

# UNCORRECTED PROOF ISSUE

**Tuesday 5 December 2017 - House of Assembly - Government Businesses Scrutiny Committee  
- Motor Accidents Insurance Board**

## HOUSE OF ASSEMBLY

## GOVERNMENT BUSINESSES SCRUTINY COMMITTEE

**Tuesday 5 December 2017**

### MEMBERS

Mr Bacon  
Dr Broad  
Ms Dawkins  
Mr Jaensch  
Mrs Rylah (Chair)  
Mr Street (Deputy Chair)

### SUBSTITUTE MEMBER

Ms O'Connor  
Ms White

### IN ATTENDANCE

**Hon. Rene Hidding MP**, Minister for Infrastructure

**Ministerial Office**

**Ms Carol Jones**, Adviser

**Motor Accidents Insurance Board**

**Mr Don Challen**, Chairman

**Mr Paul Kingston**, Chief Executive Office

**Mr Christopher Hill**, Chief Operating Officer

**Mr Derek Thurm**, Chief Financial Officer

**The committee met at 9 a.m.**

**CHAIR** (Mrs Rylah) - Good morning, everyone. Welcome to the hearing. Would you like to make an opening statement, minister?

**Mr HIDDING** - During the 2016-17 financial year the Government is pleased the MAIB has continued its run of strong business performances. There have been challenging financial market conditions at times throughout the year but, despite that, strong investment returns, along with continuing reductions in claim costs, have provided another very good financial result for the MAIB. The company is well positioned for its long-term financial position. It has a funding ratio of over 132 per cent, as well as providing consistently strong returns to government.

The reduction in claim numbers and costs reflects the ongoing road safety improvements around Tasmania, including road infrastructure works across the state, good road safety, education campaigns and enforcement activity by Tasmania Police. Tasmanian motorists have received direct benefits from these positive outcomes through the 7.5 per cent general premium reduction applied in December 2016. For a standard car, this translates to the annual premium costs being less than they were 14 years ago.

I was also pleased to announce in September this year the Government would freeze MAIB premiums for motor vehicles, motorcyclists, taxi and luxury hire cars. I am very pleased to be a minister in this Government who is able to say Tasmanian premiums are the lowest in Australia. This is despite the MAIB scheme providing arguably the best overall no-fault benefits to those injured through motor vehicle accidents, as well as achieving consistently high client satisfaction results. The MAIB continues to support and work together with the Road Safety Advisory Council and Tasmania Police to implement highly-effective advertising and public education messages, combined with appropriately targeted enforcement activities. The MAIB continues to provide significant contributions to a wide range of community organisations across the state, with in excess of \$5 million provided to further road safety injury management and broader community support.

During the year there was one change to the MAIB board and I place on the record the Government's thanks to Mr David St John upon his retirement from the board in May this year.

I place on the record that Mrs Evelyn Horton has replaced David as MAIB's newest board member. I know Mrs Horton will be a very good appointment to the MAIB board.

I also place on the record our thanks to the Chief Executive Office, Paul Kingston, for his ongoing strong leadership at the helm of MAIB.

**Dr BROAD** - Minister, a Right to Information request revealed that for six days 133 Ambulance Tasmania vehicles were unregistered. What would the impact have been if one of these ambulances had crashed?

**Mr HIDDING** - This is a matter that received plenty of publicity and coverage at the time. It is interesting to understand what the effect would have been, so I will ask the CEO to answer.

**Mr KINGSTON** - As to our coverage for people injured in motor accidents, we apply that on a no-fault basis. There is an exclusion to that: if there isn't a premium in effect at the time of the accident the owner of the vehicle or the driver of the vehicle, if they knew it wasn't registered, could be excluded from coverage under our scheme. That is the only exclusion we have around premiums being paid at the time the accident occurs. There is no grace period for MAIB premiums so that

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does not exist for anyone. However in the case that you have raised, the relevant scheduled benefits would have been available to all people involved in any accident that would have occurred. No other motorist or road user, passenger, patient would have been at risk of not being covered under our scheme, assuming they were registered at the time of the accident as well. We do not penalise anybody else involved in a motor accident because they ran in to an uninsured vehicle. That is not our scheme; it is very much a social insurance scheme.

For the Ambulance Tasmania people themselves it would have been most likely the drivers of ambulances would not have known whether it was registered or not so they would be covered. It is only the driver if they knew it was not registered. In any case it is most likely workers compensation insurance would apply to Ambulance Tasmanian people injured in motor accidents first. Our scheme responds but workers compensation would respond first if there is a motor vehicle accident.

The reality is in that situation, even if there was a period when they were not insured and that is for Ambulance Tasmania to answer, no road user would have been any worse off and would have been covered by our scheme or worse case scenario, workers compensation. So there was no difference and no risk to patients, other motorists, ambulance drivers; they all would have been covered under our scheme.

**Ms WHITE** - The cost would have been borne by Ambulance Tasmania the organisation, you are saying, if there had been an accident?

**Mr KINGSTON** - If there is an accident involving someone in a work vehicle workers compensation is a statutory scheme and would apply first. It depends on the circumstances as to whether it is a workers compensation claim or a personal injury motor vehicle claim. Either way they would have been covered under both scenarios.

