

UNCORRECTED PROOF ISSUE

Wednesday 3 December 2014 - Legislative Council - Government Businesses Scrutiny Committee B - Motor Accidents Insurance Board

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE B

Wednesday 3 December 2014

MEMBERS

Mrs Armitage
Mr Dean
Mr Finch
Ms Rattray
Mrs Taylor (Chair)
Mr Valentine

IN ATTENDANCE

Hon. Rene Hidding MP, Minister for Infrastructure

Ministerial Office

Vince Taskunas, Chief of Staff
Nick Peterson, Senior Adviser

Motor Accidents Insurance Board

Mr Don Challen, Chairman
Mr Peter Roche, Chief Executive Officer
Mr Christopher Hill, Chief Operating Officer
Mr Derek Thurm, Chief Financial Officer

The committee resumed at 11.08 a.m.

CHAIR (Mrs Taylor) - Minister, perhaps you will give us a short overview.

Mr HIDDING - It has been another solid year for the MAIB underpinned by a strong return on investment of 12.8 per cent which was above target due to strong investment market performances and very good work there. It is not just about numbers. I am sure you are all aware

of the great job done by the Road Safety Advisory Council in Tasmania and the major role MAIB plays in road safety generally and on that Road Safety Advisory Council.

As an example, I would like to make mention to what may be a lesser known work done through the Industry Prevention and Management Foundation. The foundation was established to fund research, education and service development programs directed towards a prevention and improved management of injuries resulting from road accidents. This is very important work and, as the old adage says, an ounce of prevention is worth a pound a cure.

The Hodgman Liberal Government came to government with a commitment to road safety and working with existing programs like this, we can make a real difference to the safety of all Tasmanians.

It is pleasing to highlight that MAIB does not simply raise premiums in accordance with the maximum allowable under the premiums order. Rather, the board considers the recommendations made by the actuarial consultant who analyses claims frequency and costs. This means in real terms, the MAIB premiums have reduced by 37.2 per cent since 1 December 2003 and that can only be good news.

Finally, in case the committee is not aware, the CEO, Peter Roche, will be retiring as chief executive officer on 4 February 2015. On 5 February, Mr Paul Kingston takes up the position. I thank Peter for his contribution, after working with MAIB for more than a decade. I wish him and his family all the best on behalf of the Government, the Parliament and the committee. He has really made an exceptional contribution to the state of Tasmania and I want to ask the chairperson to address that as well.

CHAIR - Yes, thank you. I am sorry, for *Hansard* I should have asked you to introduce who was at the table with you.

Mr HIDDING - To my right, Don Challen the chairman of the Motor Accidents Insurance Board and to my left Peter Roche, the chief executive officer.

Mr CHALLEN - Thank you, Chair. I would just like to echo the minister's remarks. The state of Tasmania, motorists injured in motor accidents, and people who are interested in road safety owe a great debt to Peter Roche. He has put in a fantastic stint as CEO of the MAIB and his understated style has probably left many people not realising what a big impact he has had on the Tasmanian community. He has done a fantastic job of building the organisation of the MAIB and has worked very closely with a range of community organisations and government departments to make sure that there is a very strong focus on road safety in the state.

I would just like to say on behalf of the board and the MAIB organisation how much we appreciate the wonderful job that he has done. We are sorry to see him go but looking forward to our new CEO coming on board. We wish him and Carmel all the very best for their retirement.

Mr HIDDING - He looks way too young to retire but he tells me that is not true.

Ms RATTRAY - My information tells me, minister, that you look even younger after you retire so there is good news ahead. I am hoping for that.

CHAIR - Retire is probably the wrong word now, isn't it? It is to retire from the job you are doing but you gone on to do things you really want to do.

Mr HIDDING - I am sure the committee joins us in wishing Mr Roche all the every best.

CHAIR - Indeed, we do. Thank you, Peter.

It is questions and the only person who I know has a question is Mr Valentine.

Mr VALENTINE - I asked a question in Parliament some time ago and it came out that there were 70 581 persons in Tasmania recorded as the nominated operator of more than one motor vehicle registered in their name. There were 68 210 with driver licences who were not listed as a registered operator. Why would we not be looking at applying an MAIB levy on the driver and not the vehicle because you as a driver, if you had three you pay three times? Yet P-platers who may not have a car and who are probably a higher risk do not pay anything.

Mr HIDDING - Wouldn't they be using one of my three cars?

Mr VALENTINE - They might be or they might not, but I am just skiing if you have looked at that side of it? Has that ever been investigated as a possibility?

Mr HIDDING - In my short term as minister, variations of that have come up. People have written to me asking, 'Why don't you do this and that?'. It is something that I am looking forward to exploring with the board in due course but it is a very good question to start the discussion. I will ask Mr Roche to talk about different models around the place and why it is that we do what we do.

