



COMMONWEALTH OF AUSTRALIA

Proof Committee Hansard

SENATE

COMMUNITY AFFAIRS LEGISLATION COMMITTEE

Social Services and Other Legislation Amendment Bill 2013

(Public)

TUESDAY, 10 DECEMBER 2013

CANBERRA

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SENATE

COMMUNITY AFFAIRS LEGISLATION COMMITTEE

Tuesday, 10 December 2013

Members in attendance: Senators Boyce, Carol Brown, Moore, Peris, Seselja, Siewert.

Terms of Reference for the Inquiry:

To inquire into and report on:

Social Services and Other Legislation Amendment Bill 2013.

WITNESSES

BERKELEY, Ms Brendalyn Anne, General Manager, Indirect, Philanthropy and Resource Tax, Department of the Treasury	23
BROWN, Mr Philip, Branch Manager, Parental Payments and Family Research Branch, Department of Social Services.....	23
CADDICK, Mr Oliver, Director, Student Payment Program Performance Section, Payment Integrity and Performance Information Branch, Department of Social Services	23
CAVALLI, Mr Sam, Manager, Financial Markets Section, Seniors and Means Test Branch, Department of Social Services	23
CH'NG, Mr Adam, Adviser, Workplace Relations and Legal Affairs, Australian Chamber of Commerce and Industry.....	9
HUTCHINSON, Mr Peter, Manager, Portability Policy and International Agreements, Social Security Relationships and International Branch, Department of Social Services.....	23
JOYCE, Mr Ian, Acting Manager, Seniors and Means Test Branch, Department of Social Services.....	23
KAY, Ms Jennifer, Section Manager, Program Service Branch, Department of Social Services	23
KIMBER, Mr Murray, Branch Manager, Payment Integrity and Performance Information Branch, Department of Social Services	23
LAFFAN, Ms Amy, Acting Branch Manager, National Gambling Branch, Department of Social Services	23
LINDENMAYER, Ms Diana, Branch Manager, Family Payments and Child Support Branch, Department of Social Services.....	23
MAMMONE, Mr Daniel, Director of Workplace Policy and Director of Legal Affairs, Australian Chamber of Commerce and Industry.....	9
MEERS, Ms Amelia, Solicitor, Welfare Rights Centre, Sydney, National Welfare Rights Network.....	1
PAGE, Ms Samantha, Chief Executive Officer, Early Childhood Australia.....	16
PALMER, Mr Bryan, Group Manager, Housing, Homelessness and Gambling, Department of Social Services	23
PIPER, Ms Sue, Manager, Philanthropy and Exemptions Unit, Revenue Group, Department of the Treasury	23
REA, Ms Jeannie, National President, National Tertiary Education Union	1
REODICA, Mr Reynato, Deputy Director, Youth Sector, Australian Youth Affairs Coalition.....	1
ROBERTSON, Ms Amanda, Manager, Age Pension Policy Section, Seniors and Means Test Branch, Department of Social Services	23
ROOT, Ms Josephine, National Policy Manager, COTA Australia.....	20
STRONG, Mr Peter, Executive Director, Council of Small Business of Australia	9
THOMAS, Mr Gerard, Policy and Media Officer, Welfare Rights Centre, Sydney, National Welfare Rights Network	1
WOJCIECHOWSKI, Ms Dilreene, Parental Payments and Family Research Branch, Department of Social Services	23
WOOLLEY, Ms Trish, Branch Manager, Program Service Branch, Department of Social Services.....	23

MEERS, Ms Amelia, Solicitor, Welfare Rights Centre, Sydney, National Welfare Rights Network

REA, Ms Jeannie, National President, National Tertiary Education Union

REODICA, Mr Reynato, Deputy Director, Youth Sector, Australian Youth Affairs Coalition

THOMAS, Mr Gerard, Policy and Media Officer, Welfare Rights Centre, Sydney, National Welfare Rights Network

Evidence was taken via teleconference—

Committee met at 16:15

CHAIR (Senator Boyce): The committee will now commence its second public hearing into the Social Security and Other Legislation Amendment Bill 2013. This committee has been referred schedules 1, 1A, 3, 4, 5, 7, 10 and 11. Committee proceedings are protected by parliamentary privilege and it is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee and such action may be treated by the committee as a contempt. It is also a contempt to give false or misleading evidence to a committee. The committee prefers all evidence be given in public but under the Senate resolutions witnesses have the right to request to be heard in private session. It is important that witnesses give the committee notice if they intend to ask to give evidence in camera. If you are a witness today and you intend to request to give evidence in camera please bring this to the attention of the secretariat staff as soon as possible.

I would like to thank in advance all those witnesses who are appearing tonight for coming in on very short notice to provide evidence to the committee on the bill.

I welcome representatives from National Welfare Rights Network, the Australian Youth Affairs Coalition and the National Tertiary Education Union. Ms Rea, would you like to make an opening statement first?

Ms Rea: Thank you very much, yes. We see these matters as clearly related because they are about, in our view, students' capacity to successfully make a decision to enter studies, make their way through them, and have a successful outcome. And I would argue that, whenever anybody is speaking, sometimes quite blithely, about the access, entry and participation and so on, I think we must always keep our eye on getting successfully through the course and out the other end with a degree. So we would argue that any actions which impact upon the most financially disadvantaged students actually work against the interests of getting people to come in and successfully participate.

Our argument would be that these prospective changes to legislation could impact upon the fairness, access and equity, and so the disadvantaged are penalised—those who are already the most disadvantaged. I think in most cases there is already adequate legislation and so on to deal with people who are actually abusing the system or trying to do something that they really should not be doing. But those who are in (inaudible) circumstances find themselves in difficult positions to repay and the like.

But, rather than on repayment, I want to keep my main focus on people's capacity to make the decisions to come into undertaking their studies. We seem to have taken it somewhat as a truism in Australia since we introduced the HECS-HELP loan scheme that it is not a deterrent to participation, and I think there is some increasing querying of that, because while we have many, many more students in higher education, there are many reasons for that. But my personal experience indicates—and this is actually backed up by some of the research we mentioned in our submissions—that for particularly vulnerable students, and those coming from backgrounds with lower participation in post-secondary education, this is indeed an issue in their making a decision. They and their families are likely to be more sensitive to anything that may deter wanting to proceed. And the most disadvantaged groups are rural and Indigenous students.

So there is a debt aversion there, and a debt aversion that is demonstrated in things like students taking gap years not to travel the world but to work, to pay their HECS up-front, to save money, to qualify for income support or to save to actually undertake their studies. And I think, if we look at the other end of it, and look at graduation, those who have accumulated more debt—whether that be through the HECS loan situation and the conversion of the start-up scholarships—but also in relation to students making the decision of whether to take advantage of Austudy or Abstudy when they are concerned about what may be the sanctions for getting in some trouble with repayment and so on. They just fall into those sorts of traps of taking out the loans and not being able to repay them. Now, people have learnt that that can be a very significant problem, and they see that within their communities. So that concern about trying to avoid finding yourself in debt, from either living allowances or fees, is a reason students then do not take advantage of a living allowance.

And then we have Universities Australia research amongst students which shows that we are getting up towards 20 per cent of students who say that they are having trouble paying for food and other necessities, are and working more and more hours. As a teacher of many years in TAFE and higher education, I know that students working many hours instead of concentrating on their studies—while I do understand why—this is a great deterrent to successful and, indeed, very good progress in their courses.

So all of these things just make those that are more vulnerable more likely to not go forward with the decision to become involved in post-secondary education and then to continue with it—again, there is nothing worse than starting then dropping out because one cannot afford to continue, and of course still having debts there but also having lost the confidence to have a go.

So most of my comments have been in relation to students coming from secondary school, but I think there is also a whole cohort of people coming into study as adults—some of them changing careers; there is a lot of career change having to go on with our changing economy at the moment. Those people are going to also be very sensitive to what costs may be involved, what debt they may accumulate, what sort of repayment schedules they might get stuck on.

So, just to conclude quickly, I think we must look very carefully at any moves which may mean that people who really want to gain access to post-secondary education are not deterred from doing so by amendments to legislation which do not have that intent but which may increase that sensitivity and may mean that there are more vulnerable sections of the population who really need to make their mark in post-secondary education and may not pursue it. Thank you very much.

CHAIR: Thank you, Ms Rea. Mr Reodica, do you have a statement to make?

Mr Reodica: Yes. Thanks for the opportunity to speak to this inquiry. The Australian Youth Affairs Coalition is the national peak body representing young people aged 12-25, and the services that support them. Unfortunately, due to the time frames, we were not able to consult directly with young people on, I guess, the possible benefits and challenges they would experience under any of the proposed changes, including disadvantaged young people within our networks. This change affects young people on youth allowance, many of whom live on approximately \$29 per day, which is well below the poverty line. That means that their capacity to pay off debt to the Commonwealth and to others is highly limited.

CHAIR: You are talking about schedule 5, the interest charge on debts, is that right?

Mr Reodica: The interest charge, yes. We have looked at schedule 6 and the changes to the student start-up loans, but we were informed that that was being looked at by another committee and so we have not focused on analysis of that with these statements. So we are focusing on schedule 5, in relation to the interest charge. As it is noted, the key purpose of the interest charge is to encourage debtors to repay their debt in a timely fashion as well as saving the budget a bit over \$3.3 million over three years, but AYAC really questions whether or not this measure will have the desired effect. In cases where young people are already struggling to pay existing debts the additional interest charge is not likely to serve as an incentive to pay on time. We suggest that if this is to move forward then transparent data collection on the effects of the interest charge is made available to review the effectiveness of this change, including feedback mechanisms for young people affected to suggest alternative options on how they can actually make the system better. We have looked at the provision of powers to the minister under section 1229D, subsections (2) and (3) that allow the minister to prescribe payments that will be subject to the interest charge in future. Whilst there are no immediate obvious concerns around this, we do have some questions around what scope these powers might be used for in future to expand the application of the interest charges to areas not currently under consideration.

CHAIR: Sorry, what do you mean by 'areas not currently under consideration'?

Mr Reodica: Other types of payment. There is that level of concern although, in our thinking, we cannot actually specifically think of which ones would fall into that category. So it is just something that we would like to have noted. Just finally, we have been talking with the Department of Human Services about the intended review of student payments that has been expected to report in 2014.

We would really like to continue to have the opportunity to feed into these processes and especially to ensure that the views and experiences of young people, particularly our most disadvantaged, can form any future directions for student payments.

CHAIR: Thank you. Who from the National Welfare Rights Network would like to speak?

Mr Thomas: The National Welfare Rights Network welcomes the opportunity to comment on this bill. We appreciate the committee's and the senators' time this afternoon to address the issues in the legislation. However,

we wish to express our deep concern over the inordinately limited time allowed for the inquiry. This places an unfair burden not just on community stakeholders but on the committee secretariat, on the senators—

CHAIR: Thank you for your concern, Mr Thomas.

Mr Thomas: to understand and scrutinise the bill. The haste with which the bill is proceeding, some might say, undermines the role of the Senate committee process.

CHAIR: I do not think that is the case, Mr Thomas, and I would not have thought you were in a position to be able to comment on that, but could you please get on with your statement for us?

Ms Meers: My name is Amelia Meers. I am a solicitor at the Welfare Rights Centre in Sydney. I have been doing casework with clients in social security law for 10 years. First, I thank you for the opportunity to give evidence today in relation to schedule 5. We only support the passage of schedule 5 if there are major amendments—the most important being the introduction of discretion not to apply the penalty interest, including where there is reasonable excuse. There has been no explanation or justification for not replicating the existing provision in the Social Security Act, as it stands at the moment, into the proposed new regime. We also have a number of other important amendments to propose—five in total. These provisions are an improvement on the existing provisions in Section 1229A of the Social Security Act, which we understand have not been utilised that much for the past few years.

The amendments are based on the principle that people with capacity to repay should be encouraged to do so in a timely fashion, and we support the stated purpose of the amendments. However, the measure is a penalty by nature and, as such, it is critical that it be targeted to people who have refused or have shown an unwillingness to repay; and it is essential to ensure it does not unfairly penalise people who are either unaware of the requirements to repay or are unable to make arrangements to repay.

Our proposed changes to the drafting of the bill would support the stated purpose more fully and ensure that the legislation includes sections to ensure that people in these circumstances are not adversely affected. In terms of people who are unaware of the requirement to repay, I will give a little background. For people currently receiving income support payments, withholdings are taken from the person's pension or allowance. It is less straightforward, obviously, to recover debts where recipients are not current—when people have gone off social security. It is to be expected that student debts would have more debtors who are no longer receiving social security, because they are generally more mobile at that age and with new qualifications. So they are more likely to secure a job and go off social security once they complete study.

For a person whose debt is raised while they are in receipt of income support payments, it is fair to say that they are on notice that they have a debt, assuming that a debt notice was sent. However, for people who are no longer receiving social security payments, they generally do not update the DHS with their new contact details, quite reasonably because they are no longer on payment. DHS therefore uses the person's last known address, and debts are often picked up and raised years after the person has gone off social security. Our member centres have advised on lots of cases over the years where a young person finishes study, moves away or moves house and years later discovers that they have a debt to Centrelink that they had not been aware of. We currently have a client who was working part-time in a supermarket job while they were a student at university. They finished university, went to work in England in the finance sector, they were overseas for about eight years. Two years after going off social security a debt was identified and raised. The client returned to Australia six years after the debt was raised and had been completely unaware that he had a debt. That is just one example of a case that we have at the moment. In another case we have a client who moved to Queensland. Centrelink had his telephone details but only sent out a letter to his last known address, the result being that he could have been paying off the debt for years and was perfectly willing and able to, but had not been aware of the debt.

There may also be a number of other factors impacting on a person being actually notified of a debt. These include issues such as being homeless or itinerant, people with certain disabilities, literacy issues or people from Indigenous backgrounds or culturally and linguistically diverse backgrounds. In practice, notice provisions which involve a written notice to a person's last address will not always be adequate to put a person on notice that they have a debt.

In terms of people who are unable to make or meet arrangements to repay the debt, there are likely to be situations where a person is aware of the debt and has some capacity to repay but is unable to make or meet arrangements to repay the debt. Such a person may not be wilfully avoiding repayment and may have a reasonable excuse for the lapse or delay. Examples that we have thought of based on our case work experience might be situations where a person is hospitalised for a lengthy period and misses correspondence about the debt, situations where an employer is delaying payment of someone's wage, for example, or even something as simple

as someone changing a bank account and forgetting to update their direct debit details for a period of time. So it is critical that DHS asks the question why the person has defaulted or not entered into a repayment arrangement. It is appropriate that the department have a discretion not to apply the penalty in the absence of an unwillingness to pay or if there is a reasonable excuse for noncompliance.

We are also concerned about the period of the penalty—when the penalty starts and ends. We are concerned that the penalty interest will not end until a person catches up on missed payments. For some people, catching up might not be possible. They might be able to get back on track and restart repayments but might not actually be able to catch up. We are going to propose that the period should end instead when the person enters or re-enters a repayment arrangement and makes the repayment. That is consistent with other debt recovery provisions already in the act.

The recommendations that we will make in relation to schedule 5 are as follows. The first is the insertion of a general discretion not to apply the penalty interest to a person. It could mirror the existing section 1229AA(1). The next recommendation that we will make is the insertion of a provision similar to 1229E(3) of the draft of the bill to 1229F. 1229E is the provision that deals with people who are not in a repayment arrangement and 1229F is the one that deals with people who have failed to comply with an existing arrangement or terminated an existing arrangement. 1229E contains a provision which allows the minister to prescribe an instrument declaring situations where the penalty interest will not apply. There is no clear explanation as to why there is not a similar provision mirroring that one for 1229F. So the recommendation is that there be a similar provision inserted for 1229F.

The next recommendation is that the provisions 1229D(2) and 1229D(3), which enable the minister to extend the new penalty interest regime beyond student debts, be removed. We are recommending that that be repealed. The next recommendation is that 1229F(2) be amended to end the penalty period when a person re-enters or enters a new arrangement and makes a repayment to deal with the problem of the period that the penalty goes for.

Our last recommendation is that there be consultation with the National Welfare Rights Network on the drafting of the ministerial instrument as envisaged by 1229E(3) and the development of policies for implementation of the penalty. The policies might include, for example, how many times people were contacted and what constitutes reasonable attempts to contact people, similar to the way in which we were consulted about compliance penalties when there were similar provisions put in there.

We also have some comments to make in relation to family assistance eligibility changes, if we may, and also on the freezing of indexation.

CHAIR: That is fine.

Ms Meers: In relation to family assistance eligibility changes, we would like to express concern that money from family assistance, which is critical to reducing child poverty, should be put back into the young people who are affected by the removal of that assistance. The family assistance payment scheme has been very effective at mitigating child poverty, especially in single-parent families. We would like to see an increased payment for parents and young people who are on very low rates of youth allowance, rather than just taking the money out of one part of the system and failing to address inadequacy overall.

We support the freezes on indexation, generally. These changes will generally affect higher income families, with incomes of \$100,000 per year. However, we are concerned about the indexation freeze on the family tax benefit supplement. Although the freeze is small on an individual basis, it will mean about \$20 per year less for the lowest income families. A more targeted family assistance system is critical for alleviating child poverty and these supplements now are a critical part of the budget of low-income families. We constantly get calls from people who explain to us that they use those bonuses, the FTB supplements, to help them budget and pay for one-off big expenses like car insurance, white goods, the sorts of the things that they cannot regularly pay for on a social security payment. I think that wraps it up from us. Thank you.