**Mr CHALLEN** - If for instance a patient had been injured we would have covered the patient.

**Ms WHITE** - Yes, I understand.

**Mr CHALLEN** - Ambulance Tasmania would be up for the unpaid premium that is all.

**Mr HIDDING** - And the people in the other motor vehicle as well.

**Mr CHALLEN** - We would have covered them as well. The only possibility of an uninsured person not being covered if they are an owner/driver of a vehicle and they know the premium has not been paid. Anybody else who is involved in a motor vehicle incident is covered regardless of the fact a premium has not been paid. It is one of the fundamental features of a no-fault scheme.

**Dr BROAD** - What sort of test do you put on that knowledge? How should somebody have known? If I forget to pay my premium and it is two weeks late how could I argue -

**Mr CHALLEN** - As Paul said, there is no grace period. So if your premium is late and you are an owner/driver you are not covered.

**Dr BROAD** - If an insurance company took on a case of somebody injured in an accident with an unregistered ambulance, what personal liability would the driver have in terms of an insurance company pursuing them?

**Mr CHALLEN** - If the driver was negligent there could be a common law claim brought by another person injured in the event. Let us say a passenger in another vehicle that crashed into an ambulance, God forbid, we would still cover the driver in those circumstances.

**Dr BROAD** - Even in an unregistered vehicle?

**Mr CHALLEN** - No. In the ambulance, because the driver had no way of knowing Ambulance Tasmania had not paid the premium, the driver is covered. If you are talking about another unrelated incident where there is a driver of a motor vehicle who is, let us say the owner and who knows the premium has not been paid, he is not covered.

**Mr HIDDING** - Or should have known.

**Dr BROAD** - What about the liability for somebody, for example, the person responsible for making sure that ambulances are registered, would they hold liability if they knew that the ambulances were not registered?

**Mr CHALLEN** - I do not know. Ask a lawyer. It seems rather unlikely but I don't know.

**Ms O'CONNOR** - Minister, the dividend policy of your government has been in broad terms 90 per cent of after tax profit the dividend MAIB is paying this year, according to the annual report, is \$56.3 million which is after tax losses and profits. Given that MAIB posted a profit of \$165.7 million can you explain why that dividend is the sum that was agreed upon and is this an agreement between MAIB and the shareholder ministers?

**Mr HIDDING** - Thank you. I will ask the chairman to speak to that.

**Dr CHALLEN** - Yes, there is an agreement between MAIB and the shareholder ministers for us to pay a dividend that is 50 per cent of the average of after-tax profit for the current and preceding four years. We pay a dividend based on a rolling five-year average of our after-tax profit. That has been in recent years 60 per cent, but an agreement was made three or four years ago that it would revert to 50 per cent from this financial year.

**Mr HIDDING** - The one we are looking at?

**Dr CHALLEN** - Yes, the dividend we will pay this year is based on the 2016-17 profit. That sum of \$56.258 million that you spoke of is the average of a string of numbers that looks like \$148 million, \$125 million, \$100 million, \$69 million, and \$120 million. We have averaged those over the five years. Yes, it is an agreement between the board of the MAIB and the shareholder ministers.

It is driven by two things. One is the need for us to keep a minimum level of solvency, which is the ratio of our assets to cover insured liabilities and our liabilities. Because our assets are investments that are subject to a degree of volatility in their earnings from year to year, we need to smooth the profit stream so if we have a good year or a bad year it does not unduly impact on the dividend we pay.

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**Ms O'CONNOR** - Can you confirm in 2014-15, the dividend paid by MAIB to the Government was in the order of \$144 million, or am I misreading the report? Page 60 of the annual report, dividend paid, 2014-15, it looks like \$144.5 million.

**Dr CHALLEN** - That year we paid two dividends. We paid our ordinary dividend, which was at that time 60 per cent of the five-year average of after-tax profits. The board also proposed to the Government and the Government agreed to accept a \$100 million special dividend. We had three absolute boomer years of investment returns and our solvency had gone up outside the range we target. We were sitting on more capital than we needed and we proposed to the Government we should pay a special dividend of \$100 million. So it was \$100 million, plus the \$44 million.

**Ms O'CONNOR** - Was that dividend paid at the behest of the board's initiative or did the Government seek an extra dividend?

**Dr CHALLEN** - It was the board's initiative.

**Ms O'CONNOR** - The agreement that was struck between the shareholder ministers and the board about the 50 per cent over an average of four years, was that following that very large dividend payment?

**Dr CHALLEN** - The discussions came in around a new dividend policy guideline that the Treasurer issued.

**Ms O'CONNOR** - That is the 90 per cent policy? There are Treasurer's instructions of 90 per cent.

**Dr CHALLEN** - The 90 per cent never affected us. I do not have in my mind the timing of the new dividend guideline, the Treasurer's instruction and the 90 per cent, but I suspect they were coincident. The desire on the part of the Treasurer to establish a new dividend policy for government businesses led to a discussion between us and the Treasury and the Treasury and the stakeholder minister. That in turn led to a policy in which we would pay 60 per cent of after-tax profits for three years and then revert to 50 per cent. In the 2016-17 year, the dividend payable in this financial year is first reverting to 50 per cent.