Mr CHALLEN - We are both busting to answer this question but I think Mr Roche is probably best equipped.

Laughter.

Mr ROCHE - The funding of MAIB has been looked at by the Economic Regulator, formally known as the Government Prices Oversight Commission, on a few occasions. It is true that there are some other models as well as the model that you have put forward there about one premium for one operator. There is other models like a tax on petrol consumption equals miles travelled, et cetera. But in Australia all jurisdictions operate in the same manner as Tasmania with a premium on a vehicle.

There are lots and lots of issues with one premium per operator. For example, there are operators of fleets - 50 trucks or 50 buses on the road, and a whole range of commercial circumstances where it would not apply. But it is an insurance model and if you own more than one house, there is an insurance contract on each and every property covered. As for motor vehicles, just like your property insurance, for a motor vehicle there is an insurance premium payable on each vehicle. If you own a car, a caravan and a motorbike, you will pay a property insurance premium on each one of those vehicles. The argument is sometimes put that you can only drive one of these at a time. That may or may not be correct. There are spouses and children who can drive these vehicles at the same time.

There is also the other issue that different vehicles have different characteristics. I am loathe to raise the issue of motorcycles but we all know that the motorcycle premium is higher than a motor car, and that is based on risk characteristics. To counter the notion about people paying twice, you could say that if an operator simply has a car, compared to someone who has a car and a motorbike, the person with the car, if they were paying the same premium as someone with a car and a motorbike, would probably feel they were being badly done by because of those different risk characteristics.

Mr VALENTINE - Not if it applied to the licence, though. With the motorcycle licence being endorsed on the licence, they pay a higher premium.

Mr ROCHE - One of the problems with the motorcycle licence is that there are thousands of people who retain their motorcycle licence but have not had a motorcycle since they were 25. They seek that ongoing motorcycle licence and for some reason they do not want to give that up.

Ms RATTRAY - They are too hard to get back.

Mr HIDDING - That is true.

Mr VALENTINE - What I am saying is that the risk is for the driver, not the vehicle. It is an insurance based on risk. It is the driver who has an accident, not the vehicle.

Mr HIDDING - Taxing points are an ongoing discussion. Margaret Thatcher found that out. She decided to go a certain way and found out what happens when you do that.

Mr CHALLEN - No model is perfect. There are deficiencies in every model. This is an insurance business and the reinsurers see the risk associated with the vehicle being on the road and being used. I believe it is a case of 'if it ain't broke, don't fix it'. I accept there are imperfections in this system, as there are in any other system, but it is a well-worked system. It is well tried and works well.

Mr VALENTINE - It just means that each person bears more of the cost at a lower level.

Mr ROCHE - What we have is a community-rated model whereby an 18-year-old with a motor car pays the same premium as someone who is 40 or 50. That does not apply in some other states where the young people are charged a significantly higher premium, some might say almost an unaffordable premium. As the chairman indicated, there is no scheme that is totally perfect but this one works fairly well and has seen the test of time.

Mr HIDDING - Recently in Parliament we saw some legislation come through to deal with interstate arrangements. I took the opportunity then to place on the record my view - this is before we were in government - that in Tasmania we should all be very proud of the MAIB and how it operates. It has some very strict rules that other states do not have. If you are driving unlicensed or doing the wrong thing, you are not covered. You need to be covered. What has struck me since I have become minister is that this is an organisation with a big heart. One would think it is all about money, working out risk and doing well with investments but it is all about heart. Only yesterday Mr Roche was telling me about when somebody is badly damaged on the road and it is obvious they are going to be in care for some time, it is that day that the MAIB reaches out and gets involved with that person. You might just want to explain that. You cannot legislate for heart. This is a company with a big heart.

Mr ROCHE - Thanks, minister. One of the greatest strengths of the scheme is that it is built on this no-fault benefit. People who are injured on the road, particularly those who are more seriously injured, we set about putting in processes as soon as we become aware of the crash. We do that through a police report. We set up a claim within our system so that at the earliest possible time we can get some information on the extent of those injuries and what it is that we might need to put in place to assist that person. For example, on discharge from hospital. If you have someone who has suffered bad fractures there might be some minor modifications needed to a home, a shower, or something like that. We can get in and get some communication with the person and the family to get those things happening. If the person requires care on discharge from hospital, because there is a benefit for everybody to get the person out of hospital at the earliest possible time, to have a system in place whereby we can have care and support for the person for showering, personal grooming, et cetera, as soon as they are discharged from hospital.

That can be for a relatively short period of time or it can go on in some instances for decades or the rest of a person's life if they are catastrophically injured. The system works to look after those who are seriously injured.

Mr VALENTINE - Do you have any data on the age of drivers involved in accidents? I know you are not only dealing with drivers, you are dealing with other victims. Do you have any data on whether it is the younger driver that are causing the issues or the older driver, those over 80, or whatever, that are causing problems?