Senator SIEWERT: You have all been very comprehensive. Can I ask Welfare Rights Network: do you have any comment on the other schedules that you have not mentioned? Does that make sense?

Ms Meers: Yes. We always have comments. I have thought about them; we have not prepared them in the way that you might imagine, because of the short time frames and because we understood that we were here to talk about schedule 5.

Senator SIEWERT: We are going to be voting on the whole bill, so I am interested in any thoughts you have got on any bits of the schedules.

CHAIR: Would it be easier to just run through the schedules and say, 'Have you got anything to say about gambling?' Have you got any comments on the gambling part of the bill?

Mr Thomas: We put in submissions early on in the piece around gambling reform. Of course, our caseworkers across the network see the consequences of people getting large compensation payments, for example, and blowing that money because they are not used to getting large amounts. They see the stress that that causes family and ongoing issues with their health and things. We actually wanted to see some national response. We have not gone into this in detail, but we do not think what we have—

CHAIR: This was into a previous inquiry, was it?

Mr Thomas: Yes.

Ms Meers: I have a very brief comment in relation to the change, from 25 years to 35 years, to the Australian working-life residence requirement. I guess the comment that I am about to make will also apply, in a sense, to the portability of family assistance payments. We often get calls from clients who have to travel overseas. Although they have been for a long time in Australia—let's say, for the sake of argument, they have 25 years of Australian working-life residence—people often need to return home as their elderly parents or other family members overseas age, to return to their countries of origin to care for family members who might be in crisis, ageing or unwell, that kind of thing. Reducing the portability of family assistance payments from three years down to one year will have an impact on people who are required to go overseas with small children for long periods of time to that end.

On the Australian working-life residence, the only point to make is that, after 26 weeks, proportional portability kicks in, so their rate is assessed according to how many years of working life experience they have in Australia. That rate, though, is already not the highest rate that a person would receive in Australia because they lose some of the pension supplement, they lose rent assistance and they lose most of those sorts of add-on payments. You are starting at a relatively low rate anyway, so, for people who are required to go overseas in those sorts of circumstances, it is going to make it harder for them to survive for lengthy periods overseas. I guess that is the only comment that I would make and the main concern that I have about increasing the length of Australian working-life residence that is required.

Senator SIEWERT: The Cape York reform income management?

Mr Thomas: Certainly we accept that the Cape York income management is a very different model with the Families Responsibilities Commission. There are a lot of extra resources and support and a lot of engagement with the Families Responsibilities Commission in the community, with communities that are involved. It is not clear, though, how much improvement there has been. You read different parts of the evaluation and it is not clear what has brought benefits and increased school attendance or whether that has been prolonged. We are sort of ambivalent about that. We recognise that it is certainly a better model than blanket income management from that point of view, but we are not fans of income management, as the committee would be aware.

In relation to the deeming provisions, we note that this general approach was supported by the Henry tax review, and we support the phase-in arrangements. That would give people until January 2015 and the option of changing if they want to. We note that the deeming provisions work well and have worked well since they were introduced back in the early nineties, and it is worth noting that the beneficial application of these provisions whereby earnings above the deeming rate are exempt from the income test continues to apply. So we think those are changes that would be acceptable.

In relation to the pension bonus scheme, our caseworkers celebrated the end of that scheme. It has caused a whole lot of complaints, appeals, confusion, reports from the ombudsman and a whole lot of appeals at various tribunals because the system and scheme were not very well worked out. We think that the work bonus appears to be very successful and people are seeing the benefits from that. I think that is one scheme we would be glad to see the end of; our caseworkers would be.

Senator SIEWERT: I am aware of time. I have one more question around the deeming provisions. Have you had an opportunity to look at the Financial Planning Association of Australia's submission?

Mr Thomas: No, we have not.

Ms Meers: No, we have not.

Senator SIEWERT: I really hate to ask you to do further work, but I am wondering if you could have a look at it. I know we have a very short time frame, but could you let us know if you are of the same opinion once you have had a look at that. It makes comments just about the deeming provisions.

Mr Thomas: Yes, sure.

Ms Meers: Yes.

Senator SIEWERT: Well, it is essentially about that. That would be appreciated. Thank you.

Senator CAROL BROWN: I will just throw this question out there. I am interested in whether you have any information on how many students have accessed the start-up loans and whether you have information about who is accessing the start-up loans and where they are located.

Ms Rea: Do you mean the start-up scholarships?

Senator CAROL BROWN: Sorry, the start-up scholarships, yes.

Ms Rea: No, I do not have that is in front of me at the moment. However, if one looks at the magnitude of the funds that were in put in the forward estimates spend on the scholarships, which were targeted for cutting back and being turned into loans, it was quite significant and it was indicative of, I think, the very problem that Professor Bradley and co. exposed in the Bradley review of higher education. They recommended the start-up scholarship because, for that group of people who were eligible for student allowance or Abstudy or Austudy, there were fairly stringent financial hardship circumstances to be able to access that. They recognised that the start-up scholarship was needed to recognise that the costs of study are a lot more than trying to live without studying, and that was its purpose. Now, the take-up of the start-up scholarships did increase quite rapidly, I understand, as more people from, obviously, more financially straitened circumstances were getting into higher education. So it has become quite significant and indeed it was, I hope, testimony to the significance of providing the financial support for poorer students to go to university—they were indeed taking it up. Of course, our concern is these deterrents are going to put them off doing so in the future.

Mr Thomas: I think the Bradley report actually noted that Australia had the balance right between income contingent loans and other sorts of financial assistance. So I do not think the Bradley report was lending itself to moving in the direction which we are moving now. It is \$1.2 billion over five years; that seems to be a hell of a lot of student loans within that package. In one sense, it has been the only sort of significant financial increase that students have had over quite a considerable time, and they are on the lowest rates of payments, much lower than the low rate of Newstart allowance.

Ms Rea: That very quote was why there was that recognition of the increased costs for students studying in an environment where we find increasing levels of student poverty anyway. Turning what was \$1,000 per semester for students under that scholarship from, in effect, a grant to something that said, 'Get on your way and get on with it; let's add to your graduate indebtedness, is no incentive to study.

Senator CAROL BROWN: So have you done any work or had even informal discussions within your networks about what you expect to happen if these scholarships were converted to loans?

Ms Rea: From talking amongst, obviously, our membership but also with the student unions, we know a lot of people are talking about not taking out the loan because they do not want to add to the HECS-HELP debt—because students certainly recognise that as a problem for them on graduation. So, instead, what students are most likely to do is take out other forms of loans. But the thing they are most likely to do is increase their working time, if they can. As I said, there is a direct relationship between the impact of increased work and students' capacity to successfully complete their studies, in that students will drop out, they will perform poorly, they will fail, the more work they do. Of course, that affects how good a job and what sort of rate of pay they can get. It puts them in a really invidious situation.

As I said earlier, I think we all have it in our heads that students are aged 18 to 22. Remember: increasingly our universities have people who are over that age group coming into the universities to try and do their study and support themselves—they often also have dependants—and are forgoing income to do so. Everything that can be done to assist them to successfully complete their course, go out and get their good graduate job, and pay more tax is advantageous; whereas any of these sorts of disincentives have quite a big impact. Think about people who have maybe been made redundant; people who are coming back into the workforce, maybe after raising families and the like; the prospect of debt upon graduation. All of those things make it a bit more difficult, a bit more unlikely. All of these things put people off and will lead to a drop-off in diverse participation across the Australian population in higher education, and that would not be of benefit to any of us.

Senator CAROL BROWN: In that response, you talked about students perhaps accessing other forms of loans. Are you talking about commercial loans?

Ms Rea: I do not have data on this. This is very much anecdotal; as students and families talk about these things; the undercurrent of discussions through the community and networks and on social media and the like. This is not evidence-backed research—which, as an academic, I would prefer to put before you—on this at the moment. This work needs to be done, obviously. Looking at the some of the North American examples, you have more people taking maybe commercial loans but also people taking more informal loans with their own family, extended family and friends, which could also lead to all sorts of problems in terms of repayment and

relationships and so on. Again that makes the path more rocky. That is what I am referring to; across-the-board sorts of things there.

Senator CAROL BROWN: I will again throw the question out there because I cannot remember who said it in their opening statement—in fact, you probably all mentioned it. When we talked about interest charges applying to certain debts, you talked about not believing that this measure would actually be an inducement for students to enter into a payment arrangement. You mentioned some reasons why, but I wonder if you could expand on why the fact that interest charges will apply would not enter into payment arrangements.

Mr Reodica: The feedback that we get, particularly from young people who are already struggling to pay off the existing debt, is that the addition of an interest charge or increasing the debt does not serve as any incentive to pay on time when they are already struggling to pay off the debt, along with other debts that they might have that might be more immediate, particularly things like buying food or having rental costs.

Senator CAROL BROWN: Does anyone else want to comment on that?

Ms Meers: I would like to make a comment about the rate of interest. We anticipate that most of the people affected by this measure are going to be working, and working enough that they are no longer entitled to social security, obviously, otherwise withholdings would just come out of their social security payment. However, not all are going to find well paid jobs right at the outset. A significant number are probably going to be just above the Newstart allowance cut-off, which is pretty low. The rate of interest that is proposed to be applied could well cause considerable hardship for people who will lose their healthcare card and so on and so forth. That amount of interest—the tax office, the commercial rate of interest—may well be quite a burden on people who have just moved off social security and into the workforce.

CHAIR: I have a couple of questions for Ms Rea. Are you able to tell me what the average HECS debt of a student would be?

Ms Rea: It is hard to use averaging because of the different rates that people have, depending on what courses they have done.

CHAIR: What about, say, for an arts student. What would the average HECS debt of an arts student be?

Ms Rea: Most arts courses would accumulate—depending on what subjects they do—up around \$2,500 to \$3,000 a semester. A three-year degree would take it to \$16,000 or so. It would climb from that to the courses where it does become quite a lot more than that, particularly when they are longer courses. So a student could pick up a course which would accumulate \$50,000 or so—

CHAIR: And the start-up loans, as I understand it, at \$1,025—so we are talking about \$2,000 a year for a start-up loan.

Ms Rea: Yes, and so on top of what they had it is quite a lot. It is quite significant, as it is at the moment, in effect, a grant to the students and it is recognised as such. So it is a good thing in that way. But if it is taken as a loan and adds to the rest of the graduate debt it does get to be quite problematic, particularly because of the different sorts of jobs that people will get on graduation when they start getting into paying the rate at which they pay. Of course, with returning students people are already coming from studying and coming into a job, or maybe are still holding onto a job. In terms of the HECS-HELP loans they are retained all the time and immediately. So it does affect people differently, and I do not think we quite understand that as clearly as we could when we just look at the amounts of the loans and the way that people go about repaying.

CHAIR: Nevertheless, with a maximum proportion of a HECS debt the loans would add, what, 20 per cent maximum?

Ms Rea: Yes, I would say that would be about it.

CHAIR: And that is the maximum. Senator Brown was asking earlier about what would happen if the scholarships were turned into loans. You are aware that the bill includes grandfathering provisions so that recipients who are on a scholarship prior to 1 January 2014 will stay on the scholarship until they finish having student payments?

Ms Rea: Yes. That is to not disadvantage those currently on it. I was pleased to see that, but I would prefer it not go through at all.

Senator CAROL BROWN: Senator Boyce talked about the costs for various degrees, but I just wondered: are you able to provide the committee with how Australia stands in terms of university fees in a world context? You can take it on notice if you like.

Ms Rea: Could I take it on notice and I could forward you a graph, but I do not have it in front of me at the moment.

Senator CAROL BROWN: I am just interested in the level of university fees for our students compared with comparable countries.

Ms Rea: There are graphs on that I can forward you one.

Senator CAROL BROWN: My other question was: with the start-up scholarships, if they were converted to loans, I am assuming, with the discussion you have had with your networks and the student body, that would actually be a barrier to some students actually taking up university.

CHAIR: Senator Brown, there are grandfathering provisions in there.

Senator CAROL BROWN: I am talking about the people coming on board soon.

Ms Rea: New students, as it was converted to loans, would take out the loans. So we are talking about that group, not those that are currently—

Senator CAROL BROWN: That is right. Would you see that as a barrier for them to actually enrol?

Ms Rea: I think it would be both a barrier to enrol and also, can I emphasise, a barrier to progress because getting in is one thing; staying in and continuing studies is another. The students that are more likely to drop out are the students that are in more financial stress because they cannot afford to study and they are worried about accumulating their debt. They are working too many hours and therefore are often sacrificing their study. So they fail and/or they give up. Then they have to start again and they have also accumulated some HECS debt in that process, so it is not a good situation. We want to decrease the attrition of students who are at university as well.

CHAIR: Thank you to all the witnesses. I think some of you have got some questions on notice to answer, if you are able to provide that information by midday tomorrow that would be very helpful to us in terms of our ability to produce the report.

CH'NG, Mr Adam, Adviser, Workplace Relations and Legal Affairs, Australian Chamber of Commerce and Industry

MAMMONE, Mr Daniel, Director of Workplace Policy and Director of Legal Affairs, Australian Chamber of Commerce and Industry

STRONG, Mr Peter, Executive Director, Council of Small Business of Australia

[17:07]

Evidence from Mr Mammone and Mr Ch'ng was taken via teleconference—

CHAIR: I welcome representatives from the Council of Small Business of Australia and the Australian Chamber of Commerce and Industry who are appearing today via teleconference. I understand information on parliamentary privilege and the protection of witnesses and evidence has been provided to you. I now invite each of you to make a short opening statement and at the conclusion of your remarks I will invite members of the committee to put questions to you.

Mr Strong: I am here to talk to you about the paid parental leave provisions and removal from employers of the need to administer the payment process to eligible workers. When the feasibility of this was done most employers said 'No, don't bother, it is just an extra addition of work that is not necessary.' It all went ahead, of course, which shows that no-one need have bothered to consult. This is an example that we use now of failed regulation in that it cannot work in a business, particularly a small business—even large businesses. I think people have to experience a pay run to understand these issues. In a small business if you have a worker that is eligible for the paid parental leave that money will turn up in your account, you then have to bring it into your chart of accounts somehow or other. You bring it into your chart of accounts—it is not income against sales or anything, it is not a grant, thank heavens, because you would have to acquit it; it is some sort of other income. It is never nice to have other income, but you bring it into your chart of accounts as other income and then how do you take it out of your chart of accounts?

Intuitively you would put this through your pay system, and I have spoken to accountants who also say yes that is what you would do. But once you put it through your pay system it then affects the integrity of your business activity statement and your end of year payment summaries. Intuitively you would then, at the end of the month when you do your business activity statement—or the end of the quarter depending when you do it—you would press on your software: give me the total gross payments that I have made for pay. It prints out the gross payments, which you then put on your business activity statement, and you send it off to the tax office.

The problem, of course, is that figure is wrong unless you know how to go into your system and remove the paid parental leave from that gross payment. You also have to remove superannuation payments from that gross payment. You need to remove taxation from that payment. You would have to make sure that no leave is accrued against that payment. It is impossible to do it in one hit. At the end of the financial year, when you send your payment summaries off to the tax office on behalf of your employees, anybody that was on paid parental leave would more than likely have a wrong amount sent to the tax office. So it actually fails the ability to administer this particular payment system. As I said, we use it now as a way of saying this is where the consultation failed because it did not really look at the way it worked as a process within a small business.

When this was pointed out to the public sector—there is nothing wrong with the public sector; they operate on instructions from above—the first reaction was someone got pretty excited and said that we could do a help page; we could answer some questions about how to do it. There are so many different software programs out there and so many different ways of doing a chart of accounts, you would need hundreds and hundreds of FAQs to help people through the process. So that fails. Then another person said, 'But, Mr Strong, this is good for business because the person on leave will feel loved and cared for. They will come back. They will be highly productive and the skies will turn blue and it will be a wonderful place.' My answer to that was whenever a public servant tells you what is good for your business, it means they want you do something for nothing. The paternalism of that sort of approach is the other thing that really disturbs me—that someone somewhere would think there are two million people out there who have no idea what they are doing and need to be led along by their noses and told how to do their business. Normally people who say that have never run a business, but gee they know what is good for us! So this is a great failure and I love using it in my case studies demonstrating that we cannot do this.

I was talking to one woman who runs a financial business, so she understands accounts and software, and I said 'How did you go?'. She had two women go on paid parental leave during the year. She said she had to spend four hours going through her MYOB file, fixing it up so that these people got the right tax information to send to the tax office. It is bad business to include a third party in a payment process that is not necessary. Thank you.

CHAIR: Thank you very much. I understand we now have the people from the Australian Chamber of Commerce and Industry on the phone. Do you have an opening statement?

Mr Mammone: Thank you, Chair. I have a brief opening statement. The Australian Chamber of Commerce and Industry is the peak council of Australian Business Associations. Our member network has over 350,000 businesses represented through chambers of commerce in each state and territory, in addition to a nationwide network of industry associations. ACCI welcomes the opportunity to participate in this inquiry examining the provisions of the Social Services and Other Legislation Amendment Bill 2013. We confine our submission to this inquiry to the provisions of schedule 7 of the bill, which directly relate to the Paid Parental Leave Act 2010. The objective of schedule 7 is to remove the requirement for employers to make payments to employees under the Paid Parental Leave Scheme. We note that schedule 7 broadly reflects the government's pre-election policy commitment that 'employees will be paid directly by the Commonwealth Government, not by the employer.'