The \$100 million special dividend was a separate conversation that may well have been going on in parallel. The timing is not with me at the moment. It was totally unrelated to that dividend policy. It was driven by the fact we had three very strong years of investment returns. Our funding ration, our solvency had gone well outside the top end of the target range we aim for. The board had the discussion we have once a year about our capital adequacy and decided it was not appropriate for us to be sitting on a large amount of excess capital. In those circumstance, you hand the capital back to the shareholder and we initiated that conversation.

**Ms O'CONNOR** - Final question on that basis thanks, Chair. Is that the first time to your knowledge that MAIB has decided to give such a large special dividend to the government of the day?

**Dr CHALLEN** - I think that is correct. I think it is the first time the MAIB decided to do that. It is not the first time the MAIB has paid special dividends. There have been avaricious secretaries of the Treasury in the past -

**Ms O'CONNOR** - No, surely not. Avaricious Treasurers? No.

**Dr CHALLEN** - It is a terrible thing. In earlier times the secretary of the Treasury has gone to the Treasurer and said, 'I think certain government businesses are sitting on too much capital and as a shareholder maybe you should take some of it back'. It has not been unheard of in the past.

**Mr JAENSCH** - Minister, can you please comment on our Government's commitment to reducing cost of living for Tasmanians and how MAIB is contributing to that and how it compares to arrangements in other states that we compare ourselves to.

**Mr HIDDING** - I have spoken before in the parliament how all Tasmanians and the entire parliament should be proud of the MAIB because as an enterprise it just works for Tasmanians. Not that there aren't people who often put things to us to say, 'If I have three motor cars why do I have to pay three MAIB premiums when I can only drive one at a time'. Those sorts of debates keep going.

**Mr JAENSCH** - We have had that discussion.

**Mr HIDDING** - In fact you were one of them, that is right.

As a shareholder minister you have to be pleased to be able to say that we have the lowest premiums for a no-fault scheme right across Australia, from 1 July this year, making it the most cost-effective scheme in Australia. This is a very good result for all registered owners of motor vehicles. The annual cost of a motor car premium in Tasmania is \$294. We have the most comparable rate of any state in terms of no fault, in terms of lifetime care. We should all be very proud of the way people in Tasmania are cared for for the rest of their life under this scheme. Common law rights and a monopoly scheme. The closest is Victoria where the motor car premium is nearly twice the price, at \$469, but Victorians have restricted access to common law arrangements in their state to argue their point. The only other state to have a premium cost closest to Tasmania is Queensland where the rate is \$352 per annum, but Queenslanders do not have a no-fault system or a monopoly scheme.

Last year the Government reduced the cost of motor vehicle premiums by 7.5 per cent to \$294. As from last Friday the premiums have been frozen for a further 12 months.

Because we are committed to easing the cost of living for Tasmanians, this year I was very pleased to announce that we also froze premiums for motor vehicles, motorcycles and taxi and luxury hire cars. We also lowered the premiums for farm tractors, off-road and recreational vehicles, and special interest vehicles. We want Tasmania to be one of the most affordable places in the country to live. Car rego costs and MAIB premiums are a key part of that. We are pleased with that outcome.

**Dr BROAD** - According to your annual report your net assets at the time of that special dividend of \$100 million were, I assume, \$540 million. You decided to shift \$100 million voluntarily to Government creating that special dividend. At the moment we are at the level of \$531 million, which is approaching that same level. Is a further special dividend under consideration?

**Dr CHALLEN** - Not right at the moment, no. We measure our solvency because of an animal called the funding ratio which is basically our assets divided by our liabilities, roughly, and we

target a range of 120 per cent to 145 per cent. We are sitting at the moment at 132 per cent, so we are right in the middle of that range. The reason the number is bigger now is because our liabilities have gone up over that period - more insured cars on the roads.

**Dr BROAD** - Your investment and other revenue has increased considerably since last year. I suppose it has been fairly up and down. It looks like your investment and other revenue was higher in 2013-14; it took a drop and then increased. What do you put that down to, being higher in 2012?

**Mr CHALLEN** - It's almost entirely driven by the returns to equity investments on the stock market. This investment revenue is accrued; it is not realised revenue. When the stock market goes up, our assets get revalued up. The increase in our assets when the stock market goes up get marked in as that investment revenue. It is mostly the unrealised capital gains that occur, because we have large investments in international and Australian domestic shares. You can see the booming years we had in 2012-13 with over \$170 million worth of investment and other revenue in those years, then 2014-15 was not so good, and 2015-16 was a very poor year for equity returns, while 2016-17 is probably about normal.

This year has been running slightly better than the budget year to date, but it is not a boom year yet. If you think about what you hear about the stock market on the nightly news, there was a terrific month in October, but the rest of the financial year has been pretty flat. We are ahead of budget on investment revenue so far this year, but nothing like we were in 2012-13, where the returns were just unbelievable. In large part, that is unrealised so it is paper profit, but under the accounting standards we have to bring them to book as written.

