that, one element is purely cost-driven, from our point of view. That is, keeping our administrative costs low and trying to keep the costs associated with settling claims as low as we can and that is about running the organisation efficiently and managing the claims processes as efficiently as we can.

Another element is scheme design and all of the environmental influences that affect claims frequency. They are precisely the things that the minister has been talking about. It is about using some modest funding that the MAIB makes available directly or that we make available through the foundation to try to influence driver behaviour, amongst other things, so that our claims frequency is kept as low as it can be.

**Mr MULDER** - How do we compare with the two other schemes in terms of premiums and administrative performance?

**Mr ROCHE** - We compare quite well. The premium for a motor car in Tasmania is \$344 and in Victoria it is \$409. The Northern Territory has a no-fault scheme and their premium is \$488. It is instructive also to look further than those schemes, to schemes that do not provide any no-fault benefits - where you can only recover if there is fault. South Australia has one such scheme and the premium there is \$440, which is \$100 more expensive than Tasmania. In Tasmania we provide care for the catastrophically injured on a no-fault basis and we also provide no-fault benefits to people who are involved in accidents where they do not blame anyone else. It is possible to compare across the board, but we are not comparing apples with apples across the board. When our premiums compare extremely well against schemes whose benefits are significantly inferior to ours, it gives us confidence that we are very cost competitive.

**Mr MULDER** - How do we compare with New South Wales, or Queensland, which are fault states, apart from the fact that their legal processes incur an enormous amount of work?

**Mr O'BYRNE** - In New South Wales the premiums are \$511. Queensland is slightly below Tasmania at \$318.

**Mr MULDER** - My next question is one the minister needs to answer, as I think it is government policy. Do you not think that adding a \$20 duty, as well as extracting an annual dividend, is double dipping into a government business enterprise?

**Mr O'BYRNE** - That is a matter for the Treasurer. We go through a collective government process, and a decision is made by cabinet as part of the budget process.

**Mr MULDER** - We will take that as a 'Yes, minister'.

**Mr O'BYRNE** - It is part of the budget processes. The key is that this is a very well-run business. The costs are at the lower end, there has been a minimal impact in increases over the last  $x$  number of years, and it provides some of the best benefits in the country, so in terms of the government dividend and in terms of the duty, we can have the argument although the fundamentals are pretty good.

**Mr MULDER** - The answer is, 'Yes'.

**Mr O'BYRNE** - I would not want to be verballed, Mr Mulder.

**Mr MULDER** - On the dividend, I note that the policy talks about a five-year average of after-tax profit.

**CHAIR** - The current year, and four years.

**Mr MULDER** - I wonder whether that is an appropriate model for a business enterprise, given that this year they have an overall after-tax loss?

**Mr CHALLEN** - In 2011-12, yes.

**Mr MULDER** - In 2011-12 there was an after-tax loss, but a fairly sizeable premium was still paid because the previous four years were good. Is it fair to be extracting a dividend at a time when the business enterprise is struggling in the marketplace?

**Mr O'BYRNE** - The longer average smooths out the dividend policy over that period of time, and we also assess the dividend policy every year on a whole-of-government basis, for all our GBEs. We heard from the chair that the income revenue this year is significantly ahead of where we thought we might be. The smoothing proposition makes it easier to manage, but if there were a number of tough years in a row, I am sure the Treasurer would sit down and -

**Mr MULDER** - Smoothing peaks is one thing, but smoothing troughs is another.

**Mr O'BYRNE** - Yes, but most years there is a healthy set of books. If there were a series of tough years, then there would be other considerations.

**Mr ROCHE** - Minister, I will add something there as well. The smoothing policy works fairly. It was introduced at a time when we entered into greater levels of growth assets, recognising there would be profits in some years, but some losses as well. The alternative methodology is to take 50 per cent of profits, but that methodology would be biased against MAIB under our current arrangements, because it would not take into account any losses. A simple example is if we made \$20 million one year, we would pay \$10 million to the government; if we lost \$20 million the next year, there would be no offsetting distribution of money back to MAIB. The smoothing over the five-year period allows us to bring any losses into the equation, which makes it much better for our long-term budgeting.