ACCI participated in a number of inquiries and reviews into paid parental leave schemes which are relevant to this inquiry. Specifically, we have participated in a Department of Families, Housing, Community Services and Indigenous Affairs review of the former government's paid parental leave scheme, and our submission to that review is dated July 2013. Previous to that there was a Senate Community Affairs Legislation Committee inquiry into the exposure draft of the Paid Parental Leave Scheme Bill May 2010, and, earlier, there was a Productivity Commission inquiry into paid maternity, paternity and parental leave, in November 2008. For the purposes of this inquiry and the time available, we refer the committee to our written submission to the departmental review, the most recent inquiry, which was sent electronically to this committee approximately half an hour ago.

ACCI's consistent position as set out in its pre-election blueprint entitled 'Getting On with Business—Reform Priorities and the Next Australian Government, is that the act should be amended by removing the requirement for employers to act as the paymaster unless the employer opts into the system. To the extent that the provisions of the bill give effect to the above position, ACCI supports their expeditious passage into legislation and commencement as soon as possible. We reiterate ACCI's support for a fully government funded and administered social security paid parental leave scheme which does not unnecessarily impose a significant administrative cost burden upon employers if supported. These submissions are without prejudice to our members' considerations of this bill. That is our opening statement.

CHAIR: Thank you very much.

Senator CAROL BROWN: . Before I get into the detail of the paid parental leave scheme and how it works through small businesses particularly, what happens with other wage-connected subsidies that go to businesses? How are they dealt with?

Mr Strong: They do not go through the pay system. They come in as income and are dealt with as income, not pay. Most employers I know do not see them as pay, they see them as subsidies.

Senator CAROL BROWN: But that is a decision they make.

Mr Strong: That is right.

Senator CAROL BROWN: Have you had any problems with your software systems being able to handle a wage-connected or any other wage subsidy?

Mr Strong: No, because you still have the person at work, so you still pay them as you do normally, and that money comes in as another mechanism. It is not in the employer's mind connected to the pay as a process, it is an income they bring in which is put against the pay.

Senator CAROL BROWN: But obviously you pay people when they are on holidays, so they are not at work.

Mr Strong: That is right, and they normally pick that up before they leave, so that is all part of something we are used to doing, and with those things you do not normally have to change the tax or change anything or exclude that from your business activity statement. It is all included in what you do. The problem with this process is that it is quite different and it is very difficult to manage. Talking to accountants, when I ask them how do they change it is MYOB, they themselves say yes, how do you change it in MYOB? I actually had a go at doing it and it is not easy. You have to basically not put it through your pay system, which then defeats the purpose of it in some ways.

Senator CAROL BROWN: I cannot really get my head around why you say you do not put it through your pay system. MYOB is obviously a very popular software that small businesses use. I would have thought it would have been a rather simple matter to put it through.

Mr Strong: It is not, because you want to produce a pay slip as well, but you do not put hours in so you have to go in and manually produce the pay slip. We are not paymasters so we are used to doing a process in MYOB and doing the pay run and having it done quite quickly and doing our BASes, etcetera. This is something that makes it more difficult, and the people who I spoke to did not even understand that it was being included in their BAS until it was brought to their attention. Worse than that of course is the end-of-year payment summary. The expectation that we are all accountants and understand the process is flawed—we run businesses, whatever they may be. The problem with this is that it did not take into account the process. If you want, one day I can get the payroll systems out and show what you have to do to go in and change it so that there is no tax and there is no super.

Senator CAROL BROWN: I thought it was tax not taken out of the pay packet.

Mr Strong: That is right, it is not taxed.

CHAIR: Perhaps you could explain what the problems are if it goes into your BAS. I do not think people understand that problem, either.

Mr Strong: That is the issue with the people who designed this—they did not understand the problem that faced us out there. When it goes into your business activity statement, the tax office get it and they can look at it and say hang on, this does not match—the amount you have paid these people does not match the amount of tax that you took out in PAYG. They would come and investigate us. The other group is the superannuation funds. They would come along and say hang on, we have this gross payment here and the superannuation you have taken out does not match the gross payment. The industry super funds in particular are appalling. To save having them come onto your back with all the paperwork that they send out, you have to make sure that that amount is not registered on their superannuation. Again, it is not that easy to do that. You have to know about the software. The people who designed the system are like you, Senator—they did not get the system because they had never done a pay run. They did not understand the difficulties that you have to face when you do these sorts of things.

Senator CAROL BROWN: I have used my system quite extensively, actually—

Mr Strong: So if you did a pay run you would find it easy to stop people's tax?

Senator CAROL BROWN: The question I was interested in asking you, and I understand you might not have the information, was how many people have taken up the paid parental leave option in the small business area?

Mr Strong: The figures here say 10 per cent of small businesses. If it is true, that is quite a high figure; that is a couple of hundred thousand.

CHAIR: Do you have a reference for that?

Mr Strong: No, I was looking at it a minute ago. It says in 2012-13, only 10 per cent of small businesses paid PLP in respect of more than one of their employees. I am assuming that means small business employers—otherwise it would be 200,000, which makes no sense. It would be 10 per cent of 850,000, which is 85,000, which is an awful lot.

CHAIR: Mr Mammone or Mr Ch'ng, do you have any comments on that point?

Mr Mammone: I was not clear on the other payments that Senator Brown was talking about. We are in quite a unique situation where money has to be passed by an employer to eligible employees. This is not akin to paying wages and conditions.

Senator CAROL BROWN: I was simply asking how they were dealt with in the software system.

CHAIR: I think the point is that a lot of people would assume that you would handle it the way you would handle any other leave payment. Perhaps we need some clarification of why that is not the case. I think Mr Strong started off on that line, so if you could keep going that would be great.

Mr Mammone: I think one of the issues, which is why we strongly support part of these measures to remove the paymasters—we call it the paymaster function—from the existing system is that they employ a tool kit which gives examples as to what needs to be identified in payroll-keeping records, which have to be kept for seven years. There is a requirement to withhold pay-as-you-go withholdings from those paid parental leave payments. There are issues in terms of storing that, and I think Mr Strong said this, and the amounts have to be properly identified—whether they are payroll requirements, superannuation requirements and just normal leave requirements. So it does add to the overall complexity of record keeping and payroll requirements.

Senator CAROL BROWN: I really could not hear very well.

CHAIR: Your voice is coming across in a rather clipped way, Mr Mammone, which makes it very hard to understand. When you were speaking directly into the microphone earlier, it was improved, but then it became more difficult again.

Mr Mammone: I apologise; I will try my best.

Senator CAROL BROWN: What I was going to ask Mr Strong particularly or Mr Mammone is: what typically happens when somebody applies for and is granted paid parental leave? Do you know the interface between a small business and Centrelink? Are you able to give us some information about that?

Mr Strong: Are you right if I answer that, Daniel?

Mr Mammone: Yes, I will add to it if I am able to.

Mr Strong: Basically, because in small business there is a relationship between us and our employees—it is different from business to business, but in most cases you see them every day. They come in and they will bring their form in from Centrelink. They bring the form in and they will have filled it out sometimes, and they ask us to sign it. Other times they will bring it in and say, 'Can you help me fill this out, because I am not sure.' So we sit down and help them fill it out. Already we have got an activity happening there. You do that with your employees—not always, but quite often you help them through the situation. Then they send that off to Centrelink, and Centrelink process it and they communicate with the eligible person. As far as I know, they come back to the employer eventually and they say, 'Okay, this money is going to turn up in your account on such-and-such a date. They pay us three pays in advance, so you will get, say, \$800 coming into your account. Again, you have to remember we are running a bookshop or we are driving trucks or whatever; we are not accountants. But this money turns up in the account, and it is: 'Oh, what's that for?' It will have some code in there and we have to think, 'What's that for?' Then we have to move that through our system. We have to account for the money that we do not spend straightaway and we have to make sure that money is there to give to the people over the next six weeks. So it is a cash flow issue as well. It does not appear to be a big issue; but, in small business, they are all issues and they all add complexity to something that we should not have in front of us.

In dealing with a person who is on parental leave, quite often they will come in, especially after the child is born or just beforehand. We will have pictures up on the wall. We will have pictures on the website. They will come and visit customers and fellow staff, and it is all quite a good event normally. We all know it is not always like that, but in most cases it is in any workplace. You will find out and you will talk about the pay. You will do a pay run and the pay will go off into their account, as it normally does. You will email, if that is what you do, their pay advice to them. That sounds easy except for all those things that I have said. There are too many problems in there. There are too many issues that you have to change. It is imposed upon you from a third party that has no role of telling us what to do with our pay system above and beyond PAYG and the normal sorts of things you ask of an employer. It does not happen often and it just causes confusion for everybody and creates mistakes. Without a doubt, it creates mistakes that do not benefit everybody as well.

One of the things I have not mentioned is the ideology of it, which I understand is to have a woman in particular still feel connected to the workplace, and I understand that. But, in small business, you are either connected or you are not. A payment system is not going to make someone feel more connected or less connected. Some of the people who leave say, 'I'm not going to come back for the next 12 months,' and they do not come back. Others come back every couple of months, they come in every month or they come in every week. It just depends on the workplace and how it functions. You cannot impact upon that with a payment system that somehow or other causes that to happen. And, if you are a woman who employs people, for some reason or other you are expected to spend more time away from your family, managing a payment process so somebody else can spend more time with their family as a result of that payment process, when it is completely unnecessary; if you just pay them direct then everybody wins.

Senator CAROL BROWN: I just want to clarify something. I have looked on this website and it says that under paid parental leave you have to withhold PAYG, so I thought you said that—

Mr Strong: There you go. I did not know that until then. This is what I—

Senator CAROL BROWN: Which would mean that that BAS issue probably was not—because it adds up then.

Senator MOORE: Yes, the taxes you have to take account of the tax.

Mr Strong: Yes, but it is still complicated. It is completely unnecessary. Don't do it. If I have to pay someone, I do not go to a third party and say, 'Can you pay them for me?'

Mr Mammone: Could I just add to that?

CHAIR: Yes.

Mr Mammone: I think the issue for us is the transactions—by way of the worker needing to read, comprehend and fill out a 75-page form to apply for paid parental leave. It is 47 pages of a form and the rest are notes.

CHAIR: But you would need to read the notes to fill in the form. That is the thinking?

Mr Mammone: Correct. And the feedback that we have received is that it is so detailed and prescriptive that a lot of the time employers have to sit down with the worker and help them fill out the form. I am not saying that is in all the cases but we have had reports of this form taking up to an hour to work through and fill, and that is obviously lost productivity time for the employer, the small business, concerned.

Compare this to the system in New Zealand, which we have referred to as something that we should look at as a workable model: a four-page document; a two-page form, with two pages of notes. In New Zealand the government administers the scheme and provides the payments directly to the eligible worker. It is a system that has been in place for some time; they have had a review of the scheme. It seems to be delivering on those laudable policy objectives.

So I think some of the problems we have had have been in part when payments are not delivered on time to the employer; and, in terms of the employer providing those payments for workers, it undermines the trust in the employment relationship. It is not the employer's fault necessarily that payments are not delivered on time, but obviously with a complicated system it is going to have some inbuilt inefficiency and problems. We have had some experience of employers saying: 'Look, it just has not happened on time, and the employee is frustrated for good reason. It would be far better and more efficient if payments were directly provided to the worker.'

Senator CAROL BROWN: Just to follow on from that point: is the feedback you are getting from your networks that the payments are not being paid on time because there is an issue because of the workload in the business or is it an issue from Centrelink's perspective? Do you know?

Mr Mammone: I think it is a mixture. Some of the cases we have heard it is that, for whatever reason, the payments from the government just have not been able to be processed. There may be some back and forth between the processing agency and the worker to verify information. But also the employer has to register and set up the system. That can take time, particularly if they have not registered before for an eligible worker. I know that we were trying to help with the implementation of the scheme by encouraging employers to sign up early and have all those details, so that they could facilitate the payments.

Mr Strong: If I could support that as well. That assumes they have a paymaster. We should not be asking employers to go and do something beyond their business because it puts an employee's job at risk. Let them concentrate, especially in small business, on their business; and part of that is PAYG. When you employ someone, that is not debatable; that is part of what we do in this country. But let them concentrate on their business. Let's not impose another process upon them that is complicated—look at the discussion we are having today—and that takes their mind off the business. It is pretty easy. Let's concentrate on business not on government payment processes.

Senator MOORE: I have two questions. Can I just ask generally—and I know you are a representative of small business people as opposed to being in small business—what is the standard interaction between a small business employer and an employee who is taking parental leave. Taking away the paymaster role—though I think every business does have a paymaster, be it the person who owns the business or someone who does that job for them—in terms of the process, what is the linkage between the employer and the employee if you take away the paymaster's role between the people in the period of parental leave?

Mr Mammone: If I may attempt to answer this, obviously there are entitlements to paid and unpaid parental leave, whether that is for the expectant mum or for the father who has taken some time off to assist with a newborn, and also for adoption leave, which we should also mention. I think, if you take away the paymaster function, the usual relationship and the issue that needs to be managed will be managed, whether or not that is simply ensuring that a return-to-work plan is put in place. Obviously there are notice requirements under the National Employment Standards, but also policies are going to be different in different companies. I think that with small business, as Mr Strong alluded to before, there is already that strong connection. A lot of these small businesses are family businesses, and our experience is that there already is that relationship. Obviously a scheme which looks at workforce participation, which is a paid parental leave scheme as distinct from workplace participation and attachment, is slightly different and there is no strong link with a paymaster function and trying to encourage workplace attachment or retention.

Senator MOORE: So your view is that the workplace link, which is the background to this whole process, would be maintained effectively in terms of communication linkages, information about changes in business, information about changes in employment conditions and an effective return-to-work plan, and this would all operate independently of the paymaster's role? There is no linkage now in the fact that the worker is linked into being part of the business and the employer is linking with them every week or fortnight or whatever the payment cycle is?

Mr Mammone: Our view, and it has been a consistent position that we have put to the Productivity Commission inquiry and throughout, is that there is no evidence which suggests that payments being provided through the employer's payroll provide a stronger attachment to the workplace. In New Zealand, which I have just referred to, they reviewed the scheme in terms of the employer experience and the employee experience. They were receiving paid parental leave payments directly from the government; all the employer had to do was co-sign a form and verify information. The scheme was generally assessed as operating effectively. So to us there is no net benefit from the administrative costs associated with the paymaster function which would outweigh any perceived or real benefits. I think the submission that we have lodged indicates this, and I appreciate you probably have not got a copy of it just yet. The New Zealand review was in 2005-06, and I quote from it:

... the scheme enjoys considerable support from mothers, fathers, and employers alike.

We attached a copy of the evaluation as an annexure in our submission.

Senator MOORE: Mr Mammone, in terms of the time of process, we are talking about a scheme that has not yet been in place for two years. I think one of the issues has been the time frame it has been around. In the New Zealand model to which you refer, which I do understand, how far into the process of the scheme was the review of that scheme? How soon after people started using it was it reviewed?

Mr Mammone: The New Zealand scheme commenced in 2002.

Senator MOORE: The review you had that said it was working generally well—

Mr Mammone: Yes.

Senator MOORE: was actually done in 2005?

Mr Mammone: 2005/2006. There may have been an earlier review, and I can take that on notice if you require further information.

Senator MOORE: I just want to make the point that the scheme about which we are talking and about which the two organisations have put forward their concerns, quite rightly, has not really been bedded down.

Mr Mammone: I think that we have been involved in a process of implementation and a period of time to bed it down to gauge the employer experience. There is a review, as I mentioned in my opening statement, which the department is conducting. It has also done research, as you would be aware. So we have some data and some firsthand experience from both the employee and the employer perspectives that I think we reiterate to this committee when it considers the impact of these measures.

Senator MOORE: And the opposition amendment actually means that small business is defined, as in many cases, as 20 employees or less—and we would be supporting the optional Centrelink process operating for those levels of employers. What is the two organisations' view of that? Mr Strong, in terms of your business, what is a small business?

Mr Strong: It is less than 20, but we believe that all businesses should not be involved in this unless they opt in, as you say.

Senator MOORE: So 20 or less would cover your membership, so the outrageous impost on the employer would then be taken away?

Mr Strong: Yes, if that goes through, but we support the total removal.

Senator MOORE: And Mr Mammone?

CHAIR: You support the fact that Centrelink would make the payment?

Mr Strong: That is right. If any employer, no matter what size, wants to be involved, it can opt in.

Senator MOORE: And Mr Mammone?

Mr Mammone: Yes, our pre-election policy is quite clear: we support removing the mandatory requirement unless the employer opts into the system, and obviously with the consent of the employee, which is what is reflected in these measures.

Senator MOORE: Okay.

CHAIR: Could I just ask either of you: are you aware of any circumstances, given the fact that this money is paid ahead of time, where companies have gone broke or whatever and had not paid out the parental leave to the employee?

Mr Strong: I am not.

Mr Mammone: I am not aware. I would like to take it on notice, if I may, and just have a look at that issue.

CHAIR: Again it strikes me as another potential risk for employees that that could occur.

Mr Strong: That is right. Again, we have seen nothing actually happen. We have the fears as well, and it is only a matter of time. What concerns us is if a business is under extreme pressure, having to pay rent or whatever it is, and they look at that amount of money and think, 'Well, I'll use that, then I'll find that money later,' and when individuals are under—

CHAIR: It has happened with super in the past. There is no reason why it could not happen with other things.