**Dr BROAD** - But those unrealised gains also count in your ratio.

**Mr CHALLEN** - They do, on the basis that if we chose to we could sell the shares and realise those amounts today, and obviously we don't. We are a very long-term investment so we will hang in there. Those investments are sitting there to meet the costs of looking after our clients, people that are injured in motor vehicle incidents, for many, many years, maybe 50 to 60 years into the future.

**Dr BROAD** - If we go back to the GFC days and those investments, what was the sort of impact there and did that recover quickly in 2012?

**Mr CHALLEN** - The big impact of the GFC occurred in the 2008-09 financial year. Like everybody who held large portfolio of shares, we took a big paper loss, particularly in the 2008-09 financial year. Then there was quite a big recovery that occurred between March and September 2009, so a lot of those paper losses track back. Over time since then the market has had its ups and downs but it has basically tracked upwards.

**Dr BROAD** - So it has been on the improve since, what, 2012?

**Mr CHALLEN** - The way the equity markets have gone in particular, there was a big drop in 2008-09, 2010-11 had quite a decent recovery in it, 2011-12 and 2012-13 were absolute boom years, then in 2014-15 things softened badly, and 2015-16 was a pretty poor year, and subsequently they have been on an upward track again. That is mostly driven by the fact that views about the international economy, in particular, are now becoming more and more positive. Europe is not as bad as it was and people have more optimistic views about a pick-up in the US - in fact, we are

seeing quite a strong pick-up in the US already - and Australia has performed pretty well really through most of that period.

**Ms O'CONNOR** - What types of investment is MAIB focused in on the stock exchange? Is there an ethical lens applied to any of the investments? Is MAIB, on behalf of the people of Tasmania, investing in fossil fuel companies, coal-fired energy and that sort of thing?

**Mr CHALLEN** - We have a portfolio of assets, and we are a conservative investor so it is fairly prudent, but we cover the standard categories of investments. We have Australian domestic shares, international shares, a small portfolio shares in emerging markets, a big holding of Australian and international bonds, modest holdings of infrastructure and property, and a few other dribs and drabs of cash and so on.

Where we invest in assets that are in deep markets like the equity and bond markets, our policy is to invest passively, so we invest our money with fund managers who invest in the indexes of the markets. For instance, we have a manager who invests on our behalf in Australian equities and they buy the ASX200 index. There are certainly some companies in there like Wesfarmers, Rio Tinto, BHP and so on that mine coal and iron ore and other things. They are in our portfolio because that is our investment philosophy. We don't try to pick who is good and bad in these very deep markets because we believe that is an expensive thing to do and it is extremely difficult to beat the market.

**Ms O'CONNOR** - So there is no discussion at a board level about ethical investment or divesting? You have had discussions about divesting.

**Dr CHALLEN** - We have had those discussions and have decided in those deep, liquid, public markets, the only sensible thing for us is to invest passively, which means you invest in what the rest of the market invests in. If they invest in things that are judged by some not to be ethical, so be it; we are in there.

**Ms O'CONNOR** - Or damaging to the planet, for example?

**Dr CHALLEN** - I don't think that's a debate for today.

**Ms O'CONNOR** - Okay. Page 19 of the MAIB annual report indicates MAIB has \$16.46 million worth of investment properties which are held to earn rental income and/or capital appreciation. Are you able to provide details about how many properties MAIB has, where they are located, and the nature of the property whether it is commercial or residential?

**Dr CHALLEN** - Yes, I can. We have a small portfolio of properties. One of them is our head office building in George Street, Launceston. Of that \$16.5 million that is in the annual report, that is about half of it, about \$8.1 million. The others are all properties we hold to deliver services, to look after people. In Glenorchy, Kings Meadows, Prospect and Ulverstone we own residences where people who have been catastrophically injured in motor incidents can be looked after, in some cases, for the rest of their lives. We contract out the management and operation of those properties. At the moment Anglicare has the contract to do that. They are not large in value, and the biggest of them is one in Cornelia Street, Ulverstone, which is worth \$2.2 million. There are three properties in Philip Avenue, Glenorchy, and they are worth \$1.4 million, \$1.4 million and about \$0.8 million respectively. Our facility in Quarantine Road, Kings Meadows, is worth about \$1.9 million.



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**Mr HIDDING** - They are share homes with five to six people living there and it's a beautiful environment.

**Dr CHALLEN** - They provide wonderful service facilities. There is also one in Trowbridge Place in Prospect which is worth about \$800 000.

**Ms O'CONNOR** - Despite an increase in the value of investment property, the rental income from MAIB has decreased. Are you able to explain why this is? Are any of the properties vacant?