**Mr CHALLEN** - The example Peter has given is a good one. Under the current arrangements, if we made \$20 million profit one year and a loss of \$20 million the next year, we would pay a zero dividend. If you had a straight 50 per cent after-tax profit, we would pay \$10 million. It works in the organisation's favour to smooth things out over time. It has as a feature something that is common to a lot of dividend arrangements in the private sector, in that it allows a reasonable maintenance of the dividend flow back to the shareholder. In this case, it goes into the government budgets. It is of benefit to the government, as well, because it can count on a steady level of dividend rather than getting a pile one year and nothing the next.

**Mr MULDER** - I am pleased to hear you refute the suggestion that the difference in dividend is because one year you were taking them, and now you are paying them.

**Mr CHALLEN** - I think this arrangement was originally proposed by MAIB.

**Mr FINCH** - Minister, in your opening gambit you mentioned 'lowest claim frequency', and it was also referred to by Mr Roche, can you extrapolate on that? What is meant by 'lowest claim frequency'?

**Mr O'BYRNE** - It is the claim rate per thousand vehicles.

**Mr FINCH** - On the road?

**Mr O'BYRNE** - Yes.

**Mr FINCH** - Is that compared to previous years for MAIB, or is it compared to what may occur in mainland states?

**Mr O'BYRNE** - That is compared to previous years within Tasmania, I understand.

**Mr ROCHE** - Each similar organisation makes a claim frequency calculation each year, and we compare ourselves with our previous performance rather than with other jurisdictions because each state has a different type of arrangement. For example, we could not compare our claim frequency with, say, South Australia because we get a bunch of claims on a no-fault basis that the South Australians do not get. In the mid-1990s we had a claim frequency in excess of 12 per thousand vehicles and in 2011-12 we achieved something under six claims per thousand vehicles. We have a vehicle fleet of about 475 000, so it is a simple division exercise, according to the number of vehicles we have. That is how we measure performance. It is very much an 'insurance' way of measuring performance because the number of vehicles tells you what sort of premiums you are going to bring in, and the claims frequency allows the actuary to determine what sort of claims costs are going to emanate from the claims received.

**Mr FINCH** - Are you able to set a target for that? Are you trying to get it lower all the time? Is that the aim of watching those numbers?

**Mr ROCHE** - We have to be very careful not to set the target too low because, despite everybody's best endeavours, we know that accidents will still occur. From memory, in this annual report, there is a target of somewhere around six claims per thousand vehicles. We have to be careful not to get too ahead of ourselves. For several years our consulting actuary has been flagging that our reduced claim frequency cannot go on forever. It may well be that in 2012-13 we may get a slight rise. As I said before, 2009 was a bad year on the roads. You do not need much extra activity to have this little rise. If we could achieve around six claims per thousand vehicles, all Tasmanians should be pleased.

**Mr O'BYRNE** - There was a debate nationally with the National Road Safety Strategy and there was a push from a number of people saying, 'We want zero accidents'. We said that was setting ourselves up for failure. While it is a laudable goal, it is not going to be achievable because things happen outside of people's control and accidents happen. This year the fatality statistics were slightly up on last year. Every death is one too many, but last year was a record low. We have also had an 18 per cent or 19 per cent reduction in serious injuries. This year there have been 28 fatalities on our roads; that is up by four from last year. Our serious injuries have dropped by approximately 18 per cent, and that is a significant reduction compared with the year before. We set targets but they have to be reasonable and you want to minimise the injuries.

**Mr FINCH** - I would like to talk about cyclists and the incidents there. We had a report midway through the year that there were 600 cyclists injured between 1990-2010. Their claims were about \$80 million. Sometimes it can be unsafe on the roads when people do not have the regard for cyclists you would hope they would. What are the thoughts from MAIB in respect of cyclists, their safety and the use of the roads? DIER is providing more cycle lanes and it is becoming more and more popular. What is the big picture for MAIB in respect of this?

**Mr O'BYRNE** - I can give a picture more broadly from the government's perspective and then Peter can add some specifics on MAIB. Cyclists form a group of our road users who are considered the vulnerable road users: pedestrians, cyclists, and motorcyclists. They are the three major groups. Cycling is increasing, motorcycle registrations are increasing, so there are a number of things that need to come into play. Infrastructure is crucial: ensuring whenever road upgrades occur there are cycle lanes and barriers on either side to give some protection to avoid head-on crashes but also to make the built structures of our infrastructure more cyclist and motorcyclist friendly. It is also around education and making sure people are aware of other road users, that heavy industry and commuter traffic becomes more patient. We are seeing, anecdotally, increases in road rage because people see things occurring and respond poorly.