Mr ROCHE - The minister remarked on the work of the Road Safety Advisory Council and the involvement of MAIB with the funding of the enforcement and education program. One of the things that we put in place right at the beginning were some KPIs where we thought things should improve. One of those related to the 18 to 25-year-old drivers. I am happy to say that over this long period that we have been associated with road safety, there has been a small sustained decrease in the number of claims from that cohort. That is even disregarding the increase in the vehicle numbers over that period.

Whilst those younger drivers probably still have a significant risk, the improvement through a decrease in the number of claims has been excellent. Our younger drivers should be congratulated on how they have responded to responsible driving.

Mr HIDDING - From that we can see that MAIB is not just an insurance company.

Mrs ARMITAGE - The Law Society, while they are saying they have very few negative reports, have three questions they would like us to ask you, procedural connecting points. The first is, they say MAIB has a policy of reimbursing plaintiffs in relation to the expense of obtaining medical reports required to conduct their actions. However, they refuse to reimburse medical reports obtained prior to proceedings being issued in court. This seems a strange rule as it may be that in key cases of liability, the board could proceed to conciliate claims without the need for the engagement of legal processes in court. This would reduce the cost to the plaintiffs and ultimately to the board because it is normal for the board to pay the costs when it is found they are liable to pay damages.

Can you advise why the MAIB aren't prepared to pay the costs of the medical report prior to going to court if it would save money?

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Mr ROCHE - If we could go back one. It is a good gesture from the MAIB to pay for these medical reports at all. There is nothing to say we need to pay for those medical reports.

Mrs ARMITAGE - Can I ask you why not, if someone is injured in a motor vehicle accident?

Mr ROCHE - This is in relation to an action for damages. Normally an action for damages,

Mrs ARMITAGE - A disability?

Mr ROCHE - Yes. Someone has a personal injury and they sue the negligent driver. Normally, the plaintiff's, the injured person, legal costs and other disbursements are paid after the settlement of the claim. We have allowed the payment of those medical reports prior to that and those medical reports have to be produced to us. We will not pay them unless they produced a report.

To get to your question, one of the problems is that we like to resolve claims in a timely manner and this rule we have, and it is an internal rule, is to bring matters to a head and get things moving in a timely manner and not drag them out for years and years. This is an incentive, rather than anything else, to get things moving.

Mrs ARMITAGE - How can it be an incentive when, in order for them to be paid, they have to go to court, whereas the Law Society are stating that there are some cases that could be settled without going to court if the report was,

Mr ROCHE - It could be settled. However, our experience is that it is the MAIB who is normally pushing to have these things resolved. That is something we would not be able to achieve if we were paying for reports in the first instance and the plaintiff, or the plaintiff's lawyer, if their preference was not to proceed to settlement and they could go for a number of years and then issue a writ after a number of years. This is all about moving the claim forward so that the MAIB can resolve the matter, so the person can get paid and get on with their life.

Mrs ARMITAGE - The second question - and bear in mind these are the Law Society's questions - generally in litigation, if one of their clients is likely to rely on a medical report they seek instructions as soon as that report is provided and forward it to the solicitors for the MAIB.

However, they find that the converse is hardly ever the case. That is, the MAIB appears to wait until the matter is almost ready for trial or conciliation before releasing any of its medical reports. Sometimes this leads to delay because aspects of the board's case do not become apparent until the medical evidence is released and the plaintiff needs to therefore go off and reconsider and often take further reports from the independent medical examiners or treating medical providers. In the Workers Rehabilitation and Compensation Tribunal there are rules dictating that all reports need to be released within a reasonably short period of time of their production. A similar rule for the MAIB may lead to speedier resolutions of personal injury matters, lower legal costs and better results for injured road users. A comment on that one?

Mr ROCHE - I would not necessarily agree with the comment that it is the MAIB that holds things up until the matter is ready for mediation or resolution.

Mrs ARMITAGE - Are they released in a timely manner?

Mr ROCHE - My word they are and more often than not it is the MAIB who is pushing to move these matters forward because it is not in our interests, or the interests of the injured party, to delay these matters. Unless someone was able to bring me some clear evidence that we are dragging the chain, I could not comment any further.

Mrs ARMITAGE - That is good. Their third question is:

Often the MAIB conducts video surveillance of injured persons. It is common for the content of any video surveillance to be disclosed only very close to a trial or conciliation. Earlier release of this material may lead to the plaintiff in an action to consider early offers of settlement which would lead to lower legal costs being sought on behalf of the plaintiff's proceedings and therefore a saving to MAIB.

Mr ROCHE - There are things that we do and things that we need to do. I am not sure that we would disclose every single thing that we do in order to satisfy ourselves of the extent of a person's disability and the effect on their life. We wouldn't want to show our hand in every instance.

Mrs ARMITAGE - It was just saying it was leading to savings to MAIB, that is all, and earlier settlements.