**Mr HIDDING** - I will preface that by saying the property in Launceston is a large commercial building of which MAIB has the top floor and underneath, KPMG has -

**Dr CHALLEN** - We actually have the first floor.

**Mr HIDDING** - And then downstairs is a senator, so it is a commercial operation. MAIB does not occupy all of it.

**Ms O'CONNOR** - Sure. I'm just trying to work out why the rental income seems to have decreased.

**Mr KINGSTON** - We've had some minor vacancies in our office building in Launceston but that reflects where the market is at the moment. It is largely tenanted for the long term. We have had a small reduction in the rental stream there. The bigger reduction would be in our properties at Montrose at Philip Avenue. Two of them are houses. We have one very large house which is designed for when we have a new catastrophic injury and an extended family that has to support that person. While we find accommodation for them and quite often we will modify their homes so they can live in their family home in the long term, coming out of hospital can mean many years of rehabilitation and we have to find a home not just for them - and our supported accommodation facility at Montrose would be the first place we would go to - but as they transition to move back home they need their family members around them.

One of our bigger properties there has been vacant for a long time simply because, fortuitously, we have not had someone who has required it. We hold on to those as a long-term investment to make sure when we have that issue we have it there for them. That is probably our biggest drop in rental. In the last year or so we did not use them much at all which is good news.

**Mr CHALLEN** - Obviously we do not really target rental income on those properties there. They are a facility that is there when it is needed and we cannot really afford to have them full all the time because you never know when we are going to have a new client that will need care.

**Mr STREET** - Minister, obviously the ideal situation is for 100 per cent of vehicles on the road to be registered and to have paid their MAIB premium. That is when the MAIB works at its best I would assume. There are unregistered vehicles on the road in Tasmania all the time. My understanding is that MAIB and State Growth have a partnership now to help identify these unregistered vehicles. Can you explain to the committee how that works?

**Mr HIDDING** - This is an area that I am very interested in as Minister for Infrastructure and therefore the registrations of motor cars. In all my years in opposition I was astonished at how many people were charged every year for driving unregistered motor cars, and also unlicensed as it happened. It was turning into an epidemic. When I grew up if your car was out of registration by

a day you panicked. Now it appears, 'oh well, we will do it sometime', but that can have catastrophic results.

We heard earlier there simply is not a grace period. I have had a number of letters from some people who have had a crash on a Saturday and have gone in and paid their premium on the Monday and say, 'It is only a couple of days late, cover me'. You could not possibly run an insurance process under that arrangement. You are either covered or you are not. Then there are those other arrangements that kick in as we heard with the Tasmanian Ambulance.

It is definitely a target of this Government to drive down the number of people who are driving on the road unregistered. I was delighted that the MAIB agreed to fund the administration of the unregistered/uninsured project through the Department of State Growth. This is a great partnership, MAIB and DSG together, which sees the MAIB paying 25 cents for each registration transaction, collecting around \$169 000 per annum. This enables State Growth to employ one full time equivalent to manage the project and pays for the purchase and maintenance of automatic number plate recognition - a camera, a laptop and software - for a mobile detection system.

I saw this vehicle on the road. In fact, it was driving behind me and I thought it was one of my very diligent police officers because of the large jam tin hanging out the back window. I had a chat to the gentleman later and understood that he worked with the Department of State Growth being funded by MAIB. That camera technology is wonderful. It can take 300 images a minute and they are almost automatically advised on the laptop as to the status of that registration.

**Mr STREET** - That vehicle is on the road constantly, is it?

**Mr HIDDING** - Not constantly, but every week it is out there for a period of time. It might go down the Channel one day. What triggers from that is that within days people who were driving vehicles that appear to be unregistered flagged under the ANPR get a letter from DSG saying it would appear that you might be driving an unregistered car and rather than giving them an on-the-spot fine or whatever, they are actually given a quick period of time in which to pay.

**Mr KINGSTON** - Yes, a couple of weeks to get it sorted.

**Mr HIDDING** - A couple of weeks to get it sorted and told not to drive your car. The compliance with that has been terrific. It would appear from where we were when it started some year or two ago when some 5 per cent of vehicles were flashing up, we are down now to less than 1 per cent. That is just in reaction to an enforcement process. Rather than on-the-spot fines it says, 'I am warning you, we think you are driving a car; after all it has come up on this. Tidy yourself up'. Last year alone 1343 reminder letters resulted in 1027 of those vehicles being re-registered, which is a great result. As I understand it when the project first commenced there was an excess of 3 per cent unregistered vehicles on the road.

It is a great partnership. I thank MAIB for it. It sits alongside policing. Nobody listening to this should believe Tasmania Police is no longer interested in it. They have the same technology and if they catch you they will book you - there is no beg pardons there. In terms of lowering the number of people on the road unregistered, what MAIB is doing is not enforcement; it is encouragement to correct and it is working very well.

**Dr BROAD** - So 1343 letters were sent, is that the number?

**Mr HIDDING** - Yes.

**Dr BROAD** - How many of those were government vehicles?

**Mr HIDDING** - A good point. I do not know.

**Dr BROAD** - Is this technology also picking up government vehicles not being registered?

**Mr HIDDING** - Does it pick up government vehicles? Of course it does. Every government registration whether it is a G registered car or a privately registered one is subject to the same thing. As for -

**Dr BROAD** - How many were government vehicles?

**Mr HIDDING** - I have no idea. I can ask that for you. It sounds like the sort of question I asked when I sat there.

**Dr BROAD** - I do not know whether that is a compliment or not.

**Mr HIDDING** - True, it could be a bit of a backhander. It is something I can ask the Department of State Growth. Clearly it is not something MAIB gets involved in. It is an internal thing and I would be interested myself.