At the latest SCOTI meeting - the Standing Council on Transport and Infrastructure - we successfully moved a motion to host a vulnerable road users road safety conference next year in Tasmania. It will be an international conference and we are expecting more than 200 delegates from around the world to come to Hobart in June, July or August next year to discuss these very issues and see if there are things we can do to create a safer environment by way of behaviour and built infrastructure. It is the first road safety conference of its type in the country's history and we have had very positive response from a number of road users. Sean Leonard from the Motorcycle Riders Association is very excited about this being hosted in Tasmania. From a broad government overview, we think there is an over-representation in statistics from pedestrians,

motorcyclists and cyclists and that is the next frontier for what we can do to make it safer for those people, not only in their behaviour, but how other people interact with them.

**Mr ROCHE** - I want to endorse what you said, minister, in relation to the vulnerable road users. The other point from an MAIB perspective is these are normally more expensive claims because vulnerable road users do not have the protection of a car around them. We would also endorse this conference to see if there are any national and international ideas that can be introduced into Tasmania to reduce the number and severity of incidents.

**Mr O'BYRNE** - There is a current debate happening in Tasmania about helmets and whether cyclists should wear helmets and it is a freedom of choice issue. I am a strong believer in people needing to wear helmets on the roads because the consequences for our health system are significant. It is not just about personal choice, it is about the pressure that it puts on the hospital system if you choose not to wear a helmet. The head injury issue is a massive one.

**Mr FINCH** - My understanding was that they were obliged to wear helmets.

**Mr O'BYRNE** - They are.

**Mr O'BYRNE** - There is a debate and there are a few people advocating no helmets. That is fine for personal freedom but -

**CHAIR** - It is not good for your hair, minister, when you are trying to get your helmet off - seriously - that is one of the issues that was raised.

**Mrs TAYLOR** - It is one of the things that keep women from riding to work.

**Mr O'BYRNE** - I know some generation Y men who say that as well. If you want to get on a bike you have to wear a helmet and the consequences are significant.

**Mr FINCH** - Minister, is there any thought of a premium being placed on cyclists because of the impact of the payments for cyclists?

**Mr O'BYRNE** - We get a bit of correspondence about that, only on the basis that people get angry with the pelotons and running red lights and riding four abreast and all that sort of stuff.

**CHAIR** - And they cannot identify them.

**Mr O'BYRNE** - You want to encourage people to get on bikes, it is good for the community, it is good for the planet that people get active and reduce their carbon footprint. The cost of a licensing system would counteract this. There is no plan to do that. We want people to get on bikes and what we need to do is play more of a role in educating the community about how bikes and other road users interact and making sure that cyclists are responsible and take care with their actions so that they do not impose too much on other road users. Cars are going to have to get used to cyclists. It is education but also good infrastructure, cycle lanes and those sorts of things. I know that they are quite contentious in some communities but we need to find a way through it.

**Mr FINCH** - With regard to the chairman's allowance, it is my belief, and you might confirm or deny it, that it was increased by 50 per cent since Mr Humphreys' departure. I am wondering

about remuneration to board members. Has that increased as well? Is it in the annual report in respect to board remuneration?

**CHAIR** - I could not find a line item. I am happy if you want to table it.

**Mr O'BYRNE** - Let us table it.

**Mr DEAN** - Do you know? Have you got it with you?

**Mr O'BYRNE** - Yes, I do have them here. The board members range from \$40 471 - one board member is paid \$41 510 - the chairman of the audit committee - so there is an extra allowance for that. The chair is paid \$78 771. That includes all committee fees. Matters for payments are usually a matter of government policy. There is a sizing and there is a recommendation made from Treasury about remunerations set for these sorts of tribunals. It is not uncommon. These fees are consistent with other boards.

I will have to check but my recollection was that there was a 2 per cent increase this year in line with the rest of the public service, so we have aligned our directors' and board members' sitting fees across all of the sizings and the roles and the expectations that we ask people to undertake. This is a serious job, so payment is appropriate. We have the levels and we have lined them up with the public sector wages policy of 2 per cent per annum. I will have to take advice in relation to the issue of doubling.

[12.00 p.m.]

**Mr FINCH** - Say, 50 per cent?

**Mr O'BYRNE** - A 50 per cent increase - I would have to take advice on that. That does not sound right to me but that was probably before my time as minister.