Mr ROCHE - I can think of a lot of other ways we could have savings to MAIB but I am not prepared to -

Mr HIDDING - That the Law Society could assist with.

Laughter.

Mr ROCHE - The minister can say these things.

Laughter.

Mr ROCHE - Our people work very diligently on this and it is something very dear to my heart that we pay what I would consider is an appropriate amount of damages, and I would expect that the public would have that expectation of us as well.

Mrs ARMITAGE - When you mention no fault, I have often wondered with intoxicated drivers that are over the limit, if they are injured, does the no-fault provision apply to them? Do they get their injuries or hospital costs covered or are they outside the no-fault area?

Mr ROCHE - Yes and no. There are two levels of intoxicated drivers.

Mrs ARMITAGE - Over the limit, we will say.

Mr ROCHE - The drivers who are charged with exceeding 0.05 are entitled to no-fault benefits. I am sure Mr Dean will be able to confirm all of this. There is another, smaller group of people who are charged with driving under the influence of alcohol and people who are found guilty of that charge belong to a small group of people who are ineligible for the no-fault benefits.

Mrs ARMITAGE - So that is a higher level of alcohol content, is it?

Mr ROCHE - Indeed it is.

Mrs ARMITAGE - Over 0.15?

Mr DEAN - No, not necessarily.

Mr ROCHE - No, it is not linked to a particular reading, it is linked to a range of policing things.

Mr DEAN - Sobriety and sobriety-affected impact and all the rest of that.

Mr ROCHE - There is a small number of offences that make a person ineligible for no-fault benefits.

Mrs ARMITAGE - No driver's licence?

Mr ROCHE - Exactly, yes, and the other one of interest is someone who is injured using a vehicle in the commission of a crime. If someone has done a burglary and they are racing down the street, fleeing from police, and they have a motor vehicle accident, that would be not only the driver but any passengers in the vehicle -

Mrs ARMITAGE - Passengers as well?

Mr ROCHE - In that particular instance. But when driving under the influence and no licence it only applies to the driver. Any persons who are in a vehicle that is being used in the commission of a crime are ineligible for business on the basis that the driver of the vehicle might not be the person who committed the burglary -

Ms RATTRAY - Unless they are a hostage?

Mr ROCHE - If there was a hostage, they would not be in the commission of a crime.

Mrs ARMITAGE - How would you be if it was a stolen car but the passengers complained that they didn't know it was a stolen car? Would they then be eligible for no-fault? I find no-fault a bit of an anomaly when there actually is fault at times.

Mr ROCHE - It is just for the small numbers of people involved in breaking the law. If a vehicle was a stolen car, and that has come up from time to time -

Mrs ARMITAGE - And the passengers say they didn't know it was stolen, would they be covered?

Mr ROCHE - We would examine the facts of the matter and if we were able to satisfy ourselves that a person, for example, a child - one could not expect that a child would know that they were in a stolen vehicle -

Mrs ARMITAGE - Or a child of 10 or under that doesn't have a legal -

CHAIR - So you are really saying you have discretion?

Mr ROCHE - We deal with it on a case-by-case basis.

Mr DEAN - The hostage would be the crime. A number of years ago, Mr Roche, we introduced a \$20 extra fee on registrations for all vehicles for the purposes of upgrading road infrastructure. It was a special fee that was put on -

Mr ROCHE - Road safety levy.

Mr DEAN - With the position that the road safety levy would be withdrawn over a certain period, there has been no evidence of that \$20 fee ever being withdrawn. What is the position with it, Minister, and does it still apply? Is it going to be withdrawn? That was the agreement when it was originally put on vehicle registration and that it would only be there for a certain period.

Mr HIDDING - A certain period and then the previous government, after the expiry date, reinstated it. We have come into Government and it is still on. Our view is that for now, and I will give an example of what the money is going to for now.

Mr DEAN - That was my question because the public are now asking the question, where can we see that money being spent and how much per year?

Mr HIDDING - It is a very good question. The levy is augmented by MAIB and many other different ways. For instance, in the next two weeks I will be making an announcement to Tasmanians that the road between Launceston and Hobart, for this summer sealing and works period, is going to be a little frustrating. In fact, it is going to be very frustrating because we are going to have six projects going along its length, all of them funded by the road safety levy which has attracted a four-in-one contribution from the Federal Government. For every \$20 we put into a road safety project like this, the Federal Government, with this national partnership agreement, puts in another \$80.

Over the next 10 years there will be \$500 million spent on the Midland Highway, \$100 million of state money and \$400 million of federal money. In the long term, most of that is just our normal roads contribution. However, this summer, as an example, there will be six road safety projects along the stretch of the Midland Highway as there have been far too many crashes. It tends to be the speed they are travelling on a national highway, and a crash there, head to head, usually means a fatality. We have all seen way too many of them. This summer we are going to say to people, it is likely you will take two-and-a-half hours between Launceston and Hobart because there are six projects on.