**CHAIR** - Dr Broad if you want to put that on notice you need to hand it to me in writing.

**Dr BROAD** - Getting back to the ambulances unregistered. If an unregistered ambulance is in an accident caused by a driver of an unregistered vehicle who knew they were uninsured can you confirm the ambulance and its occupants would not be covered by MAIB?

**Mr CHALLEN** - No, the ambulance and its occupants would be covered. The only person not covered in that scenario is the driver of the unregistered vehicle. The ambulance and its occupants and driver; everybody in the ambulance would be fine, they would be covered.

**Dr BROAD** - That is irrespective of who the uninsured victim is? So if they hit an uninsured family they would still be covered?

**Mr CHALLEN** - Who is the 'they'?

**Dr BROAD** - A driver of an unregistered vehicle, who knew they were uninsured, has an accident with anybody else, the 'anybody else' is covered?

**Mr CHALLEN** - Absolutely. Indeed, if said uninsured driver had, let us say passengers, family members in his own vehicle, they would all be covered. The only person not covered is the driver who knew the premium was not paid.

**Mr HIDDING** - That is the feature of the wonderful no-fault system which other states do not have. It assumes those passengers were completely innocent. They did not participate in not paying the registration so they should not have to pay that.

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**Dr BROAD** - The Government has a target of zero deaths and zero serious injuries on Tasmania's roads by 2050. On current trends, is that target achievable?

**Mr HIDDING** - Whether it is achievable or not is immaterial to us. It is the only responsible target. We are not saying zero next year, we are saying 2050. The Road Safety Advisory Council thinks about this everyday of its existence and the very good people in the department who work for the Road Safety Advisory Council think about this in everything they do. Every day people who drive the Midland Highway understand we are spending all that money to keep people safe, safer than they were before.

Can I guarantee that there will not be one road death in 2051? No I can't, but it is the only remotely sensible target we can strive towards. When I see the pain in the eyes of the road trauma support groups in Tasmania and the people who are still here after the deaths and the tragedies of those people in those homes we were talking about, they are with us. They want to drive the road safety numbers down to zero.

This is not some sham target. We are serious about it. For that reason when we are talking to people about road designs we have to be tough. We need to build roads to a standard. The Midland Highway is being built to an AUSREP 3 standard, which is demonstrably much safer than any other standard you might apply to that road. It will save lives, it is already saving lives.

We are seeing the grade separation, the wires up the centre of the highways, regularly damaged. As an employee of the Government recently explained it, 'I was driving along paying attention and the next minute there was all this noise and my car was in the ...'. She couldn't explain how that happened. Some people I know comforted her on the side of the road. They stood and watched the traffic come by and without question she would have run head-on into oncoming traffic. So it is working.

From time to time we are able to moderate the MAIB premiums because of good road safety outcomes. We are not going to trumpet that on the basis of who knows what is going to happen tomorrow.

**Ms O'CONNOR** - I might just point out that by 2050 most of the cars on the road will be driverless so human error will be less of an issue.

**Mr CHALLEN** - That is a big call.

**Ms O'CONNOR** - It is 2017 and I think they are coming.

Minister, we have had discussions in the past about how easy it is for a young person to get a learner's permit and then get on a motorcycle and head into the traffic. You are aware of some of the issues here about how easy it is and the lack of training for learner motorbike riders. What changes have you made to the motor cycle learning regime?

**Mr HIDDING** - You've asked me a question on a matter that is deeply personal to me. Not personal as in my family but as a member of parliament. I was confronted by a constituent who had lost a 16-year-old son. He was blown off a postie bike in a wind gust into the path of oncoming traffic and lost his life. The constituent said to me, 'Rene, that boy could not ride a motorcycle. He had gone around witches hats on a netball court to show he could steer around the witches hat and we then put him out on the road for 12 months with no training. They said, "Come back in 12

months and we'll see what you're like and then we will give you some training and then we will test you". I understood then that we had it completely back-to-front in Tasmania.

About the same time Victoria found itself looking at the same system and saying, 'This is a cultural thing. We have this back-to-front', so it started reviewing its arrangements as well. We worked together and the main consultant working with Victoria turned out to be our main consultant as well.

It is a completely different system now. A 16-year-old can apply for a learner's licence and they receive structured off-road training and then structured on-road training before they are allowed out on the road. They have an instructor riding alongside them on the road to make sure they know what they are doing. After a period of time they come back and do another check ride to see whether they have learned any bad habits and what they need assistance with. We have completely turned the process on its head. All the training is at the front end now. The training is being delivered by a private provider, AJL, which won the contract in three areas around the state. The Launceston one is being set up now. It has 100 per cent support from the motorcycle organisations.

While it is somewhat astonishing that we would have to do all that, it is something the Government is very proud of. In fact all Tasmanian should be proud of. We have been able to turn this system on its head.

