

**Submission
No 264**

INQUIRY INTO NSW WORKERS COMPENSATION SCHEME

Organisation: Accommodation Association of Australia
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**Accommodation
Association
of Australia**

NSW Workers Compensation Scheme

Inquiry – 2012

**Submission of the Accommodation
Association of Australia**

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EXECUTIVE SUMMARY

- The *Workers Compensation Act 1987* (NSW) ("**Workers Compensation Act**") should be amended to allow the issuing of new specialised insurance licences for workers' compensation because currently, there is no specialised workers' compensation insurer in NSW which has a specific focus on tourism accommodation businesses.
- If this amendment is made, the specialised insurance policy guidelines should also be changed to ensure that a new licensee is able to offer workers' compensation insurance to businesses whose activities fall into WorkCover Industry Classification 571000, accommodation.
- There would be numerous benefits for the NSW accommodation industry should new specialised workers' compensation licences be made available, including lower premiums, more efficient management of claims, reduced exposure of the accommodation industry to claims and the development of industry-wide programs for rehabilitation and deployment. By extension, the broader tourism industry in NSW and NSW's economy, current and future jobs, and competitiveness would benefit as well.

INTRODUCTION

1. The Accommodation Association of Australia (the “**Accommodation Association**”) welcomes the opportunity to put forward the following formal submission to be considered as part of the NSW Workers Compensation Scheme Inquiry which is being conducted by the NSW Parliament’s Workers Compensation Scheme Committee.
2. The Accommodation Association would be pleased to appear before the Committee as part of the Inquiry (whether at the public hearings or by alternative means if appropriate), should the Committee consider this to be of assistance.
3. The Accommodation Association makes this submission in accordance with the terms of reference of the Inquiry, in particular that the Committee inquire into and report on the Scheme’s financial sustainability and impact on NSW’s economy, current and future jobs and competitiveness.

ABOUT THE ACCOMMODATION ASSOCIATION

4. The Accommodation Association is the national industry body for the Australian accommodation industry.
5. Members of the Accommodation Association include major hotels, resorts, motels, motor inns, serviced and holiday apartments, bed and breakfasts, guesthouses, backpackers and timeshare establishments in metropolitan, regional and rural Australia across all states and territories.
6. The Accommodation Association’s membership base includes almost 2000 properties and more than 110,000 guest rooms.
7. The Accommodation Association’s members include major hotel chains, including Accor Hotels, Mirvac Hotels and Resorts, Hilton Hotels, Toga Hospitality, Mantra Group, Rydges Hotels, Amora Hotels, InterContinental Hotels Group, 8Hotels and Quest Serviced Apartments.

TOURISM AND ACCOMMODATION – OVERVIEW

8. Tourism contributes \$34 billion to Australia’s gross domestic product (GDP), a 2.6 per cent share.¹
9. Around 500,000 Australians are employed in the Australian tourism industry – 4.5 per cent of total employment.²
10. Employment within Australia’s accommodation sector is 110,969.³
11. Employment within the accommodation sector in NSW is 31,093.⁴

¹ Tourism Industry Facts & Figures (at a glance), Department of Resources, Energy and Tourism/Tourism Research Australia, May 2011, Page 44

² Ibid, Page 44

³ Ibid, Page 55

12. Tourism is Australia’s leading services export and it is the sixth-largest total export earner.⁵
13. Tourism contributes \$23 billion or 9 per cent of Australia’s total export earnings for all goods and services.⁶
14. There are 4279 tourism accommodation establishments in Australia.⁷
15. There are 1411 tourism accommodation establishments in NSW.⁸
16. There are 227,320 tourism accommodation rooms within Australia and 640,454 bed spaces.⁹
17. There are 71,070 tourism accommodation rooms in NSW and 195,835 bed spaces.¹⁰
18. Tourism’s share of the Australian economy has been declining.
19. The number of domestic overnight trips taken by Australians has fallen by 1.1 per cent on average each year over the period 2001-2010.¹¹
20. The total number of domestic visitor nights fell by 1.2 per cent on average each year between 2001-2010.¹²
21. Tourism has a number of unique characteristics in comparison to other industries. These include:
 - It is highly labour intensive;
 - It requires the input of many service providers into a single “product” to the end consumer;
 - It is dominated by a significant number of small businesses;
 - Tourism competes against all other discretionary expenditures for the “hearts and minds” expenditure of the consumer; and
 - Tourism businesses operate in a highly complex environment requiring significant compliance skills and costs.