CHAIR - I always take two-and-a-half hours.

Mr HIDDING - It is going to take three then. There are six projects there that we are able to do only because of the road safety levy. There is the Conara turnoff and all along its way there is the safe systems roads approach where we are separating traffic with the fence and there are extra lanes going in. All these projects are funded by the road safety levy. That is its majority application at the moment for highly necessary, highly overdue road safety improvements. For now, the levy stays on. However, it is a good question for the upper House to be asking from time

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to time: 'How are you going with that? Should it be a permanent feature and what are you spending it on?'

The Road Safety Advisory Council approves the use of that levy and they were very pleased for me to report to them the other day, when I attended their meeting of our intentions this summer. There will be more details on that coming in the next two weeks.

Mr DEAN - The \$20 currently applies to every registration in every situation?

Ms RATTRAY - I think it is \$25.

Mr DEAN - Okay, the \$25, does it apply to every registration, minister, in every instance?

Mr HIDDING - It is a technical matter and I would need to get some departmental advice on it.

CHAIR - You can take that question on notice.

Mr DEAN - Right.

CHAIR - And have you any future increases planned?

Mr HIDDING - No.

Mr DEAN - My next question is simply on trailer registration, which is a matter that is brought up many times. Victoria, as we know, has a position that if your vehicle registered, your trailer is registered. I think that is still the current case in Victoria. The question being asked here is: have we ever looked at that system? Trailers are only used on roads for very limited periods of time normally. The cost of registering a tandem trailer is about \$180 or \$190 which is extreme for trailers used probably once or twice a year. Is that being considered? Will that be looked at?

Mr HIDDING - No, changes to the registration environment are not on the table for now. It was recently put to me that you do not pay in Victoria. I researched that and I think that is only true with very small trailers. That was my own research. Now that you have reminded me to do that, I will seek a briefing from my department on that and share it with you because I think you are partially right only. For very small trailers you can assume the registration of the vehicle. Anything even remotely bigger than that is in fact registrable and about the same price as us. I will get that information.

Mr ROCHE - From an MAIB point of view, for trailers that do not exceed half a tonne there is no MAIB premium payable on them. If a trailer exceeds half a tonne, there is an MAIB premium. I think, in very round figures, there are about 100 000 trailers in total in Tasmania, including caravans, boat trailers, et cetera. I think about 75 000 that fall into this category where there is no MAIB premium payable.

The reverse of this is that for all your heavy trailers out there that are carrying logs and goodness knows what, there is a premium payable, and there is a premium payable on caravans, horse floats, et cetera.

Mr VALENTINE - It is capacity to carry, and not the weight of the trailer?

Mr ROCHE - No, it is the unladen weight of the trailer and not the capacity.

Mr DEAN - My other question relates to the road toll and the crash statistics. Last financial year we saw an increase, although the numbers were fairly low. This year again, on the way the figures are and if we continue to go the way we are, there will be an increase on last year. Is that a concern to MAIB, specifically in relation to the Road Safety Task Force? What feedback, minister, are you getting from the Road Safety Task Force to identify and demonstrate that they are getting as good value for money in the money provided through the MAIB to the force?

Mr HIDDING - Firstly, on the statistics, the Road Safety Advisory Council provides me with very strong advice that we should not be talking about ups or downs because downs would therefore have us saying that that is somehow acceptable. Neither do we talk fatalities any more.

Mr DEAN - But if they are down, minister, they will spruik those numbers to us that they are down.

Mr HIDDING - The Road Safety Advisory Council does not. I have been advised by them that we should not, and I think it is very good advice. I will just pick a figure - if there were 50 fatalities one year and the next year there were 49, it is of little comfort to those 49 that we say there has been a reduction of one. Therefore, we now talk the following statistics - serious crashes and fatalities are the same because, frankly, with the advances in medical care and all the rest of it you could say things are going down because of better care. I am aware of MAIB group homes where people live; I have a relative who works in them. They are catastrophic health situations but they are wonderfully cared for.

Serious crashes and fatalities are the statistics and we should not be crowing about them going down and, conversely, we ought to be interested in them if they are going up. Their stance is that they are working on the first 49 of wherever the stat is. For that reason I have taken my eye off that statistic a bit so we are not driven by ups or downs. It is unacceptable. Going towards zero is now the centrepiece of the Government's action and the Road Safety Advisory Council, of which MAIB is a huge player and a major funder.

Mr CHALLEN - From an actuarial point of view, the focus tends to be on what is called the 'injury frequency rate', which essentially is any incident that causes costs for care, rehabilitation or hospitalisation of a person relative to the number of vehicles on the road at any particular point in time. Over a long time, going back quite a number of decades, that injury frequency rate has been tracking down very slowly. For the time I have been involved with the MAIB - and I suspect for a much longer time that Peter has been involved - the actuaries keep asking the question, 'Can it continue to track downwards?' They are getting very conservative and saying, 'Surely not'. The reality is that in trends - not year to year, but if you look at the trend - it is still just barely tracking downwards.