I will place on the record again, because the member who asked the question knows of what I speak here. I still have concerns that a 16-year-old Australian citizen is able to go down to a government department and make an independent application to be in charge of a motor vehicle without parents knowing the first thing about it. I am not making a statement that it ought to be fixed, but it is a cultural thing. It was always thus: a 16-year old could go down and get a learner's licence. At least now that 16-year old without the parent's knowledge is forced to go through training. The point remains: at what point was the parent going to be told?

**Ms O'CONNOR** - After they got the learner's permit.

**Mr STREET** - I know my mates and I were amazed when we got to grade 10 and turned 16 that if we had a learner driver's licence we had to have someone in the car, but if we got a motorbike licence we could ride the motorbike to school without any parents.

**Ms O'CONNOR** - It is frightening. Minister, last year MAIB contributed \$6000 to the Motorcycle Safety Strategy. My understanding is that this is a subsidy for the refresher course. This year the line item did not appear. Does that mean there is no uptake, or what does that mean?

**Mr HIDDING** - I will ask the CEO to respond to that. For a long time there was no uptake, and this wasn't MAIB's fault. They put the money up as bait, essentially to send people off for these refresher courses. The refresher courses were being commercially provided and they needed a basic number, four or five, to fill a course. Whenever a course came around there weren't quite enough people. With this new scheme of training that we have brought in the commercial provider, AJL, provides very good refresher courses. I'm hearing of people who are going back to riding a motorcycle after 25 years off a motorcycle. They get themselves a check ride. They get terribly shocked with the check ride that they actually don't know much at all. Their braking bias is all wrong, the way they're sitting on the bike is wrong, the way they are looking, spatial awareness,

and those sorts of things. This commercial provider is very keen to build the check ride take-up for people referred and doing these refreshers. Mr Kingston could -

**Ms O'CONNOR** - Is there a line item in the annual report that relates to it?

**Mr KINGSTON** - We didn't leave a line item in. It was a materiality issue. We are talking \$5000, \$6000, \$10 000, and given our investment figures it gets lost in terms of materiality for our results. It is not there just on that basis. Last year we were about double what we were the year before, so we paid something like \$11 000 or \$12 000 compared to \$6000. That means there were twice as many people taking up the course.

This was in a transition period because with the new training that the minister has outlined, the refresher course will be re-badged and will take on board what is now called a check ride, which is even more on-road training. By combining that with the new learner licensing system we can have groups of five or six in a combination of learners and return riders. Our subsidy was taking a \$200 refresher course down to \$50 for the participant, to make sure they put some money into it, but basically didn't cost them too much. As the minister said we struggled in some regions to get four, five or six people together and it wasn't commercial.

Now if we can combine learners and returning riders into that group of five or six it means there are going to be more courses offered, which means there will be more take up. We will be more than happy to put more into it. The new systems are being set up. Launceston is just being finalised. The three centres are brand new centres that are not just on a netball court, they are proper motorcycle training venues. We envisage that in this year we will have even more, but it was nearly double what it was the year before.

**Dr BROAD** - You talked about your coverage ratio being between 120 and 145 per cent, so what was your coverage in the 2014-15 year when you gave the \$100 million special dividend? What was the actual figure?

**Mr CHALLEN** - We don't have the before number. After we paid the special dividend it was \$128 million. I'm sorry, my mental arithmetic is not up to doing this on the spot but it would have been substantially above that because that was the reason we paid the special dividend, but it came to \$128 million.

**Dr BROAD** - It was above \$145 million?

**Mr CHALLEN** - Yes, it would have been.

**Dr BROAD** - On your current projections, are we likely to exceed \$145 million in the short to medium term?

**Mr CHALLEN** - Not in the short term. When you asked earlier whether it was under active consideration and I said no, the reason for that is that annually we do a very formal consideration of our capital adequacy with advice from our actuary. We have just done it last month and we know we don't have the capacity to pay a special dividend at the moment, which is why I said no earlier. As part of that exercise, the actuary does simulations of what the funding ratio will do for five, eight, 10 years into the future under various scenarios. Most of the ones that are highly plausible show the funding ratio drifting up very slowly, so it doesn't get anywhere near the top of our target range for at least five or six years.

Things can change. If we have an absolute boom year on the equity market or - it is unlikely but for argument's sake - if there was another step downwards in bond rates, both of those would give us a big boost to our investment income which would flow through into our funding ratio and that might tip us up in that direction.

**Dr BROAD** - In reference to that \$100 million special dividend, were there any other options canvassed by the board and what were they?

**Mr CHALLEN** - Yes. The obvious alternative option is to do nothing and just sit on the capital, but the board's view was that was not a responsible thing for us to do because one of our objective, apart from looking after people who are injured in motor vehicle incidents, is to run our business well and provide an adequate return on the equity that the Government and the taxpayer, as our owners, has in the business. If we're sitting on \$100 million of excess capital we can't provide a decent return on that, so the responsible thing to do is to hand it back to the shareholder in exactly the same way as a listed company would. If they are sitting on excess capital and do not have a good business development opportunity to provide a good return on that excess capital, they would have a share buyback or something like that to hand the capital back to their shareholders.

