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From: Greg Donnelly
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To: Arizona Hart

Merrin Thompson

Subject: FW: DANIEL MOOKHEY - OPENING STATEMENT - PARLIAMENTARY INQUIRY INTO PROPOSED CHANGES TO LIABILITY AND ENTITLEMENTS FOR PSYCHOLOGICAL INJURY IN NEW SOUTH WALES - FRIDAY, 16 MAY 2025

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Good morning,

Today, the Treasurer appeared alongside Minister for Industrial Relations, Work Health and Safety Sophie Cotsis at the parliamentary inquiry into proposed changes to workers compensation in New South Wales. His opening statement is included below.

Thank you, Chair.

And thank you to the Law and Justice Committee for permitting our appearance today.

The exposure draft this Committee is enquiring into arises from the failure of our existing WHS laws, industrial relations laws and our workers compensation system is failing to prevent psychological injuries and return those with psychological injuries to their health and to their work.

I set out the reasons why in my statement to the House in March. But since March there have been further developments - namely the finalisation of the December valuations.

Let me brief you on those changes.

At the June 2024 valuation, the Nominal Insurer held 85 cents for every dollar it expected to pay in compensation.

Since then the scheme has plunged further into deficit.

I regret to inform you that as of December 31 - the scheme is only holding 82 cents in assets for every \$1 it expects in future claims.

Absent reform, I expect the scheme to plunge further into deficit when the scheme is revalued in six weeks.

Fast deterioration has real implications for sustainability of the scheme.

Workers get less. Businesses pay more.

Put simply - you can have the best workers compensation scheme in the world on paper. If it has no money - it helps no one.

Turning to the TMF - the government's self-insurer.

I regret to inform the committee that as a result of the December valuation - absent reform - the forthcoming budget will report another \$2.6 billion writedown, just six months since the half-year review. With reform that cost might be avoided.

By way of context - the Half Year Review reported a \$204 million writedown. The 2024 Budget recorded a \$2.4 billion writedown. The 2023 Half Year Review reported a \$170 million writedown. And my first budget recorded a \$1.3 billion writedown.

In fact - the state budget has recorded a cumulative \$4.1 billion in writedowns arising from the TMF since in my two-year tenure as Treasurer.

As the TMF continues to deteriorate, the pressure for cash injections grows.

Since I became Treasurer, the Government has authorised an additional \$1.2 billion in cash injections to keep the public insurer funded.

Treasurers Perrottet and Kean authorised an earlier \$4.9 billion. Since 2018 governments have borrowed \$6.1 billion so the TMF's assets equals its liabilities.

I will not be authorising any further injections. Not until Parliament decides its collective response to a scheme that most acknowledge is failing.

Not when that money is coming at the expense of schools, hospitals, or kids in need of out-of-home care.

That choice is clear for me.

Turning to the state of the system. As I said in my Ministerial Statement in March:

Claims for psychological injury have doubled in just six years.

While 91% of physical injury claims resolve within 13 weeks, 50% of psychological claims are not resolved after a year.

The average cost for a psychological claim has also massively increased from \$146,000 in 2019 to \$288,542 in 2024.

These costs have increased the premiums for businesses by 8% annually for three years. Without reform, even claim-free businesses will see a 36% rise by 2027–28.

These costs are in turn having very real consequences on their financial viability and our economy.

Beyond cost, the system disrupts workplaces by sidelining trained staff and worsening conflict and productivity. The impact on injured workers is no better.

These facts demand reform.

The Exposure Draft of the Workers Compensation Legislation Amendment Bill 2025 takes the first step.

It is important for us to say: it is not the Government's final position.

Your deliberations - and our consultations with the NSW Trade Union Movement, employers and members of Parliament will shape the bill the government intends to introduce shortly.

That Bill aims to stabilise the scheme. But ultimately more reform will be needed.

NSW needs to break the habit of 'set and forget' when it comes to WHS laws, IR law and workers compensation scheme design.

The state needs to make a decisive shift towards fostering a culture of prevention.

Us parliamentarians need to lead it.

Ultimately the best workers compensation scheme is one no one ever needs to use.

Until that is possible - I urge Parliament to act to save the scheme we have and fight to stop people from being injured in the first place.

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