**Mr FINCH** - It is a figure that has been mentioned to me.

**Mr O'BYRNE** - I will take that on notice and I can provide that.

**Mr FINCH** - Thank you. You are going to table those remuneration figures?

**Mr DEAN** - As a follow-up to Kerry's question, what other payments do board members receive, minister, over and on top of that amount that is approved by government - travelling, accommodation and overseas?

**Mr CHALLAN** - They receive the superannuation guarantee of 9 per cent on top of that and reimbursement of reasonable expenses. An interstate board member will have their accommodation met in Launceston for board meetings and their air travel. Hobart-based members get a mileage allowance for driving to Launceston for a board meeting.

**Mr DEAN** - That was going to be my next question. Are there any members on the board from the mainland?

**Mr CHALLAN** - We have one Melbourne-based member, David St John. He has been on the board for not quite two years.



**Mr DEAN** - Can I ask the question, and you might have to table this, what was the total cost of the board, say, for the 2011-12 financial year - the total cost including allowances, travel, et cetera?

**Mr O'BYRNE** - If I am able to take that on notice we will undertake to get that for you.

**CHAIR** - I will organise, minister, for a letter to arrive this afternoon with those details attached.

**Mr O'BYRNE** - Lovely - my office was expecting at least a few.

**Mr DEAN** - My other question was how many board meetings normally are there in a year - monthly or quarterly?

**Mr CHALLAN** - We meet monthly. We occasionally have a special board meeting so we typically have 13 meetings because we meet twice in August, once to deal with the financial statements and once for an ordinary board meeting. I do not think in the last 12 months we have had to have a special board meeting for any other purpose, but we do from time to time, normally by telecon.

**Mr DEAN** - I want to go to the involvement and partnerships that you have because it was raised with us during discussions yesterday - the Metro Nightrider - and you make a contribution there of a sum of \$44 000, according to the annual report, for the promotion and provision of the Nightrider. The statement in the annual report finishes with 'and is pivotal in the reduction of alcohol-related motor accidents'. My question coming from that is how do you come to that conclusion? Have you looked at the crash statistics prior to the funding of the Metro Nightrider and is that why that statement is now made? How do you make that statement unless you have all the statistical data to support it? I do not disagree with what you are doing.

**Mr O'BYRNE** - Overall the data clearly shows that there has been a reduction in those incidents. I will call on Peter, who is on the Road Safety Advisory Council where this is discussed at length. There are people from many different fields represented on that council with expertise and understanding about how you change behaviours and what a tangible impact that has on the statistics.

**Mr ROCHE** - Thanks, minister. When we were first approached by Metro about three years ago the proposition made a lot of sense. If you get many people assembled in a place and you need to get them home as safely as possible, we deemed it a sound investment to be part of that. In answer to your question, Mr Dean, I have not gone back in history and looked at accidents over the New Year's Eve period but I have looked since we have been involved in this program. The last time I looked, our records appeared to indicate that there had been no accidents or injuries of any consequence. I can only remember seeing one and it was totally unrelated to this but it would have happened whether this was involved or not.

We think that for an investment of this size it is almost a win to nothing to get large numbers of people, particularly in the Hobart waterfront area, back to their suburbs. We talked only a little while ago about vulnerable road users. We are probably talking about the most vulnerable road users at that hour of the night where you have pedestrians and motor vehicles sharing the same space.

**Mr O'BYRNE** - Especially if some of those pedestrians are tired and emotional. We remove the temptation from them because the longer people wait, the more temptation there is for them to go to their own car when they should not. With the number of taxis and with that level of bus service - and from my perspective it is anecdotal and I have not seen the evidence - but it would make absolute sense to me, intuitively, that the easier and quicker you can get people out, you remove that temptation for them to go to their car.

**Mr DEAN** - This came up at the Launceston City Council when I was there. How can you make the statement, when you said you have not looked at what was happening prior to funding this? How can you make an unequivocal statement in the annual report that it is pivotal to the reduction of alcohol-related motor accidents? How can you do that if you have not looked at it prior to the funding of this program? That is the question I want answered.

**Mrs TAYLOR** - Are you suggesting it is false advertising?

**Mr DEAN** - I just want to know how they can do that. It is a motherhood type of statement and I want to know how the judgment can be made that it has. You are not saying 'it might' or 'it should'; you are saying 'it has'. That is what I want an answer to.