What that tells you is that through all the activities of the community and the Government the focus on reducing the impact of road crashes and the general focus on road safety - how you behave on the road, whether it is acceptable to drink and speed - the culture around that has changed dramatically. All that over a long period has contributed to reducing this injury frequency rate. That is one of the reasons we have not had to put up our premiums for so many years. The costs associated with providing the support we provide to people who are injured in motor vehicle crashes is reducing over time.

CHAIR - One would think the improved safety of motor vehicles has helped as well.

Mr HIDDING - And also road design. This summer on those sections you will not be able to run into anyone. We are building for errors.

Mr CHALLEN - Crash barriers, signage, motor vehicle seatbelts, and training of learner drivers - there is a long list of things the community has invested in.

Mr DEAN - The funding for the Road Safety taskforce - is it still called that?

Mr HIDDING - The Road Safety Advisory Council.

Mr DEAN - So they then provide the funding they were getting to put those extra police specifically into road safety issues? You provide it to RSAC and they provide it to Police.

Mr ROCHE - What happens is there is a negotiation between MAIB and the Department of State Growth, where the Road Safety Advisory Council resides. We have a pot of money and we negotiate an agreement between those two groups. We pay the money direct to Police for the enforcement arm and we pay the other money to the Department of State Growth for the education.

Mr DEAN - How much is currently being provided to Police?

Mr ROCHE - The total figure in the last financial year was \$3.480 million. Of that, \$2.36 million went to Police and \$1.11 million went to the Department of State Growth for education. Going forward, in 2015 Police will receive \$2.37 million and the Department of State Growth will receive \$1.22 million.

Mr DEAN - What sort of feedback do you get from police to identify that all that money is being spent on more traffic policing, breathalysers or whatever it might be. How can MAIB be satisfied they are getting a good return for the moneys that have been provided to the police for assistance?

Mr HIDDING - I suspect they have annual conversations about this.

Mr ROCHE - We get monthly reports and the money to the police is acquitted. There is money for salaries, which is the vast majority of it, but there is also money for cameras and breath testing equipment and the like. There is a budget and the police report against that budget. The police provide monthly reports in terms of the number of drink drivers detected, speed detected and the number of operations conducted, a whole range of reports. At the end of the financial year, there is an audited report, which I am waiting for, it comes somewhere in December, that covers both the money that goes to the police department and State Growth that is signed off by the Auditor and the Chief Executive Officer and in the Police it is Mr Hind, the Police Commissioner. That is part of the memorandum of understanding that that audit report will be provided every year.

Mr DEAN - The point I am making is that money that you provide to the police, is supposed to be serviced by the police over and above the normal policing responsibilities and the policing that is done. It is supposed to be on top of that. That is the issue.

Mr CHALLEN - The other thing we do is that every three years we have an independent external evaluation done of the effectiveness of this program. There is a Centre for Australian Safety Research at the University of Adelaide and they have taken six evaluations for us over the years. Most recently in 2013. They provide a very detailed report with a lot of analysis that gives the MAIB board quite a lot of comfort that we are getting value for money and that the spending is effective in terms of promoting road safety and reducing the incidence of car crashes. We have a lot of confidence we are getting value for that.

Mr FINCH - The profit for 2013-14 was \$171.9 million compared to \$207.8 million in the previous year. That is understandable because of the cut in premiums. Excuse my lack of understanding here, but it is the increased dividend, \$44.6 million, up from last year's \$23.2 million, just some explanation around that, please?

Mr CHALLEN - The dividend regime for the MAIB is a little unusual because we have quite a lot of volatility in our reported profit driven essentially by our investment earnings. For the purposes of determining the dividend the profit is smoothed over a five-year period. Our dividend at the moment is 60 per cent of the average profit of the current and the past five years. When we have a couple of very strong years, as we have had in 2012-13 and 2013-14, it takes a little while for that to be reflected in the dividend because of this smoothing process. What you are seeing is we had a couple of very weak years, 2011-12 was a shocker of a year. Nothing went right that year in terms of investment earnings and we had a big increase in our claims expense because of the way the actuaries work. That reduced the smooth profit and then we have had two very good years that have lifted it. You will see for the next couple of years our annual dividend will go up as those bad years drop out and the two good years tend to dominate the five-year smoothing period.

Mr FINCH - That policy will continue, that five-year policy?

Mr CHALLEN - Yes, it has been in place for a decade or so. It was originally suggested by the MAIB because we were having difficulty with managing dividend payments that were fluctuating rapidly, year on year, as our reported profit. Part of the difficulty is that quite a lot of our reported profit is unrealised, particularly with investment earnings as you get capital gains and so on coming through and there is not the cash expression of the profit to pay a dividend. The benefit of having it smoothed over a five-year period is that we can easily plan for it and we can be confident that we have the cash to meet our dividend commitments. It is a good system.