WORKERS COMPENSATION – NSW ACCOMMODATION BUSINESSES

22. The Accommodation Association notes that the NSW Workers Compensation Scheme Issues Paper states that reform of the system must “contribute to the economic and jobs growth, including for small businesses, by ensuring that premiums are comparable with other states and there are optimal insurance arrangements”.¹³

⁴ Ibid, Page 54

⁵ Ibid, Page 45

⁶ Ibid, Page 45

⁷ Ibid, Page 55

⁸ Ibid, Page 54

⁹ Ibid, Page 55

¹⁰ Ibid, Page 54

¹¹ Ibid, Page 26

¹² Ibid, Page 26

¹³ NSW Workers Compensation Scheme Issues Paper, Government of NSW, April 2012

23. Operators of accommodation businesses in NSW are being confronted continually with increases in the premiums they pay to participate in the State's current workers' compensation scheme.
24. Given many operators of accommodation businesses, notably many which are small businesses located in regional NSW, have experienced a downturn in occupancy recently, such increases are having a far greater impact on returns than ever before.
25. In this environment, the Accommodation Association has been exploring ways in which this cost burden can be eased.

NSW WORKERS COMPENSATION ACT

26. As detailed below, the key means through which the Accommodation Association seeks to ease the costs burden on its members in respect of workers' compensation is by seeking a specialised insurer licence. However, the Workers Compensation Act presently restricts the grant of new specialised insurer licences as also detailed below.
27. Section 177 of the Workers Compensation Act makes a provision for the issuing of specialised insurer licences. Under this provision, licensees are able to offer specialised workers' compensation in NSW for their constituents (or members).
28. At present, the Workers Compensation Act precludes the granting of specialised insurance licences to new applicants; more specifically, entities or persons who were not holders of a licence as at 20 May 2008. Section 176 of the Workers Compensation Act explicitly states that a specialised licence may only be granted to an existing licence-holder, being defined as a corporation or body corporate that held a licence that was granted immediately before the commencement of the *Workplace Compensation Amendment Act 2008 (NSW)* (the "**Amendment Act**").
29. The effect of this is that a corporation or body corporate which, prior to 20 May 2008 (the date of commencement of the Amendment Act) did not have a specialised insurance licence, is precluded from applying for such a licence.
30. Specialised workers' compensation insurers in NSW are:
 - Catholic Church Insurances Limited;
 - Racing NSW;
 - Guild Insurance Limited;
 - Coal Mines Insurance Pty Ltd;
 - North Insurances Pty Ltd;
 - StateCover Mutual Limited; and
 - Hotel Employers Mutual Limited.

Catholic Church Insurances and Guild Insurance have been operating since the 1950s.
31. Analysis of the above list shows that at present, there is no specialised workers' compensation insurer in NSW which has a specific focus on the state's accommodation industry.

32. While at least one specialised insurer (Hotel Employers Mutual Limited) is an industry association for hospitality businesses, its principal focus is on protecting the commercial interests of members who derive the majority of their incomes from the service of alcohol and the provision of electronic gaming machines (as well as other forms of gambling). This is despite this particular insurer also being able to offer workers' compensation insurance to businesses which are members of the association and whose activities fall into WorkCover Industry Classification 571000, accommodation.

NEW SPECIALISED INSURANCE LICENCES

33. Given that there is no specialised workers' compensation insurer in NSW with a specific focus on tourism accommodation, it is the submission of the Accommodation Association that the Workers Compensation Act should be amended to allow the issuing of new specialised insurer licences.
34. Were this amendment to be made (and the specialised insurance policy guidelines are also changed as may be necessary to ensure that a new licensee is able to offer workers compensation insurance to businesses whose activities fall into WorkCover Industry Classification 571000, accommodation), the Accommodation Association would consider seeking a specialised insurer licence to enable it to offer workers' compensation insurance to its members.

BENEFITS FOR THE ACCOMMODATION INDUSTRY

35. There would be numerous benefits for the NSW accommodation industry, principally in terms of costs savings, should the Workers Compensation Act be amended, new specialised insurer licences made available and an Accommodation Association entity be successful in securing such a licence. In turn, the Accommodation Association anticipates this would benefit NSW's economy, current and future jobs and competitiveness.
36. For specialised insurers, WorkCover does not set the rate of premium or the premium formula which must be followed within the broader system.
37. This means that the rate which is set is referable to the claims cost of the insurer and that this is what is paid by constituents when they establish or renew workers compensation insurance policies.
38. Under this scenario, if the Accommodation Association sought a licence, its proposed workers' compensation insurance entity would only be insuring businesses within the accommodation industry and as a result, it would develop a high degree of expertise in managing claims. The entity would also be in a position to establish programs for rehabilitation and redeployment which would operate across the industry, saving excessive claims cost.
39. Effective procedures would be developed for the NSW accommodation industry which would assist the industry and further reduce the exposure of the industry to claims.

40. If the Accommodation Association had an interest in the accommodation industry workers' compensation insurance entity and therefore, any dividends would be paid to the Association, which would ultimately benefit member businesses.
41. The cost savings that would be available to members of the Accommodation Association who would potentially switch their workers' compensation insurance policies to the proposed accommodation industry entity would be significant, therefore benefiting the individual businesses and by extension, the broader tourism industry and the NSW economy.

CONCLUSION

42. The Accommodation Association looks forward to further engagement with the NSW Workers Compensation Scheme Committee on these issues, which are of significant importance to the accommodation industry. As noted, the Accommodation Association would be pleased to appear before the Inquiry.

Date: 17 May 2012