Mr Strong: That is right. It is something that will happen, and that is one of the things. When you ask another party to do a payment, mistakes will happen.

Senator MOORE: Would that happen with any entitlement? If a business were to go broke suddenly, there would be potential impost on a whole range of employee conditions?

CHAIR: You would hope a business would have kept the entitlements separate from the moneys.

Senator MOORE: You would hope so.

CHAIR: They would have kept the money needed to pay their debts, of which those things are part, but often that does not happen.

Mr Strong: If I can say so, the best thing you could do is set up another bank account and give that bank account to Centrelink so that you know that what is in that bank account is definitely paid parental leave, and there is the extra red tape that is really not necessary.

CHAIR: Okay.

Senator CAROL BROWN: In terms of the connection between staff and their place of work—and anyone can answer this if they are able—has there been any work done on the retention rates, on employees actually returning to work?

Mr Strong: I know there has been, but I cannot recall it. I do not know if Mr Mammone has figures.

Mr Mammone: Yes. We are aware that the phase 2—I think it is—research conducted in relation to the department review did look at some of those questions, and I would be happy to take that on notice, if I may, and look at that. I think our submission does not touch on that issue per se but rather looks at female participation rates generally since the commencement of the scheme to see if there is any correlation between the Paid Parental Leave scheme and female workforce participation. That is in our submission that has been lodged.

Senator CAROL BROWN: Thank you. I would appreciate it if you could—

CHAIR: Senator Brown, given that we have the department coming later tonight, perhaps we could ask Mr Mammone to take it on notice if we do not get a satisfactory answer later, rather than do the work and then discover we have already got it.

Senator CAROL BROWN: If he would like to put in some additional information as well, that would be good. That is fine, Chair.

CHAIR: Thank you. I do not think we have any further questions, so thank you very much, Mr Mammone, Mr Ch'ng and Mr Strong, for appearing.

Mr Mammone: Thank you.

Mr Strong: Thank you.

PAGE, Ms Samantha, Chief Executive Officer, Early Childhood Australia

[17:47]

CHAIR: I welcome Ms Page from Early Childhood Australia. I understand that information on parliamentary privilege and the protection of witnesses and evidence has been provided to you, Ms Page. I invite you to make an opening statement. At the conclusion of your remarks, the committee will be asking you some questions.

Ms Page: Thank you for the opportunity to be here.

Senator MOORE: You have come back again, Ms Page.

Ms Page: I have—two days in a row.

Senator MOORE: Thank you very much.

Ms Page: I am working almost as hard as you! Thank you. We just wanted to make ourselves available to the committee in case there were any questions you had for us. We do not have a lot to say on the bill, but I will make a couple of remarks and then take any questions.

CHAIR: We have been trying to just direct questions to particular schedules of the bill. If you are able to do that, that would be great.

Ms Page: Yes, I can do that, absolutely. Just by way of background: Early Childhood Australia is the peak body for young children from birth to eight, an advocacy organisation. Primarily our members are early childhood education and care services across the country, so that is our perspective and that is where we come from.

The comments we want to make on the bill are these. In terms of schedule 12, we support the amendments to the time provisions around claiming family tax benefit and related payments. We understand that there would be extensions allowed for families in special circumstances.

We would like to see more active communication to families about their entitlements. We think the entitlement system generally is very complicated for parents who are having their first child, particularly the interface between family tax benefit and childcare assistance through childcare benefit and childcare rebate and the various other payments that they may be eligible for. It concerns us that families are not always claiming everything they are eligible for and that that might impact on their decisions around care arrangements for very young children. So we would really like to see better communication, more active communication, to let parents know what they are entitled to. But, in terms of the time provisions per se, we are quite supportive of those.

CHAIR: Just to let you know: schedule 12 is not one of the schedules that was referred to this committee. There have been referrals to other committees as well, but we are more than happy to alert Education and Employment, I think it is—

Senator MOORE: Ms Page actually attended the other committee last night.

Ms Page: I was here last night, but I think we have had a miscommunication and got our schedules muddled up, so I am sorry.

CHAIR: Never mind.

Senator SIEWERT: Was that referred specifically to Education—

Ms Page: No.

Senator SIEWERT: because we got everything else that was not referred to Finance and Public Admin or—

CHAIR: I understood that we did not have schedule 12, but anyway, I beg your pardon. Let us go on.

Senator SIEWERT: That was the intent of your referral. The intent of your referral was everything else that was not then shuffled off.

Senator MOORE: And family payments come under us.

CHAIR: Okay, keep going.

Ms Page: Okay. We did not feel we were qualified to comment on schedules 9 and 10, but we support the measures in principle.

Schedule 7 is around the current Paid Parental Leave scheme. We are supportive of that scheme and recognise the value of parents having time out of the workforce to spend with very young babies. We do believe it needs to complement and interface better with the transition into early childhood education and care, but we support the scheme.

The change from direct payment—from employers paying the paid parental leave to parents, to the Department of Human Services doing that—is one that we support and one that we raised in our submission to the review of

Paid Parental Leave earlier in the year. That is particularly coming from our member constituency, which is largely small business or small NGOs. They found the administrative burden of that quite significant. They are employing primarily women, many of whom are of child-bearing age, so it was particularly significant in our neck of the woods that that was an administrative burden on employers, and they are very happy to have that paid directly by the Department of Human Services.

Other than that, we just had some comments around paid parental leave reform more broadly and the fact that we would like that to be considered as part of the Productivity Commission inquiry into child care and early learning. We think that, whatever time period you have for paid parental leave, that will impact on when parents choose to return to work and when children are entering early childhood education and care, so having a very strong interface there is important. We also think that having a much more generous Paid Parental Leave scheme will raise the expectations—and quite rightly so—of families around affordable and high-quality early childhood education and care. We just want to make that point. That is it, and I am happy to take any questions.

Senator MOORE: In terms of the process, Ms Page, you mentioned the administrative burden. What size employers would those people be?

Ms Page: In early childhood?

Senator MOORE: Yes.

Ms Page: The majority are small businesses—

Senator MOORE: So under 20?

Ms Page: so, yes, under 20 employees, and some in the 20-to-35-employees category.

Senator MOORE: We have an amendment that says that if it is under 20—the traditional definition of a small business is 20 or under—those people could actually have their payments made through Centrelink. You would support that?

Ms Page: Yes, we would.

Senator MOORE: That is the only area I have questions about in your area, Ms Page, because we covered the specific issues about child care and so on in the hearing yesterday evening.

Ms Page: We did, absolutely.

ACTING CHAIR (Senator Siewert): When you say you are supporting schedule 9, that is the other indexation changes?

Ms Page: Sorry—

Senator MOORE: It is complex.

ACTING CHAIR: It is, isn't it. I have been looking at this bill quite a bit, and I still get confused between the schedules. I thought you said you support schedule 9, which is the freeze on the indexation.

Ms Page: Mine is not numbered, so it is a bit tricky. I only have the explanatory memorandum; I do not have the bill itself. It is indexation pauses on higher income limits.

ACTING CHAIR: Yes.

Ms Page: We were comfortable with that. We would generally like to see more generous benefits for lower income families, and we are comfortable with pausing indexation rates at the higher end of the income scale.

ACTING CHAIR: But not on the childcare?

Ms Page: On the childcare rebate? No, because our calculations indicate that hits middle-income families the hardest.

ACTING CHAIR: I appreciate that you were talking about that last night in the other committee, but I just wanted to be sure on the other indexation—

Ms Page: You had we worried, because generally we do not support pausing indexation, but on that one we did because it is the higher income end.

ACTING CHAIR: What about the family tax benefit and the eligibility rules which is schedule 3—although I may have numbered that first one wrong.

Ms Page: Are we talking about schedule 3?

Senator SIEWERT: Schedule 3, yes. That is the teenage children one, which is the one where it ends at the end of their school year.

CHAIR: The end of the calendar year rather than on their birthday, isn't it?

Ms Page: Yes. I have not to be honest done any analysis on that. It is a different age group to where we are now focused. However, it sounds sensible to make it a calendar year, if that is when people are leaving school. Just, in terms of the indexation on the childcare rebate, we do not support the pause on indexation but we do support means-testing the rebate. So we would rather the rebate be indexed and means-tested than not means-tested and not indexed.

Senator SIEWERT: Yes.

Senator MOORE: Does that mean you would rather have means-testing as a general process, than indexing at that level. That was new evidence last night. Rather than having the freeze on the top cap of \$7,500, you think means-testing would be a fairer way of ensuring that the most appropriate people access the most appropriate payment.

Ms Page: That is right. So the problem is that childcare benefit and childcare rebate have eroded in terms of value. So low-income families and middle-income families are paying more because of the freeze in terms of indexation on both of them—well, childcare benefit still gets it but childcare rebate has not, and childcare benefit has fallen out of step with the actual cost of delivery. We are not suggesting that high-income families should be completely cut off but there could be a tapering down of the level of assistance for high-income families, if that allowed for higher levels of subsidy for lower and middle-income families. The data we had available suggested that the pause on indexation would have the biggest effect on middle-income families.

Senator SIEWERT: The other question that comes in there, though—and I think it was Welfare Rights Network that made this point—is the concern about the FTB supplement being frozen.

Ms Page: That is for single parents.

Senator SIEWERT: They are concerned about the impact on child poverty on that one.

Ms Page: Yes. Again, in the time frame for this, we have not looked at that, but certainly we would be concerned about the impact on single parents.

Senator SIEWERT: One of the comments that was made on the paid parental leave issue—and I must admit it is not my portfolio area, so I am not an expert on this—was that they were concerned about the transfer of payments to Centrelink because then it is seen as a welfare payment. Do you have concerns about that? Has anybody raised that with you?

Ms Page: We do not have concerns about that. No. Given that childcare rebate, childcare benefit and family tax payments are all through Department of Human Services, we would be hoping that families might be better informed about all of the things they are eligible for, if it is handled through the Department of Human Services. But I am happy to take it on notice, go back and talk to members and see whether there are any reasons. But when we did the submission to the review of paid parental leave there was general support for it being handled through Department of Human Services rather than through employers.

Senator SIEWERT: Thank you.

Ms Page: It is out of date now, but I did understand there was quite alarming data about people not accessing the baby bonus when they were eligible for it. We thought possibly that confusion was about having to pay it back if your income was different to your estimates. That is a few years old now, so I do not know whether that is still the case. But I do think that there should be some regular monitoring of whether people are getting the benefits they are entitled to.

CHAIR: Across the board?

Ms Page: Across the board, and across family payments in particular, and around young children, because that is when people are making sometimes very difficult decisions about when they return to work and how many hours they return to work and other things with newborn babies. They really should be making those decisions fully informed of the support that is available to them.

CHAIR: Wouldn't you anticipate that that is something Centrelink is doing as a matter of course? When someone comes in for a particular benefit, they would analyse whether they were also receiving other things to which they were entitled?

Ms Page: I would have anticipated that to be the case, but it was a bit alarming at the time when we were looking at that data. It pre-dates the current scheme so I do not know where things are at now, but certainly there was an extraordinary number of people not claiming entitlements when they should have been claiming; them they were clearly eligible for them.

CHAIR: Thank you, Ms Page.

Senator SIEWERT: Following up on the Australia Institute report from a couple of years ago?

Ms Page: Yes. I am sorry I don't have the date in my mind.

Senator SIEWERT: It was a couple of years ago, and I think they have updated it relatively recently, but the original work was done three or four years ago.

Ms Page: Yes. I was also on a review committee when the baby bonus changed from a lump-sum payment to fortnightly payments. There was data presented to that committee. I think that was before the Australia Institute report came out. But that would have been also before the current paid parental leave scheme.

CHAIR: Any further questions? No. Thank you, Ms Page.

Proceedings suspended from 18:01 to 19:19

ROOT, Ms Josephine, National Policy Manager, COTA Australia

[19:19]

CHAIR: Welcome. I understand information on parliamentary privilege and the protection of witnesses and evidence has been provided to you. I now invite you to make a short opening statement, and at the conclusion of your remarks committee member will put questions to you.

Ms Root: I thank the committee for giving COTA the opportunity to appear before you, particularly as we have not put in a submission. It saves me a task. You are aware of who COTA is, but for the record COTA Australia is the peak national body for older Australians. Our focus is on national policy issues from the perspective of older Australians as citizens and consumers. We aim to protect their rights and to promote their interests in all our work.

We believe that the income support system should assist people as and when they need it. So it should be there for when people need it, and we think it is an important part of a civilised society. COTA was and still is a member of the Fair Go for Pensioners Coalition, which has worked tirelessly to improve pension conditions for older Australians and which has had some success. So, whilst I am not speaking on behalf of the coalition, some of what I say is applicable to them as well.

We think it is important that the income support system is targeted to those most in need. We do not think people should get a payment simply because they think they are entitled to it or necessarily because of their age. If people have the means to support themselves regardless of their age then they should be encouraged to do so. But we need an adequate safety net that means that all Australians can live in dignity. That was the premise for the Fair Go for Pensioners and our work.

We were asked to comment on three schedules: schedule 4, schedule 8 and schedule 11. I hope I have got that right.

CHAIR: You have.

Ms Root: Schedule 4 deals with extending the time that somebody has to be a resident before they can start claiming the pension when they move overseas. We support that proposal in schedule 4. We think it is only reasonable that people should have to show that they have been a resident of this country for a reasonable amount of time. It brings us into line with most OECD countries and it shares the burden of an ageing population between Australia as the country of current residence and any other country where people might have been in residence. So we support that one.

We also support the closing off of the registrations for the pension bonus in schedule 8. We believe the replacement Work Bonus Scheme introduced by the then government is a much better scheme, providing a better incentive for older people to work and giving them a better return on their work. In particular, the annualisation of the work bonus does help meet the policy objective of getting older people to continue in the paid workforce. We think that it is important. We also think not cutting it off for a few months does give late people the chance to have a last minute rush, so we hope that the Department of Human Services is prepared for the rush when it comes. We support that one.

The deeming of all assets is something that COTA also supports: the extension of the deeming rates to all forms of income stream. We think it is important that there is a level playing field. We do not want to see one class of older person preferenced over another in terms of where they have their financial assets and how they have managed to arrange their affairs. There is quite a growth industry in helping people arrange their affairs to maximise pensions, and we think any measure that reduces that opportunity is probably a good one. That is us in a nutshell.

Senator SIEWERT: I want to go to where you just left off: schedule 11. The Financial Planning Association of Australia have said that they have concerns around schedule 11. I appreciate that you probably have not seen their submission.

CHAIR: They were invited to attend but they were not able to.

Senator SIEWERT: They say:

... the way that account based pensions are assessed under social security law, and forms a disincentive to the responsible management of retirees' superannuation assets.

... ..

Account based pensions are highly effective financial products. They are structured in a way that encourages and rewards retirees for withdrawing the minimum allowable from their balance, while still retaining flexibility and control to the beneficiary.

Do you share their concern and, if so, have you had any discussions with anybody about it?

Ms Root: We have not discussed it with them this time round. We did discuss it with them when a similar proposal was put up by the previous government. Our view is that, yes, one of the deficits in our superannuation/pension system is the availability of products that help people deal with longevity. Account based incomes could do that. However, depending on the size of your lump sum, you can get quite a big tax advantage. You can get quite a big pension advantage if you put it into an account based pension. There are other ways of encouraging people to go into products that give longevity. Whilst we note that—and the financial planners said this before—we do think if we are going to argue to keep deeming rates then deeming rates need to be applied across the board.

Senator SIEWERT: Are the other ways that you mentioned available now, or do other changes have to be made to facilitate that?

Ms Root: The issues around treating deferred annuities in the same way as other products for tax purposes is an important reform. The market has been quite slow to develop products to deal with longevity in this country, and we are in discussion with many of the super funds and financial planners to look at ways that we can encourage people not to take lump sums but to see their superannuation as a pension. One way would be if we could just change the terminology and not call it 'superannuation' but call it 'self-funded pensions'. That might help people to view them in a different way. We need some other reforms and some market response.

CHAIR: As I understand it, the vast majority of people do take their super as a lump sum from industry super funds. Is that correct?

Ms Root: I think so, yes; and then they look for products. It is quite an identified gap by the funds themselves that the concentration in superannuation policy has been on contributions, not on the withdrawal stage. As the population ages and as our superannuation matures, we need to move onto products that deal more with how people are going to make their super last.

Senator SIEWERT: The financial planners recognise there is a problem, and I understand you say that there is a bit of a problem around that. Are the changes that are necessary to deal with the longevity issue solely from the industry and what we call it and those sorts of things? Or are the legislative reforms needed going to be a bit behind before they are done? In other words, we are creating a problem for a while, until legislation catches up?

Ms Root: Possibly. I am not an expert on that.

Senator SIEWERT: My problem is that I am not an expert on super either. So we cannot be sure or positive about that?

Ms Root: No. It has been identified as a bit of a loophole for people to arrange their affairs. That is okay if you can do it, but if you do not have the capacity to do that then you are disadvantaged. We are trying to avoid that.

Senator MOORE: One of the things that COTA raised generally was having standardisation so that people did not have too many rules to get their head around. It was certainly in some of the discussions that we had—not around this issue but just generally.

Ms Root: That is right.

Senator MOORE: One of my thoughts about the deeming stuff—and I think fondly of deeming because I had a job for six months in the department selling the original deeming scheme to the pensioner population; not too effectively, I believe, but nonetheless that was my job—in terms of process is the confusion if one pension is handled one way and there is another process. That came out with your members at one stage. I remember reading one of your discussion points.