Mr FINCH - Does that remove uncertainty about the future dividends to the Government?

Mr CHALLEN - It probably helps the Government because it makes our dividend much more predictable so when the Treasury people are doing their estimates of the outer years of the forward Estimates it is much easier to estimate what our dividend payment will be if it was based on a single year.

Mr HIDDING - It is still quite an organic process. If MAIB has a really good year, as shareholder ministers we go, 'they have had a very good year' and we cast our eyes in their direction and why wouldn't you? There has been some very good outcomes there and the dividend for 2013-14 is very helpful.

Mr FINCH - Am I right in assuming that there was a request for a special dividend of \$100 million?

Mr CHALLEN - No, there was not a request. The board initiated this. We have had two spectacularly good years in 2012-13 and 2013-14, most particularly in terms of our investment earning and partly provoked by the Regulator's most recent report into our premiums who suggested we should have another look at our capital base, something we do from time to time anyway. We did a review of our capital adequacy and got our actuary to do a very detailed piece of analysis for it and on the basis of that the board took the initiative of writing to the minister and the Treasurer and saying that, mostly as a consequence of this very strong performance in the last two years, we are holding capital far beyond our needs and suggested that the Government could call for a special dividend from us of up to \$100 million. That provoked a dialogue between ministers and the board and between me and the Treasury and ultimately it has been factored into the Budget now. What the timing of that special dividend is going to be has not yet been determined. That is really a matter for the Treasurer, but we have organised our affairs so we are in a position to pay it pretty much whenever the Treasurer wants it.

Mr HIDDING - From a Government point of view, there is a suggestion that comes from one of your companies like this is, in our terms, a recommendation and we are entitled to work with that recommendation. It is entirely different from us picking up the phone and saying come on. It is entirely different. We are working with that recommendation.

Ms RATTRAY - I am interested in exploring the volatility of the investment portfolio. You have had some good years as you have said. Is there any concern around investment volatility in the future?

Mr CHALLEN - It is just a fact of life. It would be nice if those markets were more predictable but the reality is they are not. We organise our investment portfolio in a way to minimise the overall volatility on our reported results, but fundamentally what we are about when we invest our funds is to make sure that we have earnings that pay that stream of revenue into the future to meet our long term care costs. Whilst we are proud of the fact that our portfolio has performed well, particularly in recent years, it is not something to get too excited about. What we need to be sure about is that we are earning enough on our funds to meet those long term care costs out for the next,

Ms RATTRAY - And you do not necessarily know what they are.

Mr CHALLEN - They are fairly predictable, but they go out for a long time and you get the odd shock from time to time. While ever we are confident that we are earning enough to meet those costs for the next 60 or 70 years we will be comfortable. We don't play the superannuation fund game of trying to be the top of the league tables every year. What we want to be confident about is we are getting enough to meet our costs and that we have our portfolio organised so that if there is a severe downturn in investment markets, we are protected from that and we will continue to get the revenue we need to meet our long-term care costs.

Ms RATTRAY - Perhaps you would like to expand into looking after superannuation funds.

Laughter.

Mr CHALLEN - No. I think that would not be the call of the MAIB.

Ms RATTRAY - On the outstanding claims liability, can you give us a bit of an understanding of that? Obviously there was a significant increase last financial year. Are you expecting the same of \$50.767 million increase?

Mr ROCHE - If you look at note 23, you will see some breakdown of how that additional \$50 million came about. What is very instructive is a sensitivity analysis on page 59. The outstanding claims liability is very much impacted on by economic factors such as the inflation rate, which is effectively wage inflation, and the risk-free rate. A very small adjustment between the difference of those two, which we call the gap, can make quite a huge difference to the outstanding claims liability.

If I go back to when I was much younger, the gap between those two was about 4 per cent. As the gap gets smaller, the liability gets larger and now the gap is somewhere about 1.75 per cent. These numbers move around every year because you are not going to get consistent numbers year on year, and some of that \$50 million was not as a result of poor claims experience. Claims experience was very good but there was a change in the gap between those two economic factors.

You have to remember here as well that these liabilities go out for many years. The gross number is a frightening number so you have to look at the net number. Because those liabilities go out for many years, our outstanding claims liability is going to continue to increase incrementally probably for another few years - I cannot tell when - until our long-term care claims portfolio matures. It does not sound right to say this, but as people pass away, when those numbers equal the number of new people who come into the scheme. I am expecting this will continue to grow incrementally over the next 10 years unless there is a huge change in economic factors which are in our favour. It is not something I am concerned about.

Ms RATTRAY - I will keep an eye on it and in a couple of years' time when we get this opportunity again, I will recall what you said. Thank you, Peter.