We are in a business that has a very narrow remit. We are simply in the business of running a no-fault, compulsory, comprehensive third-party motor vehicle insurance scheme so there are no business development opportunities for us. If we have too much capital, the only responsible thing to do is to hand it back to the shareholders.

**Dr BROAD** - You could have substantially reduced premiums as an option.

**Mr CHALLEN** - No, we couldn't, because premiums are driven by the long-term parameters of business - what return we can get on our assets over the long term, what the injury frequency rate, the rate of injuries, of our insured group is. Premiums are not much influenced by short-term investment earnings at all.

**Dr BROAD** - But you have recently frozen premiums. Is that freeze continuing?

**Mr CHALLEN** - We have cut premiums by 7.5 per cent and now we have frozen them for 12 months. We can't say what is going to happen in the longer-term future. It is mostly going to depend on what happens to road safety outcomes. If the trend we have seen in recent years of injury frequency rates - the rate of injuries per 1000 motor vehicles - continues to gently track down as it has, we will be able to keep premiums where they are or maybe, if there is a good wind, ease them down even a little bit further. What happens on the equity markets from year to year is not going to have much influence on our premiums at all.

**Mr JAENSCH** - You have spoken about the motorcycle road skills course that MAIB has contributed to previously. Can you outline some of the other road safety activities MAIB funds and sponsors year on year?

**Mr HIDDING** - MAIB distributes a lot of money, around \$5.1 million, into these activities. There is ongoing annual funding of road safety services in police enforcement. There is direct payment for Tasmania Police for enforcement on the road and also to the Department of State Growth for education, that is the Road Safety Advisory Council and the education elements of that. There is road rescue funding to the SES. They pay \$330 000 to the SES because many of the

volunteer SES units are in fact road rescue units which are very valuable in the process. The Tasmania Fire Service, the official cutter-openers of vehicles with the jaws of life and the rest of it, gets \$210 000. There is \$740 000 through the MAIB's injury prevent and management foundation and related charity funds - so there is all sorts of funding that goes to organisations that promote injury prevention and management - and a total of \$78 350 in other sponsorship and minor funding arrangements covering charities, road safety, injury prevention. The MAIB Metro Nightrider service, for instance, is one that keeps people safer at those times of year where they would be better on a Metro bus than risking driving home. Also the Tasmanian Motorcycle Council and the Pollie Pedal get some sponsorship for their activities.

In that large list of funding we can look at just a couple of them I would like to share, and one of them is ATV, or all-terrain vehicle, training for senior secondary students in a number of rural areas. ATV skills training has been provided at Yolla District High School, Campbell Town District High School and Jordan River Learning Federation school farm. This trains young people in schools who come from rural backgrounds in the safe operation of ATVs, which we all know have a poor safety record on farms. It helps them with skills to avoid accidents and obtain certified training outcomes. It is a very valuable training program and I am advised that these young people take the skills back to their parents and their older brothers to say, 'That's not how you ride an ATV. This is how you do it safely'. It is engaging them at that level. That is just one example of the very good work they do. Many of these ATVs, of course, have RV registration because farmers use them on country roads.

There is also the trauma nursing skills development project which has been done through the College of Emergency Nursing, providing the required knowledge and clinical skills for nurses working in emergency care settings involved in managing people with acute trauma, including those involved in road crashes, which in terms of extra education for nursing is critical in this space. Funding for road trauma support helps support the valuable work of the road trauma support people, supporting and promoting healing in Tasmania for road crash victims with psychological and emotional trauma. That is just three examples of the kind of things MAIB invests in.

**Ms O'CONNOR** - I am trying to get to the bottom of this \$100 million dividend. Mr Challen, you said earlier that the decision was made to pay that dividend because MAIB was sitting on excess capital. But when you look at the books on page 60, net assets at the moment for MAIB are \$531 million, which is higher than the \$440 million when the \$100 million dividend was decided on. Can you tell us how much excess capital MAIB is sitting on at the moment?

**Mr CHALLEN** - Well, none. As I explained earlier, we have just done a review of our capital adequacy and we are sitting right in the middle of our funding range. At the moment we do not have excess capital.

**Ms O'CONNOR** - What sort of capital is MAIB sitting on?

**Mr CHALLEN** - Net assets of \$530.6 million. You can see in the 2016-17 column net assets - that is our capital.

**Ms O'CONNOR** - I am trying to understand why the decision was made in the first year of a Liberal government to hand a special \$100 million dividend to the government of the day when, on the numbers, there would not appear to be that much difference between where MAIB is now and where it was when the decision made to pay the dividend.



## UNCORRECTED PROOF ISSUE

**Mr CHALLEN** - I explained in my answer to Dr Broad's question earlier that our insured liabilities had gone up substantially over that period because there are more motor vehicles on the road and the cost of the incidents that do occur on the roads has gone up over that period for a range of reasons, including higher costs for care workers, for instance. When you do the assessment now of our liabilities relative to our assets, we are sitting right in the middle of our funding range, so on the basis of our actuary's advice and our own judgments, that is the capital we need at the moment.

**CHAIR** - The time for the hearing has expired. I thank you Mr Challen, Mr Kingston and minister, for attending.

**Sitting suspended at 10 a.m.**