Ms Root: Yes. So anything that keeps it simpler—

Senator MOORE: Consistent.

Ms Root: and consistent, I think, makes for better decision making on the part of individuals about what they do with their money.

Senator MOORE: My understanding also is that COTA have discussions with their members about that, so one of the things we need to keep open is that, if the issues raised by the financial planners and raised by Senator Siewert are real, we need to look at subsequent actions to fix it up.

CHAIR: The government have said that they would make no detrimental changes to superannuation. We certainly have not had any evidence from anybody suggesting that they feel that that is the case here. It is certainly a watching brief, I guess, yes.

Ms Root: I guess I would add to that that we have not had representation from people against this particular provision. There were some other changes on which we have had quite a lot of correspondence. We have had no older people, no pensioners, write to us about this.

CHAIR: Ms Root, you were commenting earlier on things that made it easier for people to stay in the workforce in regard to the Pension Bonus Scheme. I am just after perhaps a more general comment. The media often portrays any suggestion that people would work post 60 or 65 as akin to some sort of slave labour. Could you perhaps just outline for us COTA's view on people working after pension age?

Ms Root: Certainly. COTA's position is that people should be able to work if they want to. So, if they want to work past the age at which they are eligible for an age pension providing they meet the means test, they should be able to. There should not be any legislative barriers that stop them doing that, which there are currently. We also believe that it is important that there are many people living on the pension. To live just on the pension means that you are always going to have what ASFA, the Association of Superannuation Funds of Australia, calls a 'modest' lifestyle. Most people probably aspire to more what ASFA would call the 'comfortable' or 'reasonable' level, which is slightly higher. To make the difference between the modest and the comfortable, which is overseas trips, going out to dinner and doing a few things that most of us consider to be part of life, people like to work. They like to work part time. They like to have flexibility of working. But that is if they can. We believe in choice.

The age of the age pension I suppose is one of the things that you are getting at. We have to get people working till they are 65 before we start talking about raising it. The ABS statistics released yesterday show that the average age of retirement is 59.

CHAIR: It is surprising.

Ms Root: We are nowhere near 65, and it is going up to 67, so we have a piece of work to do to change employers' attitudes and employees' attitudes to say that that is not when you retire, when you might think of leaving the paid workforce.

CHAIR: Thank you, Ms Root.

Ms Root: It is a pleasure.

CHAIR: Thanks a lot.

Ms Root: That is it? Thank you all.

CHAIR: Thank you for coming.

BERKELEY, Ms Brendalyn Anne, General Manager, Indirect, Philanthropy and Resource Tax, Department of the Treasury

BROWN, Mr Philip, Branch Manager, Parental Payments and Family Research Branch, Department of Social Services

CADDICK, Mr Oliver, Director, Student Payment Program Performance Section, Payment Integrity and Performance Information Branch, Department of Social Services

CAVALLI, Mr Sam, Manager, Financial Markets Section, Seniors and Means Test Branch, Department of Social Services

HUTCHINSON, Mr Peter, Manager, Portability Policy and International Agreements, Social Security Relationships and International Branch, Department of Social Services

JOYCE, Mr Ian, Acting Manager, Seniors and Means Test Branch, Department of Social Services

KAY, Ms Jennifer, Section Manager, Program Service Branch, Department of Social Services

KIMBER, Mr Murray, Branch Manager, Payment Integrity and Performance Information Branch, Department of Social Services

LAFFAN, Ms Amy, Acting Branch Manager, National Gambling Branch, Department of Social Services

LINDENMAYER, Ms Diana, Branch Manager, Family Payments and Child Support Branch, Department of Social Services

PALMER, Mr Bryan, Group Manager, Housing, Homelessness and Gambling, Department of Social Services

PIPER, Ms Sue, Manager, Philanthropy and Exemptions Unit, Revenue Group, Department of the Treasury

ROBERTSON, Ms Amanda, Manager, Age Pension Policy Section, Seniors and Means Test Branch, Department of Social Services

WOJCIECHOWSKI, Ms Dilreene, Parental Payments and Family Research Branch, Department of Social Services

WOOLLEY, Ms Trish, Branch Manager, Program Service Branch, Department of Social Services

[19:35]

CHAIR: I welcome the officers of the Department of Social Services and the Department of the Treasury. Information on parliamentary privilege and the protection of witnesses and evidence has been provided to you. I remind witnesses that the Senate has resolved that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and should be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted. I now invite you to make an opening statement and at the conclusion of your remarks I will be asking members of the committee to put their questions.

Mr Hutchinson: Thank you, Chair. I do not think we need to make an opening statement.

CHAIR: Senator Moore, would you start the questions.

Senator MOORE: Mr Hutchinson, you are specifically here for the going overseas bit, aren't you?

Mr Hutchinson: Yes, schedule 4.

Senator MOORE: On the issue of raising it from 25 to 35 years, has the department received any complaints about this? It was raised as a probability in our government's budget 12 months ago, so it was out there then. It has now come back on the table. There has been a period of time when people who have concerns have had the ability to raise them. Has your branch received concerns?

Mr Hutchinson: Very few. We have been putting information out about the proposed changes, subject to the passage of legislation, since the original announcement, in correspondence when we are replying to people's letters that raise subjects relevant to payment of pensions overseas. The only complaint, I guess, that I can recall is a fairly recent one, from about a month or maybe six weeks ago. I could not tell you the name now, I am sorry,

but it was a letter to the minister and a petition signed by about 10 to 12 people. It was basically saying: do not proceed with this legislation.

Senator MOORE: On the basis that they have either 25 years residence or are coming close to 25 years residence and they would expect that this will now disadvantage them?

Mr Hutchinson: Yes.

Senator MOORE: We heard from COTA, and it has been in some of the other things I have read, that this particular change brings us into line with other countries. One thing I would like to see, and you do not have to do it straight away, is a schedule showing the different countries that we compare ourselves with and what their rules are in this area. Over the last 18 months to two years we have had a number of changes around things like the ability to move overseas and maintain payments, and a question that is always raised is whether we are going out on a limb, whether Australia is harsher. On this one in particular we have had a number of pieces of evidence that say this is quite a common standard. To the best of your knowledge, is that true? Do you have access to data that would show comparative rates?

Mr Hutchinson: Our system is quite different to most other systems.

Senator MOORE: The contributions systems.

Mr Hutchinson: Yes, generally they are contributory.

Senator MOORE: It is more a super system.

CHAIR: People pay their money in and they are getting their own money back, whereas in Australia we hand over other taxpayers' money .

Mr Hutchinson: Exactly. In the contributory systems often there is not an upper limit, in the sense that you contribute for as long as you contribute and that is your ultimate pension. New Zealand has a similar residence based system. They have 45 years as the basis for payment overseas.

Senator MOORE: So we have a goal there, Mr Hutchinson?

Mr Hutchinson: Sorry?

Senator MOORE: We have a goal of 45 years.

Mr Hutchinson: So yes—

Senator MOORE: That was offering an opinion, Mr Hutchinson.

Mr Hutchinson: Basically, yes, a person in Australia can accrue up to 49 years working off residence at the moment. It will be 51 years after pensioner age becomes 67 in 2023. I think the view is pretty widely accepted that 35 years is not an unreasonable period, given a person does not have to work or pay taxes or contribute at all—just has to live in Australia.

Senator MOORE: Once they have reached that 35 years, they can come in and out at will?

Mr Hutchinson: They can come in and out at will with 10 years. The general requirement for a full pension in Australia is 10 years' residence, at any age, but payments outside a base strictly on working life residence, which, despite the name, is only residence during what would be expected to be a person's working life, so residence between 16 and pension age. So, yes, providing a person has got their 10 years, they can come and go and get a proportional pension based on that 10 years. We do have agreements with 29 countries now, I think, under which people can claim a pension, having left Australia before pension age. Again, those pensions are almost universally paid based on the same approach.

Senator MOORE: This is just an interest question. What constitutes living here? So if you are coming backwards and forwards regularly—it is an issue for lots of people with family. We have also had issues raised about caring responsibilities for people who have to go in and out. What constitutes residence in that sense?

Mr Hutchinson: A person normally has to be an Australian citizen or a permanent visa holder. Then the arguably discretionary piece of the puzzle is to be considered residing in Australia—

Senator MOORE: Maintaining a residence?

Mr Hutchinson: From memory, there are seven criteria specified in the legislation. I will probably get it wrong.

Senator MOORE: Do not worry.

Mr Hutchinson: Accommodation, frequency of absences, economic and financial ties—

Senator MOORE: Even between the 25 years that we now have and the 35 proposed in this legislation—

Mr Hutchinson: There is no change to that.

Senator MOORE: Could be acquiring residency even if they are mobile?

Mr Hutchinson: That is correct.

Senator MOORE: Subject to the limitations in the legislation?

Mr Hutchinson: Yes.

CHAIR: We have here the officers responsible for schedules 4, 8 and 11, which were the items that Ms Root was talking about.

Senator SIEWERT: Have we done 11 yet?

CHAIR: No. We are waiting for you.

Senator SIEWERT: I beg your pardon. Could we go to 11? I think you were in the room when I was asking the question about whether any legislative changes would be required to achieve the outcomes in terms of the longevity products and making sure that those people that may be affected by this amendment would have other products to go to?

Mr Cavalli: I think that starts to get into some other issues around superannuation. I would start by saying that this measure is about the treatment of people's income streams by the social security system and all that this measure is doing is attempting to treat people with the same levels of assets in the same manner. I think your first question was whether the FPA was concerned that this would stop people taking out account-based income streams, we do not believe that will be the case. The main driver for people taking out account-based income streams is that they get that stream of income, but the main concession that they get is that it is tax free over the age of 60 when you are drawing down—and not only the money that you draw down but also the investments, the earnings, in the account are also tax free. So you do not pay any tax either on the draw down or on whatever income is made.

So we do not see that there will be any disincentives for people to take up these particular products. They are very flexible products and they have that very significant tax advantage. In terms of longevity, you are starting to get into some other issues about the sorts of forms of products that industry may or may not want to produce. Our objective, and what deeming does, is to treat all investment products the same way. So there is neutrality of treatment. In that regard, we would see that that is the main criteria.

Mr Joyce: I think, as Mr Cavalli said, the key thing is that we do not think this change will discourage the take-up of this product, so it sort of makes the rest of your question—

Senator SIEWERT: So, you think that the comments that the Financial Planning Association are making are—and I am not putting words into your mouth—are inaccurate, and that it will not actually put people off?

Senator MOORE: The department does not agree with the statements.

Mr Joyce: We have not actually seen the submission, but that is right, we think they will continue to be a popular product. As Mr Cavalli says, they are flexible and all these rules are doing is actually making a reasonable assessment of the income those products are generating.

CHAIR: Would it be reasonable to ask the department to have a quick look at it, Senator Siewert?

Senator SIEWERT: That is what I was wondering.

CHAIR: There has been a submission received from the Financial Planning Association and it is online, but they chose not to come along as witnesses. Before lunchtime tomorrow if you are able to have a quick look and provide any extra comments you think you might need to make, having read their submission, that would be helpful, Mr Cavalli.

Mr Cavalli: Yes.

Senator MOORE: Mr Joyce, what is your relationship in your area with the FIS officers that are out in the network of Human Services, providing information to people who are claiming payments? Do you have a linkage?

Mr Joyce: Obviously, the FIS officers are part of the DHS network, as you know, so when we are putting any sorts of new measures in, we will provide information to them.

Senator MOORE: Training packages and things like that?

Mr Joyce: And Q&A documents and the like, that they can then draw on to provide information.

Senator MOORE: But you provide the policy advice to them?

Mr Joyce: Yes, that is right.

Senator MOORE: It seems to me that these kinds of questions that are being raised by the FPA are the kinds of things that FIS officers are dealing with all the time, with people coming to see them saying, 'How do I handle this and what should I do?' I know they cannot give personal investment advice and all that stuff, but they can give people information about the impacts of decisions they would make. This would be the kind of stuff that the FPA are raising with which you would be familiar. It would be not that difficult, I would imagine, to respond. There are quite specific concerns. They are talking about access to products and disincentive for people to take up choices by this change. That is a fair enough summation, is it not? If we get that to you, would you mind just having a look at it and seeing whether that seems reasonable to you?

Mr Cavalli: Yes.

Senator SIEWERT: I think it is probably better if you look at the submission and give us any feedback on the it.

CHAIR: I am just wanting to confirm from the revised explanatory memorandum that schedule 4 is anticipated to save \$50.8 million over four years. Is that still the case, Mr Hutchinson?

Mr Hutchinson: That is what I understand, yes.

CHAIR: Schedule 8, \$80.5 million over three years, Mrs Robertson?

Ms Robertson: Yes.

CHAIR: And the deeming rules, \$161.7 million over four years. That is our current view of what we will save by doing that.

Mr Cavalli: That is correct.

CHAIR: Thank you very much.

Senator SIEWERT: I realise that you have just said that you would take this on notice and reply but one of the points that is made twice is that it affects those on modest incomes more than others. At one point it says it will target those with the smallest superannuation balance. I presume that you disagree with that statement? If so, why?

Mr Cavalli: As I said before, what this measure actually does is provide equity with people who hold assets in the superannuation environment with people that hold assets in the non-superannuation environment. Do they give anything about what small superannuation—

CHAIR: They talk about people with superannuation, yes.

Mr Cavalli: What levels?

Senator SIEWERT: They give an example of someone with an account who invests in an account based pension and give a difference between \$200,000 and \$500,000.

Senator MOORE: Mr Cavalli, we know we have got a hard copy here somewhere and I think if you could see it you might have a better chance than us reading it out to you.

Mr Cavalli: Someone might be holding \$200,000 in an account based income stream. Superannuation is just a vehicle; the assets that you hold in your superannuation account can be the same assets that someone, who has saved all their life, has decided to purchase directly. They might have decided to purchase shares and put some money into a managed investment—they are the same sorts of things you have in a superannuation account and an account based income stream. So you can have two people with \$200,000, one who has saved in super and one who has saved outside of super. That person, because of the way the concessional rules work at the moment for people with account based income streams, would get a full age pension. A single person who has saved \$200,000 and is receiving the age pension would receive \$75.78 less age pension a fortnight than the other person. Their circumstances are exactly the same except one person has saved in superannuation, has gotten tax benefits, is receiving tax benefits—because it is tax free—but is getting a maximum rate age pension. That is the objective of this measure. The FPA is suggesting we are hitting people with moderate amounts of superannuation, but at the moment we are actually treating them a lot more concessional than people who hold potentially the same assets outside of superannuation.

Mr Joyce: The people who hold the same assets directly might be a small businessman who sold their business and purchased shares for their retirement.

Senator SIEWERT: So the point you are making is that, while it may be hitting that person with a modest super, it actually puts them equal with a person—

Mr Cavalli: I guess they are doing a comparison to people who have got significant super, who have been assessed, I am assuming, under the assets test. But that is what the current assets test is designed to do. As Ms

Root said, it is about providing assistance based on peoples' needs. So if you have got \$500,000, obviously you will have less need than someone with \$200,000. But if people have got \$200,000, they should be assessed the same way.

Mr Joyce: So it is a designed feature of the operation of the income and assets test that is creating the result that the FPA is demonstrating here because the assets test is the test coming into effect at much higher asset holdings. The key thing again, as Mr Cavalli was saying, is that when the FPA use the words 'we are hitting them', we are just assessing a reasonable level of income for what that product would be generating. We do not think the current test is effectively doing that—\$200,000 is still a reasonable level of income; we might not be counting any income at all under the current test.

Senator SIEWERT: Thank you. If you could have a look at it and provide any other feedback, that would be appreciated.

Mr Cavalli: Yes.

Senator MOORE: The information you have just given us is more detailed than in any of the data we have had up until now. So to explain the impact, if we could get in writing the kind of information you have just given us verbally that would meet our needs.

Mr Cavalli: Yes.

[19:56]

CHAIR: I welcome further officers from the Department of Social Services and from the Department of the Treasury. Information on parliamentary privilege and the protection of witnesses and evidence has been provided to you. I remind you the Senate has resolved that an officer of the department of the Commonwealth or a state shall not be asked to give opinions on matters of policy and should be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only question is asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted. I now invite you to make a short opening statement and then members of that committee will be asking questions. We have here all the people related to the charities section, schedule 1A—am I correct in that? All right. Senator Siewert.

Senator SIEWERT: What is the rationale for delaying the implementation of the Charities Act?

Ms Woolley: The intention is to allow for further consultation on the legislation in the broader context of the government's other commitments around civil society.

Senator SIEWERT: I understand that there has been extensive consultation around it, in fact. I used to work for a not for profit and I remember being consulted—though that was a long time ago. What was the form of that consultation and why is more consultation needed?

Ms Woolley: To enable to government to have conversations with stakeholders in respect of the Charities Act, its intentions around the ACNC and the implementation of its commitments around civil society to see how all of these things intersect in the context of feedback from stakeholders. With the legislation due to commence in January, this enables a further period of time to talk about the mix of these issues with stakeholders.

Senator SIEWERT: What sorts of changes do you envisage would be needed to the Charities Act in order to deal with ACNC and civil society?

Ms Woolley: I guess, for an opportunity to see how, based on feedback from some stakeholders, the Charities Act may not be the most appropriate vehicle to be in place in the context of the construction of the ACNC and in the context of the government's agenda—thinking about all these issues together in the context of the government's agenda.

CHAIR: The minister has announced publicly that the ACNC will be disbanded and replaced by a centre of excellence, hasn't he?