Mr CHALLEN - When you do that, if you have a look at the table on page 56 and run your eye down the discount rates column on the bottom right-hand side, you will see that year-by-year discount rates at the outer end of the curve went up between 2013-14 about 15 basis points. They have gone from of the order of 5.45 per cent to of the order 5.3 per cent. Reducing the discount rate increases our outstanding claims liability.

If you go two pages over to page 59 where the sensitivity analysis is, run down to about the fourth element. It says, 'discount rate increased by 0.5 per cent all durations'. If you go to last column, you will see the impact on equity is to take it from \$484.380 million to \$529 million. A 50 per cent basis point decrease in the discount rate will increase the liability by near enough to \$50 million. Ours have gone 15 basis points, a third of that, so about \$20 million of that is just the movement in the discount rate, that is all. These tables allow you to do those sums for yourselves to keep us honest.

CHAIR - Thank you, Mr Challen.

Ms RATTRAY - Thank you. I know you enjoy those questions.

Mr ROCHE - I do.

Mr VALENTINE - I am interested in your arrangements with care providers. I am presuming that just goes through a normal tender process for you to choose those sorts of care providers. I am not sure how competitive it is in Tasmania. What happens with patients - or clients, I am not sure how you term them - when they are moving interstate? Do you have other arrangements with interstate care providers to look after those people? Can you just explain a little bit about how that works?

Mr HIDDING - Anglicare is a major player, I suppose.

Mr ROCHE - We do conduct a tender process for what we describe as our preferred care providers and we have two of those, Anglicare and Ark. But that is not to say that if a person and/or their family wants some other care provider that they cannot have them, in fact, there is freedom of choice for the individual. What Anglicare and Ark do and are required to do, if we take the example that I was talking about earlier about someone who has been discharged with bad fractures and needs immediate help with showering and bathing and dressing, et cetera, is that almost instantaneously, at 24 hours' notice, if someone is being discharged from hospital on a Friday afternoon and help is required on a Saturday morning for showering, there is an expectation under their contracts that they will be available to do it. That gives us some protection of providing a service.

People who are hospitalised have a choice between those two and for a longer-term care arrangement, if they seek a different provider altogether, they can do this also. We do not have a lot of people who are moving interstate them but that is just handled on a case-by-case basis. Obviously the contractor care providers in Tasmania are not set up interstate even though they might have some sister organisations interstate. We would work with the injured person and/or their family to find an appropriate care provider wherever they go.

Mr VALENTINE - They are not contracted, that is just on a case-by-case basis?

Mr ROCHE - Yes, and that could even happen if someone goes interstate on vacation. Someone might fly to Sydney or somewhere like that wanting to take a vacation but they need care provided at the other end, then we will find a care provider. If they would prefer to find one themselves, the three of us can all work together to make sure that that person is provided with appropriate care when they arrive at their holiday destination.

Mr VALENTINE - So you do not transfer cases between MAIB Tasmania and the equivalent in Victoria?

Mr ROCHE - No, we do not but some of the other schemes are talking about having some sort of an arrangement like the one you have just described. Because we are on an island here and our numbers are so small, we do not have the same needs as, say, New South Wales and Victoria where there is a lot of movement over the border.

Mr HIDDING - That is where we started - an association with a big heart.

CHAIR - Ivan, you had a very short question on the budget.

Mr DEAN - Yes, simply on the budget and I accept that it is a fairly small staff within the MAIB, Minister, but will the Government's position in relation to staffing across all organisations

UNCORRECTED PROOF ISSUE

impact on MAIB? We heard there is a reduction in the Metro board by one so will there be any impacts on the board in this instance and what other recoverables are likely to occur through the MAIB position?

Mr HIDDING - Just the same as for the other ones, we have requested appropriate fiscal discipline for this government business as we have with all. A range of measures have been taken to ensure that the business will behave in a manner that is consistent with the expectation of the community and the state's challenging financial circumstances. There have been board reductions already.

Mr CHALLEN - We have reduced by one already and we will reduce by another one when Peter retires in February.

Mr DEAN - So it will not be filled?

Mr CHALLEN - It will not be filled and one of our board members is retiring in April 2015 and will not be replaced so the board will go down from eight to five over a 12 month period.

Mr HIDDING - That is a pretty substantial reduction for a board that size.

Mr DEAN - That was going to be my question, why do we need a board of eight in this organisation? It seems to be very heavy.

Mr HIDDING - A fair question but already dealt with.

CHAIR - Yes, thank you very much, minister, and Don and Peter. I am sorry we won't be seeing you at the table again.

Mr ROCHE - Thank you very much, Chair, and the rest of the panel. I have enjoyed this job and I have tried to be helpful in answering the questions here.

CHAIR - Your organisation is in very good shape.

Mr ROCHE - Thank you very much, Chair.

The committee suspended at 12.10 p.m.