**Mr O'BYRNE** - I think it is a fair question, but not having been in the meetings and working through those issues, I am not sure. Peter, can you answer?

**Mr ROCHE** - I am more than happy to answer. When I said I have not been through the historical data, what I do know is that pedestrians at a late hour of the night and highly emotional and something else, are very vulnerable and I went to some very horrific accidents. Whether those accidents or incidents or whatever happened on New Year's Eve or whenever does not concern me greatly. We certainly would not sponsor a Nightrider service 365 days of the year if there was no-one to take home. If you are getting home large numbers of people who have been out on the town, in my view it is pivotal in the reduction of motor vehicle accidents. It will not happen every night but when it does happen you end up with serious injuries.

**Mr DEAN** - I do not want to harp on it but we are talking about New Year's Eve, we are talking about that program that you fund, and I am asking how you can say that. I take it from what you are saying that you cannot, other than the fact that you believe that that would be happening?

**Mr ROCHE** - I can say that some people who have been out late at night in an inebriated state are very vulnerable on the roads and our records -

**Mr O'BYRNE** - It may be that there has been a discussion at either a committee or a subcommittee of the Road Safety Advisory Council where this data was considered and a linear example of accidents in that period of time. To be fair to Peter, he may not have that at hand and we would undertake to have a further discussion with the Road Safety Advisory Council and we can brief you on the data that would back up that statement.

**Mr DEAN** - Minister, I would like that because I am not saying that you should not fund it. I am not saying that at all.

**Mr O'BYRNE** - I am glad you are not saying that.

**Mr DEAN** - No. I supported it on the local council also, but I am saying that you have made the statement on page 11 and I am asking for further information to be provided if possible.

**Mr CHALLAN** - The only thing wrong with that statement is that we might have said, 'pivotal in the reduction of alcohol-related motor accidents on New Year's Eve.'

**Mr DEAN** – Yes: 'This service was well-patronised and is pivotal in the reduction of alcohol-related motor accidents.'

**Mr O'BYRNE** - The chairman makes the point that maybe we should just say 'In this period.'

**Mr DEAN** - That is right.

**Mr CHALLAN** - I do not think you need a statistical analysis to back up every qualitative statement that appears in the general part of an annual report. Next year when I am looking at the annual report I will look very closely at this.

**Mr DEAN** - That is right, thank you.

**Mr CHALLAN** - Indeed I will look very closely at the Metro Nightrider service because, like all of the things we support, we are only going to allocate MAIB funds to something like this if we are satisfied that it is making a difference and that it is doing so in a cost-effective way.

In the past this service has also been supported in Launceston and Burnie but most recently we only supported it in Hobart because there were not the number - no?

**Mr ROCHE** - No.

**Mr O'BYRNE** - No, in Launceston and Hobart.

**Mr ROCHE** - We supported it for a longer period in Hobart but the patronage was insufficient to warrant the additional expenditure. So the expenditure has been reduced and there is a service in Burnie and Launceston as well.

**Mr DEAN** - Thanks for that. Is there any reason that it is more patronised in Launceston, for example? Is that what you are saying?

**Mr ROCHE** - No.

**CHAIR** - Longer hours?

**Mr ROCHE** - When Metro first came to us we sponsored the Friday night before New Year's Eve. There were a couple of nights that were identified as nights where there would be increased patronage - and we are coming back to numbers. When Metro came back to us with the numbers it was evident that there was insufficient patronage to warrant either the additional services or the cost of MAIB. So, we discontinued services other than for New Year's Eve. From memory, the initial investment might have been \$60 000 or \$70 000; we were finding our feet at that time. No-one knew the level of patronage until it actually happened.

**CHAIR** - We can only hope that another place is interested in MAIB next year and we will have a look at that again. It does not always happen, but we can only hope.

Thank you, minister and your team; the committee are very comfortable with the answers that they have received.

**Mr DEAN** - Not entirely.

**CHAIR** - Then I will not speak for all of the committee, but we do appreciate the input provided to the committee in relation to MAIB. It is obviously in good hands and, from the level of stakeholders engaged, it is not raising concerns in the community. That is probably a reflection on the work that is being done. Thank you also for this morning and we wish everyone a safe and happy Christmas. You will be receiving a letter with the questions that have been raised by members that will need further clarification.

**The committee adjourned at 12.13 p.m.**