Ms Woolley: That is correct.

Senator SIEWERT: Why would the Charities Act need to be amended? I can only think that it is about amending the Charities Act. At the moment the government says that it is delaying the implementation but, if you are doing more consultation around it, it seems to me to be fairly obvious that you are thinking of amending it. What would need to be amended in view of the ACNC going?

Ms Woolley: It would really be an opportunity to hear what stakeholders thought about it before it commences.

Senator SIEWERT: Surely an act does not need to be delayed in order for it to be amended down the track?

Ms Woolley: Though, if you wanted to look at those issues in context, the sequence of those things, you might—

Senator SIEWERT: What does the implementation of the Charities Act have to do with getting rid of ACNC?

Ms Woolley: I am not sure I can add anything further to the comments that I have made other than that these things are interrelated in terms of issues.

Senator SIEWERT: How? How is the definition of 'charity' and what it does interrelate with getting rid of ACNC?

Ms Woolley: I think there are intersections for people, for stakeholders, in the sector about how they see these issues connected in terms of the construct of that piece of legislation—how it operates, how it might be implemented by the ACNC, what role they might play in that, whether that construct continues into the future. In our conversations with stakeholders, they do see these things to be connected.

CHAIR: When is the new definition of 'charity' due to come into force if this legislation is not passed, Ms Woolley?

Ms Woolley: 1 January 2014.

CHAIR: So, any other changes around the ACNC and other aspects of the sector would be based on a definition that was put in place in contemplation of a system that the minister has now announced to be disbanded. Is that one way of understanding it?

Senator SIEWERT: Tell me examples of that.

Ms Woolley: I think that the connections are related to the way in which the sector, or this issue, is regulated, the views of different stakeholders—

Senator SIEWERT: Which stakeholders have called for the delay of the implementation of the Charities Act?

Ms Woolley: I do not have that.

Senator SIEWERT: I know a number that have called for getting rid of ACNC. I do not agree with them, but I have heard of them. I have not had anyone lobby me about delaying the implementation of the Charities Act.

CHAIR: Ms Berkeley, did you have something you want to add on that?

Ms Berkeley: I was just going to make the comment about interactions between the Charities Act and the ACNC. It is the ACNC that will administer the Charities Act and make decisions as to which entities are or are not charities.

Senator SIEWERT: That is what it is about. It is about not enabling the ACNC to do some work, in terms of starting to implement. Is that correct?

CHAIR: You would not let an organisation you are about to disband start work. Is that what you are saying the problem is?

Senator SIEWERT: No, it is not about the organisation. This is about the definition of 'charities' and is about charities. The government is prepared to delay the implementation of the Charities Act so that it can do away with ACNC. It does not want to enable ACNC to do any work, so they can prove it does not do anything.

Ms Piper: They just wanted to take more opportunity to do further consultation. I suppose that is consultation in the context of the announcement that the ACNC was going to be removed. Charities have not had formal consultation, I suppose, on the existence of the Charities Act, or the environment in which they are operating since the government announced that intention, and perhaps that is the opportunity they are looking for, to discuss further the Charities Act, and they have announced this to delay that.

Senator SIEWERT: How is it going to be implemented?

Ms Piper: It is just an opportunity for further consultation.

Senator SIEWERT: In the process the ACNC can surely start the implementation of the Charities Act. Do you intend changing anything in the Charities Act?

Ms Woolley: These are all matters for consultation.

Senator SIEWERT: What areas in the Charities Act do you think have been flagged for change?

Ms Piper: It is impossible to know at this stage and I think that is why the government has asked for more consultations, to see if there are any areas and possibly to flush out areas that they are interested in.

Senator SIEWERT: So why can you not implement it and then do the consultation?

Ms Piper: It is a decision of government to make the delay.

Senator SIEWERT: Was it made on advice that you gave, or did the government decide they were going to delay the implementation?

Ms Piper: I do not have information on that.

Senator SIEWERT: Can anyone answer that? I am not asking what advice you gave, I am asking did you give advice to government?

Ms Woolley: In the course of briefing a new government on a range of issues, including their commitments, advice is given in that context.

Senator CAROL BROWN: I was not here for a lot of the evidence that you have probably given but there was a lot of consultation undertaken in the formulation of the legislation that currently stands. I fail to see how further consultation is going to reach those people, the stakeholders, that are involved in this. I think we know what their views are. Do you have a consultation plan?

Ms Woolley: There is no detail at this stage available about the consultation but there will be detail made available as that comes to hand.

Mr Brown: Do you have a timeline?

Ms Woolley: In the new year would be the time for consultation.

CHAIR: One presumes that given the definition will be delayed until 1 September, it is before then.

Senator SIEWERT: That is a wild assumption pre-empting what the Senate is going to do!

Senator CAROL BROWN: The new year, to me, is the first three months, maybe. What does 'the new year', mean to you? Obviously not before February.

Ms Woolley: That is right, given that many community organisations over December and January are not available for consultation. The intention would be that soon after that there would be a process of consultation.

Senator CAROL BROWN: Who do you propose to consult with? The same group of stakeholders that have been consulted for years over this piece of legislation?

Ms Woolley: The detail of the consultation is not settled at this time.

CHAIR: The point has been made, Senator Brown, that they would be consulting on this and the development of a centre for excellence, not this and a commission.

Senator SIEWERT: What role does a centre of excellence have in regulating charities?

Ms Woolley: These are matters that are the subject of the consultation, in terms of working out the role of the centre of excellence in the context of these considerations.

Senator CAROL BROWN: So these consultations are around the role of a centre of excellence?

Ms Woolley: That is right. They are around the range of commitments that they are aligned to in the beginning around the civil society agenda, yes.

CHAIR: As I understood it, part of this was to consider whether states and territories should continue to be the bodies that would register charities. Is that your understanding, Ms Woolley?

Ms Woolley: I do not think decisions have been made about the exact scope.

Senator SIEWERT: Geez, that is cutting red tape—not!

Senator CAROL BROWN: When can we expect some sort of terms of reference around this consultation? Probably around February will we expect some understanding of the breadth of the issues that will come out of consultation?

Ms Woolley: Yes.

Senator CAROL BROWN: Do you have any further information that you can share with us around that? Any sort of timeline you are looking to complete those consultations?

Ms Woolley: No, not at this time. No.

CHAIR: Can I just hop in here with a couple of questions? They are not related to what you have been talking about. The membership of the ACNC board, Ms Woolley, are you able to tell me who they are?

Ms Woolley: I would have to take that on notice; I do not have that information.

CHAIR: One thing I was just trying to confirm is whether Mr David Crosby is on the board. If you could let us know as soon as you can, that would be fine. Ms Berkeley, it has been put to me by some people that the definitions that would come into force if this legislation were not passed on 1 January are very broad, and could lead to a lot of organisations that would not currently be considered to undertake charitable work achieving tax-deductible status. Are you able to comment on those views?

Ms Berkeley: The explanatory memorandum to the Charities Bill when it was debated in the parliament last year set out what the differences are between the common-law definition of charities that currently applies, and the statutory definition of charity that is contemplated by the Charities Act. That explanatory memorandum makes it clear that the definitions are in fact very close and there are only a few areas in which they do digress, so I do not know that I would agree with the comment that there is a wide difference between the two definitions. Certainly the stated intention of that explanatory memorandum was that the statutory definition would essentially reflect the existing common-law position.

CHAIR: The revised explanatory memorandum for this bill says that the financial implications of the charities amendment are unquantifiable in 2013-14 and 2014-15. Am I to take it from what you have just said that the 'unquantifiable' is more at the 'not very much' end rather than 'huge'?

Ms Berkeley: I think it expressly says unquantifiable but small, and that reflects a reversal given that this current bill contemplates a delay—

CHAIR: It does not actually say 'or small' in the revised EM, but I am happy to add that in.

Ms Berkeley: Certainly there is no anticipation that it was going to be anything other than small.

Senator CAROL BROWN: If this has already been answered just let me know: has there been any consultation with the states and territories over the proposals in this bill to do with the ACNC? Have you talked to the states and territories about the direction that the government wants to take?

CHAIR: But this bill is not about the ACNC, is it?

Senator SIEWERT: It has just been directly linked to the ACNC.

Senator CAROL BROWN: Yes, it is about postponing the enactment—so has there been any discussion with the states and territories?

Ms Woolley: In relation to the delay of this? Not that I am aware of. I am happy to take that on notice.

Ms Berkeley: Not that we are aware of.

Senator CAROL BROWN: Also can you take on notice whether the states and territories have themselves indicated any interest in this bill? Were there any concerns or any issues?

Ms Woolley: Sure. I am anticipating that the consultation process would enable them to have an opportunity to comment on this.

Senator CAROL BROWN: So no-one has been consulted and the states and territories have not been consulted. I just do not understand why we would defer something when there has been no consultation.

CHAIR: Perhaps because there has not been consultation yet.

Senator CAROL BROWN: Well, there has been plenty of consultation on the legislation. At least from 2001 that we know we started to talk about it.

Senator SIEWERT: But the definition of 'charity' has been under discussion for years. That is what witnesses told us yesterday.

Senator CAROL BROWN: There has been no consultation on going down this path.

Ms Woolley: This represents the opportunity, I guess, for consultation. The rationale for the delay is to enable that discussion to occur in the context of the other commitments around the ACNC and the Centre for Excellence, so that is the logic of the delay.

Senator MOORE: Ms Woolley, you just said that you believe the rationale for this particular delay is to have consultation around the other changes that have been proposed. Nowhere in the information, which we have to this date around the bill, has that been spelt out.

Ms Woolley: There have been a number of media comments and commitments by the minister to that effect, talking about the mix of these issues and enabling conversation or consultation.

Senator MOORE: Do we have a copy of that media release? It certainly did not come to me.

CHAIR: The 'ACNC replacement unveiled' was today's media release. It is not very good quality.

Senator MOORE: Is that where it spells it out?

CHAIR: Well, sorry, this is in today's *Pro Bono* news, but I think it was done by the minister—you might be able to tell me—a little earlier.

Ms Woolley: I have had a look at the document you are talking about, and I think there may be direct comments from the minister.

Senator MOORE: Well can we find out, because you are from the department. I know that you are not automatically involved in the ministerial press releases, but if we could find out what media releases have been put out by the minister, and the dates, and then we can get copies of them.

Ms Woolley: The other thing I would draw your attention to is in the explanatory memorandum. There is a reference to the delay allowing for further consultation on the legislation in the broader context of the government's other commitments in relation to the civil sector.

Senator MOORE: That is a very general thing. Your comment was about the ACNC.

CHAIR: Going back to election commitments, the ACNC was to be disbanded, and there would be consultation around how the sector functions.

Senator MOORE: Yes, but for the purposes of this bill we are struggling with why the definitional aspect is now linked in with the ACNC. We are just trying to get that clear. I am sorry I came in late, I had to talk about asbestos. If we could get those media releases that would be very useful, because I have not seen them. Also, at this stage, do you have a schedule for consultation?

Ms Woolley: Not at this stage.

Senator MOORE: Between now and?

Ms Woolley: February.

CHAIR: They are anticipating that in February they will have the consultations' schedule and terms of reference. Is that right, Ms Woolley?

Ms Woolley: Yes.

CHAIR: Thank you very much for appearing. Those officers from the Treasury were specific to this particular charities area. As I understand it there are no further questions for Treasury, is that right? Treasury, go home, and thank you very much.

[20:20]

CHAIR: I welcome further officers from the Department of Social Services. You are comfortable that I assume that you have heard all the stuff about parliamentary privilege and the like?

Mr Palmer: Yes.

CHAIR: Do either of you have an opening statement?

Mr Palmer: No.

CHAIR: Senator Moore.

Senator MOORE: I am fascinated by these titles—National Gambling Unit, I like that. In terms of the process, my understanding of what we have before us is a reversal of the range of issues that were in place in the previous legislation—so everything that was in the previous gambling legislation is being recommended to be changed. Is that right?

Mr Palmer: Would it be easier for us to go through the measures, because not everything in the—

Senator MOORE: Okay. And if you have a table there, we would very much like to see it, Mr Palmer.

Mr Palmer: I have a table with my notes on it.

Senator MOORE: We would like a table a lot. That would be really useful.

Mr Palmer: We can provide that .

Senator MOORE: But if you could just go through them for the record, that would be great.

Ms Laffan: With respect to precommitment, there is a repeal but it is to be replaced with the government's commitment. The government has committed to working with a range of stakeholders to develop and implement a voluntary precommitment scheme in venues.

Senator MOORE: I will come back to that, but continue.

Ms Laffan: With regard to the gaming machine capability referred to in the current legislation as manufacture and importation requirements, again that is for repeal, but also to be replaced with the government's commitment to working with state and territory governments and the gaming industry to ensure machines are capable of

supporting venue-based voluntary precommitment. With respect to dynamic warnings, the bill proposes the repeal of those. With the ATM measures, the bill proposes the repeal. The government considers state and territory governments are best placed to regulate ATMs in gaming venues. The regulator is proposed for repeal, as is the supervisory levy. With respect to the ACT trial, the trial had not yet commenced. Agreement was not reached. The trial did not require legislation to take place, but for clarity purposes references to the trial are proposed to be repealed from the act. Productivity Commission reviews are for repeal, as matters legislated to be referred to the Productivity Commission are no longer relevant or are inconsistent with the government's policy. With respect to the Australian Gambling Research Centre, there is no amendment, so the Australian Gambling Research Centre is to be retained.

Senator MOORE: That is the full range? If we could get that in a table form, that would be very useful. I am interested in what we have in front of us: the only commitment is the one you read out first, which is about going into an effective consultation process. Can you get any indication from what is before you of what is the form of that consultation process, with whom is there going to be consultation, and is there any form of advisory group as there was previously—there was a National Gambling Advisory something that was actually looking over the whole process. Do you have any detail of that kind?

Mr Palmer: In terms of the specifics of how the consultations were run, that is still to be determined.

Senator MOORE: Is there a time frame on that?

Mr Palmer: My understanding is that in the new year we will start the process of consultations. In clause 20 of schedule 1 of the bill, it goes through that we would be looking at consulting with states and territories, the gaming industry, academics and community sectors—so a wide range of consultations.

Senator MOORE: Does the community sector include NGOs?

Mr Palmer: Yes, it would.

Senator MOORE: And does it include individual support groups as were on the previous advisory committee?

Mr Palmer: I do not know if it will include the specific same bodies that were in the previous arrangement, but the views of a wide range of people are important in the process.

Senator MOORE: In the bowels of the department is there a full list of the kinds of people and organisations that had previously been consulted?

Mr Palmer: I do not really wish to comment on the bowels of the department.

Senator MOORE: The bowels of the department, in the sense of somewhere deep within the department. It is a common phrase. Do you have a contact list?

Ms Laffan: We do have a contact list of stakeholders who have demonstrated an interest in the past and with whom we have had dealings with in the past.

Senator MOORE: So, all that knowledge is there and can just be reactivated?

Mr Palmer: Yes.

Senator MOORE: In terms of the process we would have hoped to have more information about that in the new year.

Mr Palmer: Yes.

Senator MOORE: This is similar to what we heard from the Treasury group about the charities, that it would be in the new year, but there is no particular date that you have yet?

Mr Palmer: No.

Senator MOORE: We talked about the consultation with the states and territories and the industry. That was in terms of the particular changes to the machinery to the industry. Is the list that was read out complete? Are there openings for further consultation with academics and people who also have knowledge in this area, such as the people who go to the conferences on gambling?

Ms Laffan: Are you asking about what the consultations would be focused on or who we would be consulting with?

Senator MOORE: Further down when we talked about something being appealed.

Ms Laffan: About the capability requirements?

Senator MOORE: Yes, that is right.

Ms Laffan: I would assume that the discussion on capability requirements would happen at the same time as those.

Senator MOORE: There are no separate areas of consultation. It would be concurrent.

Ms Laffan: Not for those two measures, no.

Mr Palmer: The two measures are very closely linked.

Senator MOORE: In relation to the process in terms of an end date, in section 20 it does not talk about an end date.

Mr Palmer: An end date has not been set.

Senator MOORE: The areas that have been wiped out previously had budget linked to it. With the elements that have been retained, such as the research council, is there a budget line still attached to that?

Ms Laffan: There is. The Australian Institute of Family Studies has separately appropriated funding for that purpose, and there has been no impact on that.

Senator MOORE: Okay. So the existing funding stream through the AIFS is being maintained at this stage.

Ms Laffan: That is correct.

Senator MOORE: Do you have a figure for the savings that has come out through the things that have been mentioned so far in gambling?

Mr Palmer: No, we do not at the moment.

Senator SIEWERT: I just have one issue, about the ATM. My understanding, from what you have just said, is that the Commonwealth believes that it is more appropriate for states to regulate the ATM. Have you done any work with the states about whether they are likely to take up that particular measure?

Mr Palmer: The states already regulate.

Senator SIEWERT: I am aware of Victoria.

Ms Laffan: All state and territory governments have implemented a ban on ATMs from gaming areas in hotels and clubs. All states and territories also prohibit gaming venue operators offering access to credit to a patron for gambling purposes in relation to land based gambling, that is, people are unable to use a credit card in a gaming venue. You mentioned Victoria. Tasmania has a ban on ATMs in all hotels and club gaming venues, and a \$400 ATM withdrawal limit in casinos. In Western Australia's casinos, ATMs must be 40 metres from the entrance to any gaming area, unless the ATM has a \$400 limit per customer per day. The ACT has a \$250 per day ATM withdrawal limit commencing on 1 February next year. South Australia has a \$200 dollar daily withdrawal limit on ATMs in gaming venues.

Senator MOORE: And the unmentioned states have no restrictions?

Ms Laffan: Other than the credit card that I mentioned before, and with regard to the placement of ATMs in gaming venues.

Senator MOORE: So they cannot be inside a gaming area or a gaming building.

Mr Palmer: They can be within the building.

Senator MOORE: Can we get that in table form as well?

Mr Palmer: Yes, we can provide that.

Senator MOORE: My understanding is that COAG worked together until very recently and there was a segment of COAG that looked at gambling. Is that right?

Ms Laffan: There was a ministerial council on gambling. I am sorry, I do not know the correct name. **There was a select council as well.**

CHAIR: And that was social services ministers?

Ms Laffan: There was a COAG Select Council on Gambling Reform, and the remit of that select council expired in December 2011.

Senator MOORE: And at this stage there is nothing in the current information that indicates the reactivation of such a body?

Ms Laffan: Not currently, although there are commitments about the consultation with state and territory governments.

Senator MOORE: Yes.

Ms Laffan: But, for that precise mechanism, no.

Senator MOORE: I know that had a general remit of gambling but, on the specific process in which ATM restrictions were agreed and discussed, was that through that or through another area?

Ms Laffan: Was that discussed in a—

Senator MOORE: Yes. There was discussion around ATMs, which was real. Was that through that process on gambling or was it through financial restrictions or some other grouping?

Ms Laffan: I am not sure I understand the question, but states and territories independently applied these restrictions on ATMs. Potentially there was some discussion too.

Senator MOORE: Yes. I am particularly interested to know whether the discussions around ATM access in venues were linked to the discussion on gambling which was then done through the COAG process. I am trying to find out whether the ATM restrictions that were already in place and have changed a bit over the years were a particular part of the discussion at that—

Ms Laffan: Whether they were as a result of those?

Senator MOORE: Yes.

Mr Palmer: We would have to find out. We do not have that knowledge here.

Senator MOORE: Can you check that. You do not have to get back to us by tomorrow; this is an ongoing area. But, as one of the particular areas in the previous legislation was around the limitation to ATMs at the level which was already in the ACT and South Australia, I think—South Australia was a \$200—

Ms Laffan: South Australia's was \$200. The ACT's was \$250, but that commences on 1 February.

Senator MOORE: Yes, so they had already come to around the level that was in the federal area. The other states that you mentioned had higher levels.

Mr Palmer: That is correct.

Senator MOORE: And some states had no restriction at all.

Ms Laffan: Yes.

Mr Palmer: Can I just be clear: are you asking whether these ATM measures were discussed in that Commonwealth-state forum?

Senator MOORE: Yes—whether this particular discussion point was linked to the pre-existing COAG process that looked at gambling. This committee has done two or three inquiries into gambling, and at each of them this ATM measure came up in different ways, so I am trying to track back where it came from. Thank you.

CHAIR: I think you have both had and presumably continue to have discussions with state and territory counterparts around this area.

Mr Palmer: Yes.

CHAIR: There was a suggestion made here yesterday that the states might in fact be behaving in a less than honest fashion because of the revenues that they receive from gaming. Are either of you able to characterise your relationship with the states in view of that comment?

Mr Palmer: I do not think we can make any comment on those comments that were made yesterday.

CHAIR: Thank you, Mr Palmer. Thank you, witnesses. Senator Siewert, do you want witnesses on the increase from 25 to 35?

Senator SIEWERT: Do you mean schedule 3?

CHAIR: We have done schedules 4, 8 and 11, so we are up to the interest charge. Which schedule is that?

Senator SIEWERT: I only have a short question on that.

CHAIR: Schedule 3, family tax benefit and eligibility rules? Is that who is on their way?

Senator SIEWERT: This is the 17-year-olds.

[20:34]

CHAIR: There is one short question on 3.

Senator MOORE: Is it one of your questions, Chair?

CHAIR: No, it is one of Senator Siewert's questions. Hers are as short as mine sometimes.

Senator SIEWERT: We are now discussing, I think under schedule 3, the measure that cuts off payments at the end of the school year. Once they finish school at the end of year 12, this cuts it off?

Ms Lindenmayer: This measure supports families with children up until the end of the calendar year that they finish year 12.

Senator SIEWERT: Effectively regardless of age?

Ms Lindenmayer: Regardless of age.

Senator SIEWERT: If they are older than the normal age for finishing year 12, they will still be carried through to when they finish year 12?

Ms Lindenmayer: They will be carried through till the end of the calendar year they turn 19.

Senator SIEWERT: If they are doing year 12?

Ms Lindenmayer: Yes.

Senator MOORE: You say they are eligible til the end of the calendar year, which will be 31 December. When is the last payment in the cycle?

Ms Lindenmayer: I think payment cycles vary but they would be paid up until that date—31 December.

Senator MOORE: Is it prepaid or postpaid?

Ms Lindenmayer: It is paid in arrears.

Senator MOORE: So with 31 December you would be likely to get a payment sometime in January, and that would be the last one. Is that how in arrears works?

Ms Lindenmayer: Yes, that is my understanding.

Senator MOORE: So the last payment would be some time after Christmas?

Ms Lindenmayer: Yes.

Senator SIEWERT: My understanding is that the amount of money saved is \$76 million over four years, is that correct?

Ms Lindenmayer: That is correct.

Senator SIEWERT: Is that on that particular measure or is that overall to the budget?

Ms Lindenmayer: It is for this particular measure. As an example, you might have a 17-year-old who is finishing school at the moment, so in December this year, but they do not turn 18 until March. Their payment would cease at the end of December this year, which is in line with when they finish school. So they are finished year 12 rather than continuing the payment until their 18th birthday.

Senator SIEWERT: Then they have to go through the whole process of approved study—

Ms Lindenmayer: They protest their eligibility for youth allowance.

Senator SIEWERT: So how long a period is there where families are not getting support in one way or another?

Ms Lindenmayer: My understanding is they could claim youth allowance from 1 January. They could lodge their intent to claim youth allowance and if they meet the eligibility criteria for youth allowance they will be eligible for youth allowance from January.

CHAIR: Has there been the potential for people to double up?

Ms Lindenmayer: No, you cannot receive both payments.

Senator SIEWERT: So they finish in the calendar year ending 31 December, and you are saying they could be prepared enough to then claim youth allowance from 1 January?

Ms Lindenmayer: They could lodge their intent to claim with Centrelink, yes.

Senator MOORE: Can you remind us of the eligibility for youth allowance—age, income and all that. What do we have to do to get youth allowance?

Ms Lindenmayer: I am not the expert on the youth allowance, but my understanding with youth allowance is that they need to be full-time students or apprentices aged between 16 and 24, they could be job seekers aged under 22 looking for work, and there is a parental income test and a personal income test.

Senator MOORE: So you could easily be a job seeker. You could end up at the end of December and put your claim into Centrelink and start being a job seeker. That would be a relatively straight forward claim. But if you were looking at taking up study, your eligibility would only be once the course begins—is that right?

Ms Lindenmayer: I cannot answer that question.

Senator MOORE: Can anyone answer that question? We are trying to identify the—

Ms Lindenmayer: I am not a youth.

Senator MOORE: I know, but we are trying to identify the gaps. You said that you could actually lodge your intent to claim. So at the end of the calendar year, 31 December, you finish school, and if you intend to go into a study situation in the next year, you may get your results and your HECS offer in late December—I am looking at the first possible way. You may get that, but your eligibility to get the payment would only be from when you start the course—is that right?

Mr Caddick: Oliver Caddick, Director of the Student Payment Program Performance Team in Department of Social Services.

Senator MOORE: This is your area, Mr Caddick?

Mr Caddick: This is, yes.

Senator MOORE: When are you eligible?

Mr Caddick: We pay on intent in youth allowance.

Senator MOORE: So you do not have to have actually started the course?

Mr Caddick: That is correct. So there can be a seamless transition between family tax benefit and youth allowance as a student.

Senator MOORE: If you have your offer and are going to study—

Mr Caddick: The offer is not really relevant. We pay on intent to study—

Senator MOORE: I did not know that.

Mr Caddick: at that point for people transitioning between school and—

Senator MOORE: Higher education of any kind.

Mr Caddick: and tertiary education.

Senator SIEWERT: You do not have to have been accepted into a course?

Mr Caddick: That is correct, not at that point.

CHAIR: In most cases, would transition officers or other school staff tell students about youth allowance when they tell them all the other things that happen in the big bad world?

Mr Caddick: Now we are moving away from my area of expertise, but I think that would depend on the school or the institution. I am sure that happens in some cases in some schools.

CHAIR: Thank you.

Member of the committee interjecting—

CHAIR: I was just asking if eligibility for youth allowance would be something that students would be told about, the things you can get when you leave school.

Senator SIEWERT: Certain schools, perhaps; I do not think all schools.

Senator MOORE: Basically, it would be knowing your entitlements and knowing your options. I know DSS does not do that, but Centrelink does.

Mr Caddick: Centrelink would do that as well. I am sure that Centrelink does inform—and this is where you guys might be able to help me—families that there will be an information campaign around the measure. Centrelink will certainly be informing families about eligibility for youth allowance.

Ms Lindenmayer: There is information on the DHS website—

Senator SIEWERT: Yes, there is. I have seen that.

Ms Lindenmayer: For students, families by cohort. So there is information available.

Senator MOORE: If you pay on intent and the intent is not fulfilled, is an overpayment created?

Mr Caddick: No.

Senator SIEWERT: Do they get charged the interest?

Mr Caddick: No, that is not right.

CHAIR: No, we just chop their heads off straightaway.

Senator MOORE: What does happen, Mr Caddick, in that case? If you pay on intent, and someone with good intent puts their claim in, knowing the system, and then for whatever purpose does not then go into a study circumstance, what happens?

Mr Caddick: Whether they have a place is uncertain and they tell Centrelink about their intent, they will pay on intent, provided they inform Centrelink of their circumstances, they will not acquire a debt.

Senator MOORE: But they could be receiving money for two or three months by the time they have actually—

Witness interjecting—

Senator MOORE: If they come to see the department in January—

Mr Caddick: We do not pay on completely vague intents, but we do pay on an intent to study or an intent to enrol in university.

Senator SIEWERT: Can we double-check what intent does mean? I am sure it has not changed that much since we were there. For example, when my son was applying for university, he did not get an offer until after the new year. You get your results after Christmas and you do not get an offer until after new year.

Mr Caddick: We do currently pay for that period on intent.

Senator SIEWERT: So if you have actually lodged an application for various institutions, that counts as intent?

Mr Caddick: It certainly does, yes.

Senator SIEWERT: Okay. What happens for those who end up not getting an offer? Bearing in mind that there are two or three rounds and sometimes you do not get an offer until early February, I think it is still the same, and you miss out?

Mr Caddick: We still pay you then on intent. At some point, if it becomes impossible for the person to study, they would be expected to notify of their change in circumstances. At that point, it is possible that they could become a job seeker. But, provided they are pursuing the pathway to study, we will pay on intent while they are awaiting offers.

Senator SIEWERT: It is not their fault if they miss out. They then need to notify that have missed out. What happens if they take up the job seeker path?

Mr Caddick: If there were no educational options open to them in tertiary education, yes.

Senator SIEWERT: If they decided to apply for TAFE within that period, would that be covered?

Mr Caddick: I believe it would. Yes, it would cover their intent, but bearing in mind their intent must be for full-time study.

Senator MOORE: Do you happen to have the figures for the current youth allowance versus job seeker allowances?

Mr Caddick: In terms of the rate of payment—

Mr Kimber: In terms of students and youth allowance, there is a range of rates, depending on individual circumstances. Under 18 at home, it is \$223 per fortnight and over 18-plus at home, is \$268.20 a fortnight.

Senator MOORE: Is that the full payment—that they have met all the criteria that Ms Lindenmayer talked about?

Mr Kimber: Yes, that is right.

Senator MOORE: What about job seekers?

Mr Kimber: Youth allowance other for job seekers, under 18 at home is \$223 and 18 to 21 at home is \$268.

Senator MOORE: It is very similar.

Ms Lindenmayer: To clarify, I only mentioned two of the eligibility criteria. There were probably others.

Senator MOORE: Parental income test, self-income test and you have proven what you are going to do—study or seeking work.

Ms Lindenmayer: That is my understanding.

Senator SIEWERT: I want to go back to notification. You are saying it is available through school, but surely the parent will be notified that their family tax benefit is going to cease at the end of the calendar year in which their child finishes year 12.

Ms Lindenmayer: They will get notification from DHS, yes.

Senator SIEWERT: Will that automatically include the issues we have just dealt with?

Ms Lindenmayer: It is my understanding, but I would like to clarify that.

Senator SIEWERT: If you could, it would be appreciated. Are the eligibility criteria around parental eligibility different to those for the family tax benefit?

Ms Lindenmayer: Yes.

Senator SIEWERT: So there is no guarantee that a person intending to study will receive youth allowance even though their parents are receiving the family tax benefit.

Ms Lindenmayer: That is correct.

Senator SIEWERT: There is a gap. Some of the savings will be picked up paying the person youth allowance, so it is a case of moving payments around. Is there potential saving where the person is not eligible for youth allowance but their parent would have been getting family tax benefit for them?

Ms Lindenmayer: Yes, that is correct.

Senator SIEWERT: Do we know how much that is?

CHAIR: That would be that amount.

Senator SIEWERT: No. That is just the amount that is saved through this measure. That is what I understood from the answer that you gave me previously.

CHAIR: Are you asking whether there will be a cost to the youth allowance from this measure?

Senator SIEWERT: I am asking what the net saving is.

CHAIR: Do you understand that, Ms Lindenmayer? The question is whether there is a gross or a net saving?

Ms Lindenmayer: It is a net saving. This is a saving.

Senator SIEWERT: The \$76.6 million—

Ms Lindenmayer: Over four years is a saving.

Senator SIEWERT: For family tax benefit?

Ms Lindenmayer: For family tax benefit, but it includes taking into account that some students will move to youth allowance.

Senator SIEWERT: Okay. From the answer I had previously, I understood it was just about family tax benefit and did not take into account youth allowance.

Ms Lindenmayer: No, it does.

Senator SIEWERT: Thank you.

CHAIR: We have completed schedule 3. Thank you very much, officers. We now move to schedule 5, interest charges, primarily for student debts. Do either of you have an opening statement.

Mr Kimber: No.

CHAIR: Okay. We will go to questions.

Senator SIEWERT: What are the circumstances in which this provision would be invoked? What are the criteria and assessment processes for this to be invoked? I understand it would be invoked, that they will be charged, where students refuse to pay but are not unable to pay.

Mr Caddick: Firstly, the measure primarily and in its entirety on implementation focuses on ex-recipients, so it is not really students we are talking about in the measure. It is former students who are no longer on income support, so these are former students who are employed.

Senator SIEWERT: When does the interest start accumulating?

Mr Caddick: Where a debt is raised, the person will receive a notice that they have 28 days to enter into an agreement to repay the debt. If they either fail to respond to that notice or fail to negotiate an agreement then interest will start from the 29th day.

Senator SIEWERT: That is if they do not respond or stop paying?

Mr Caddick: Yes.

Senator MOORE: How do they appeal?

Mr Caddick: All of the provisions in the bill would be subject to full merits review, including through the SSAT, the AAT—

Senator MOORE: So if they were going through an appeal process, whichever stream of appeal process, they would not incur the interest rate, that would be frozen pending the appeal?

Mr Caddick: That is correct.

Mr Kimber: Usually there is an internal DHS review, social security tribunal, administrative appeals—yes.

Senator SIEWERT: Some of the issues raised earlier in evidence—I do not know if you heard this—were around people moving after they finished studying and being hard to track down, and there was a range of other issues raised. How is that take into account?

Mr Caddick: First off, I would say that people are under a notification obligation to inform DHS of a change of circumstances. If they have a debt that they have been notified of and they owe DHS, or owe the government and the community the money then they are under a notification obligation to notify of any change in address. Having said that, if a significant period of time has elapsed I do understand there is case law and provisions within the legislation around notification. Again, they would also be subject to appeal as well.

Senator SIEWERT: So if the notification somehow got lost, they could use that as a basis for an appeal?

CHAIR: If they went overseas for five years, for example.

Mr Caddick: I would not want to give any sort of cut and dried answer there, simply because it would depend on the circumstances. The interest charge itself is an ordinary social security debt under the social security legislation, so it is subject to special circumstances waiver provisions. So if there was a genuinely special reason why the person had not notified or it had got lost, as you say, then that could be taken into account under the legislation.

CHAIR: And if you were not working or did not have an income?

Mr Caddick: I imagine if you did not have an income you would probably be on income support, in which case you would be subject to the withholdings regime and the interest issue does not arise because it does not apply to people who are subject to withholdings from income support or family payment.

Senator SIEWERT: The debt would be subject to withholding, you mean?

Mr Caddick: Indeed, as it is at the moment. And that is not something we are touching here.

CHAIR: Are you able to give us a sense of the quantum of loans that are involved and what the interest owing and whatever is—\?

Mr Kimber: In terms of ex-recipients, there are something in the order of 33,000 debts held by around about 22,000 debtors—so there are some debtors who have more than one debt—and there is around \$72 million owed to the Commonwealth.

CHAIR: Wow. And that is 33,000 debts out of millions—

Mr Kimber: There are about 96,000 student debts held by about 65,000 debtors.

CHAIR: So you are telling me that a third of the money from students is outstanding—have I misunderstood that?

Mr Caddick: There is about \$205 million outstanding in the debt base for students. About \$114 million of that is held by ex-recipients, and about \$72 million of that is not under recovery.

Senator MOORE: What does that mean?

Mr Caddick: It means there is no recovering it.

Senator MOORE: It has just been waived, or—

Mr Caddick: No, it has not been waived, it is just not being recovered.

CHAIR: Because you cannot find the person to recover it, or—

Mr Caddick: Or because they just do not want to.

CHAIR: They do not want to get involved in paying it back, is that what you are saying?

Mr Caddick: Yes. There are mechanisms, as some of you would be aware, to recover the debt through garnisheeing from wages, tax returns, et cetera, but those options are not always available in all circumstances. Recovery through the courts is an available option to DHS as well, but that is incredibly expensive.

CHAIR: How many people are there right now that you would choose to charge interest on, and how much do they owe that this legislation would cover?

Mr Kimber: It will target those that are not in any sort of recovery arrangement. There is \$72 million outstanding that is not subject to any recovery arrangements.

CHAIR: And you do not know how many people it is?

Mr Kimber: It is 22,000, and there are about 33,000 debts.

Senator SIEWERT: I understand that there are existing provisions to charge interest.

Mr Caddick: Yes; they are not used at the moment.

Senator SIEWERT: Why not?

Mr Caddick: They were suspended, as I understand, in about 2005.

Senator SIEWERT: Why was that?

Mr Caddick: That would have been a decision of government. I am not aware of the particular details.

Senator SIEWERT: So 2005—that was the previous previous mob! I do not know the detail of those provisions or why they were suspended, so are these the same as those provisions?

Mr Kimber: No, they are different. They are designed differently. Those provisions go back, I think, to the late 1990s. Originally there was a penalty interest imposed of around about 20 per cent. That was in place from about 1999 to about 2002-03, I understand. Then that was reduced to three per cent from about 2003 through to 2005. The first one was obviously seen, in commentary that was around, as very punitive and close to credit card rates. The second one was obviously too low to have any sort of incentive effect in terms of encouraging people to enter into a repayment arrangement. As I understand, it was suspended from 2005 onwards. This is designed differently. This is a general interest charge that is fixed against the Treasury bill rate plus seven per cent. It uses the exact same formula as the ATO uses for a general interest charge for tax debts.

CHAIR: Tax debts?

Mr Kimber: That is actually in the legislation.

CHAIR: In fact we are treating these particular social welfare debts in the same way that we treat taxpayers who do not pay back money.

Mr Caddick: Not entirely. We are somewhat more generous in the sense that a debtor who has one of these social services debts will be able to escape the interest charge completely through entering into and honouring a repayment arrangement. While tax does have some capacity to remit, which is the term they use, the remission of their interest charge, generally speaking, if you are late paying your tax you are going to have to pay the interest. It operates similarly to credit card debt.

CHAIR: That is why there is a saving of \$33.5 million over three years in the EM, yet you are saying there are \$73 million worth of debts outstanding. If people, because of the threat, for want of a better word, of the interest charge, the incentive, of having to pay an interest charge enter into an agreement to pay you back, then they do not pay an interest charge.

Mr Kimber: That is correct.

Senator SIEWERT: In relation to the 24,000 that are not under any recovery arrangements, is there an assumption that once the interest is able to be charged they will suddenly start paying?

Mr Caddick: There is an assumption, I think, that a proportion of them will, about 50 per cent in the first year.

Senator SIEWERT: What is special about the student related provisions? Were those interest provisions only suspended for student related debt?

Mr Kimber: My understanding is they were suspended for all payments. For the student related debts, I think some of the thinking behind the particular measure was that students, after receiving income support whilst they are studying, then move into paid employment and are more able to settle their debts to the Commonwealth that they may have incurred while on student income support.

Senator SIEWERT: This is on top of paying HECS?

Mr Kimber: These are debts that are incurred that they were not entitled to in terms of the student income support payment.

Senator SIEWERT: Are you saying they are all related to people that were falsely claiming, or that made mistakes claiming?

Mr Kimber: There can be a range of reasons. One might be that they changed their study load and did not inform DHS and continued to receive higher levels of payment. They might have had employment and did not declare earnings, or just other changed circumstances that might have come into play, that is, they were partnered and then were single. It could be a range of circumstances.

Senator SIEWERT: These provisions of interest charges will be different for people that receive student assistance than other forms of income support?

Mr Kimber: That is right, Senator.

Senator BOYCE: We have had some comment from organisations saying that it is most likely that it would be students who had just entered the workforce who would bear the brunt of these interest charges. Could either of you comment on whether you think that is the case?

Mr Kimber: I think that it is important to remember that the interest charges only come into play when an ex-student does not enter into a repayment arrangement.

CHAIR: Refuses to pay back the debt when asked by DHS.

Mr Kimber: They would be contacted by DHS and get 28 days to consider whether to either pay back the debt in full or enter into a repayment arrangement. It is only after that that the general interest charge would actually be applied.

Senator SIEWERT: What period of time would that be?

Mr Kimber: 28 days.

Senator SIEWERT: 28 days after they have been contacted?

Mr Kimber: After the issuing of the advice, so on the 29th day interest would be applied.

Senator SIEWERT: This will apply into the future, but it is also about those situations where you have no recovery arrangements.

Mr Kimber: That is right.

Senator SIEWERT: How old are they?

Mr Kimber: There would be a range—some very short in duration and some could be also a number of years.

Senator SIEWERT: Sorry, I am not trying to be difficult, although I am sure I am managing to be. When you say 'a number of years', are you talking about since tracking back to 2005?

Mr Kimber: There would be some that are as old as five to six years.

Mr Caddick: It would be unlikely that there would be too many more than six years old.

Senator SIEWERT: Why is that?

Mr Caddick: Because of the statutory limitation. There has not been any recovery action on them.

Senator SIEWERT: So there is a statute of limitation—

Mr Caddick: Within the social security law, yes.

Senator SIEWERT: So that same rule is applying?

Mr Caddick: That rule applies to all social security debts.

CHAIR: Do current students receive an end-of-year reconciliation or anything like that of what they owe?

Mr Caddick: Not in a sort of family tax benefits sense because as an income support payment, it is based on your need at that time.

CHAIR: No, I am talking about these debts. In my last semester, would I be aware that I owed money to DHS?

Mr Caddick: Yes, you would have received notification of the debt from DHS.

CHAIR: So I do not have the excuse that, 'Oh, I didn't know I owed you anything'?

Mr Caddick: Correct.

CHAIR: Theoretically.

Mr Kimber: Yes, you would receive advice.

Senator SIEWERT: Surely that would be in your last year though, because if you owed a debt and you were still on some sort of payment, you would already be recovering that from that payment, would you not?

Mr Kimber: That is right. There would be a withholdings arrangement in place.

Senator SIEWERT: So this is at the end of your study?

Mr Caddick: My understanding is that all debts are notified.

Senator SIEWERT: Yes, but how soon after you finish studying are you notified?

Mr Caddick: I think you are notified more or less as soon as the debt is raised.

Mr Kimber: That could be answered by DHS, but I would envisage a process whereby, if you were a student on a student payment and subject to withholdings because you were still on Austudy or Youth Allowance, once you finish studying, you would be provided advice as to if you did not continue to make some type of repayment

through some type of agreement with DHS, that a general interest charge will apply. There would be that notification process as you transition from being a student into the work force.

[21:09]

CHAIR: I call the remaining two officers to the table. Welcome. As you have no opening statement, we will go straight to questions. Senator Moore.

Senator MOORE: I know that you know what these questions are because you may have heard them in previous evidence we have had, which is not new evidence. First, is there a current departmental review of the paid parental scheme going on?

Mr Brown: Yes.

Senator MOORE: What is the timing of that review?

Mr Brown: The timing of the legislative review is that it had to commence at the beginning of this year, which it did. Within the legislation there is not a technical end date but we are currently working on a report and we would expect to finalise that probably in the very early part of next year. Once it is provided to the minister, there is a requirement that it is tabled in parliament within 15 sitting days.

Senator MOORE: I remember when we put that in the legislation. You are hoping to finish that early in the new year. That is covering the whole implementation process, how it worked?

Mr Brown: On our internet site there are terms of reference for the PPL scheme review. It sets out the issues but we are not restricted to those issues. It also will draw from the separate evaluation process which is also underway. Some of the earlier evaluation reports are now publicly available and they are being finalised over the coming months.

Senator MOORE: Is the review internal or consultants?

Mr Brown: It is being done by the department but it involved public submissions, a range of meetings with stakeholder groups, analysis of administrative data, those kinds of things.

Senator MOORE: We heard evidence this evening from a couple of industry groups and their comments were not new, being consistent. One of the specific issues raised was the complexity of the form and the complexity of the claiming process. They made a statement which is on the record now that it is a 75-page form that people have to fill in. Why?

Mr Brown: Clearly there is a range of different information that is required by Centrelink in order to make assessments. This is one that DHS is probably best able to respond to, but they have sought to combine claim processes as well. They have gone an online arrangement as well, so if you claim online you do not necessarily have to go through all the questions, you can be streamed through depending on which ones there are. Generally speaking, they do not collect information that is not required for the payment processing.

Senator MOORE: The statement was 75 pages but when I asked them is not 75 pages of actual claim form, it is information combined with claiming—

CHAIR: It is 47 pages of claim form.

Senator MOORE: That was my next comment. In terms of process I am interested because it just seems to be a lot of claim form. Comparison was made with New Zealand, where apparently you can claim with six pages. Has the complexity of the claim form been looked at in the review? I know it is not one of the terms of reference that it seems to me to be appropriate.

Mr Brown: I think the claim process more generally is being picked up within the review. There are certainly comments about the claim form and complexity. DHS are well aware of this and we would be seeking to work with them constantly to try and enhance and simplify those arrangements.

Senator MOORE: Another thing that was raised was the complexity of the employer's role as paymaster. When we had the review introducing paid parental leave we did it in the Employment and Education Committee, not in this committee, but there was a lot of outcry at that stage, at the beginning, about how hard it was going to be as a paymaster to balance the requirements of having someone on paid parental leave. At that time we were assured by the department that there would be ways of making this simpler and the department were aware of the issues about how you would have to as an employer maintain your pay system and be able to interact effectively without causing too much trouble. I tried to find it earlier but I know, because I was on the committee, that we were assured at that time that that would be able to be a more simple process as it got bedded down. The evidence that we had this afternoon from two employer organisations was that it is still—and one gentleman went as far to

say, 'almost impossible'—to actually use your current payroll system and effectively have someone on paid parental leave work within the system without causing complexity. Is that the view of the department?

Mr Brown: What we are looking at is the feedback from the review and the evaluation process. The evaluation is four phase, and it is certainly focused on process issues in the first couple of phases, and it will continue over the next little while. In broad terms it certainly showed that, overall, while there were some concerns and misunderstandings between Centrelink and different employers, over time, as Centrelink mastered the business of working with employers, and employers, particularly when they had multiple claimants, were able to adapt as well. So, overall, it is not without concerns and issues raised by employers—small, medium, large—but I think the processes have been managed well and they are relatively smooth, notwithstanding the evidence provided here earlier in the day.

Senator MOORE: The specific claim made by an employer group was that it was impossible to actually maintain effectively, through your computer based pay system, an employee who was on paid parental leave. That because of complexities with tax and superannuation, BAS statements could not be completed easily and it would be too difficult. He went as far as to say, impossible, to make sure that it all added up effectively. It was going to create extraordinary amounts of work for small business in particular to use existing payroll systems to come up with an outcome that would be straightforward. That particular issue was raised before the scheme started and we had evidence from the department that they were aware of those issues and that that would not be the case.

Mr Brown: The Council of Small Business Australia have raised those concerns with us consistently, but other evidence and feedback, given either through the review or the evaluation, or through correspondence to the minister, is not a uniform view at all.

CHAIR: The early childhood people supported that view, did they not?

Senator MOORE: There has never been an argument that employers did not want to take on the job, and that is what we got. What we tried to establish at the legislation committee at the beginning of the process was taking on board concerns about this and what would be the expectation of putting it into place. The information that we had at that time, which I have received subsequently, is similar to yours, Mr Brown, that claims were made about how difficult it was but then, when you talked to other people, they said once you had your system in place it works smoothly. As someone who does not do payroll work anymore, and used to do it in the department, not in a small business, I have not been able to get a clear answer in this short time about what is the correct statement. Is there system availability? At the time of the introduction of the scheme we were talking about products such as MYOB, which was the most standard software around. There were statements made at that time that MYOB should be able to be adjusted so that, if you are paying a number of employees and they have different hours, and you then had an employee or more who were in the middle of paid parental leave, that employee's records should be able to be entered in as 'on paid parental scheme,' and your ability to do your BAS return, which is so important, and any interaction with tax, should be able to be adjusted.

The gentleman from the Small Business Association said that is not true and I am trying to find out from you, Mr Brown, with the work you have done with the evaluation and the review—whilst of course, there will always be complexities and some people will find transition more easily than others—is it possible under the range of software that people use for payroll to be able to do that without too much trouble?

Mr Brown: The advice that we have been given from a range of different stakeholders is to say that the answer is yes, but it varies across organisations. Going back to the phase 2 report of the evaluation, to assist this, on page 107 where it says, 'It was easy to get information about the PPL scheme,' 83 per cent strongly agreed or disagreed, only 13 per cent said less than that. 'Ease of registering for the PPL scheme', more than half said it was easier to register with the scheme, so it was a minority but a sizeable minority found it was difficult. Attitudes towards organising PPL statements, 'It was easy to organise payments for the PPL scheme', strongly agree or agree was 79 per cent.

Senator MOORE: 79 per cent of people—

Mr Brown: of people said they strongly agreed or agreed that it was easy to organise payments for the PPL scheme through Centrelink.

CHAIR: Who were the people?

Mr Brown: Sorry?

CHAIR: Who were the survey people?

Mr Brown: This was a stratified sample of employers who had been paying PPL.

CHAIR: Are you able to table that document?

Mr Brown: Yes. These are publicly available on the website, on the phase 2 evaluation report. So there is still a sizeable minority who have found difficulties, they have found costs, including one-off costs, but sometimes on-going costs, time, and they have been spread across small, medium, larger organisations as well. But it is not evident to us that the issues raised earlier today exist across all organisations.

Senator SIEWERT: It is fair to say that the representative from the Small Business Association did not particularly value the input from bureaucrats in Canberra and felt that there was not an understanding of the rigours of small business by people who do not work in that area and that is a common statement. That was a view—that he did not feel that people truly understood. Is that the kind of information you get back from employers—that they do not think that people who are involved in setting up these schemes truly understand the difficulties of small business or any business having to do this extra work?

Mr Brown: Certainly that is a view that I have heard expressed throughout the course of this year undertaking the review. On the other hand, the department has been at pains to consult with a wide range of groups, including employer groups, and has received submissions. I have met with a wide range of stakeholder groups as well, so we certainly attempted to understand the issues that have been presented.

CHAIR: What you are saying is that it is possible for a small business to go about its weekly, fortnightly, monthly, whatever, payroll without needing manual intervention to pay a person on paid parental leave on the pay cycle that everyone else is on, so to speak?

Mr Brown: It would take manual intervention to set up each claimant. We would need to check, I think, whether or not the answer is that they would need it for every fortnight or for every payment.

CHAIR: Whether you had to do it on every pay cycle, so to speak?

Mr Brown: No, my understanding is that once set up, it is reasonably good to go, although Centrelink also makes payments into the employer's account and then that would need some manual intervention to pass it on, I assume.

CHAIR: We are seeing a cost involved in this measure. What is that cost?

Mr Brown: That is not program outlays; that is basically Centrelink administration costs but really to change their IT systems and make some adjustments to claim forms and letters and things like that.

CHAIR: So you would expect the majority of that over five years would be in the first year?

Mr Brown: Yes.

Senator MOORE: We have an impossible time frame and I do not expect this information by tomorrow, but I am really interested in what feedback we have from IT companies. This was a particular issue that was raised at the beginning of this payment, about exactly these concerns about people who rely on things like MYOB. I am particularly interested to see what information, if any, the department has from talking to accountants and the people who do payroll. We asked a lot of questions about that at the start. What came out of those discussion? The information we had in evidence today was no different from what we had from employer groups before it came in. I want to see what the reality is, because I do not know and I honestly have not had to do it myself. I would like to know what information the department has.

This is an important point and I know it is going to be part of the evaluation, but any information the committee could have about these claims about the difficulty will be helpful. Even with the proposed change we have, it is an opt in, opt out thing—if employers want to retain it, they can. I am interested to know what that option would include. As I say, we do not need that by tomorrow. We would not ask you to do it all by then. I am trying to understand the expectations of the paymaster role, which we have heard so much about. There is such a gap between what we hear from some people and what I have read in that review about the feedback that we have.

CHAIR: Is this something we should be thinking about in terms of a briefing once the review is complete?

Senator MOORE: I would think so. I think it is a critical point. Until this inquiry we thought we had until the time of the review, but now this inquiry has a predate before the expectation of the review that is due in February next year.

CHAIR: That concludes the hearing of the committee into the Social Services and Other Legislation Amendment Bill 2013. We thank the witnesses and Hansard, Broadcasting and the secretariat for the work they have done.

Committee adjourned at 21:27