

CHAPTER 6

EQUITY OF CONCESSIONS

'People in the same position with the same need do not get the same support'.¹

Adequacy of current means testing arrangements

6.1 A number of submissions and evidence presented by groups such as Australian Council of Social Service (ACOSS), the Welfare Rights Centre and the Brotherhood of St Laurence, focussed on perceptions of inequity in the current concession system.

6.2 The Department of Social Security (DSS) referred to equity on two levels - vertical and horizontal equity - and explained that the current income support system and concession eligibility criteria are built around these two equity objectives.

6.3 Vertical equity means providing greater assistance to those with lower incomes. DSS aims to achieve vertical equity through the income and assets test. Its sliding scale of payments relates to the income and assets test and is designed to ensure that more assistance is provided to those with the lowest income.

6.4 Horizontal equity provides greater assistance to those with greater needs. DSS aims to ensure horizontal equity through providing greater monetary assistance to those with greater costs. A sole parent, for example, has more living expenses than a single pensioner with no children.

6.5 A Departmental discussion paper outlined how DSS measures equity:

Equity, or fairness, while possibly the most desired value, is conceptually the most complex. Equity is achieved if people with similar needs are treated equally and if people with greater needs are given more assistance.²

6.6 Several welfare and consumer groups told the Committee that equity is not being achieved in the concession card system. DSS acknowledged that, due to the changing nature of Australia's social and economic landscape, the current

1 Australian Council of Social Service, Transcript of Evidence, pg FCA 135.

2 Perry, J. *A Common Payment? Simplifying Income Support for People of Workforce Age*, Department of Social Security Policy Discussion Paper No. 7, July 1995.

concession system may not be helping to achieve equity. The DSS submission said:

If the view to be adopted is that the real function of concessions is as an important adjunct to income support for low income people, there is a case to be made for re-targeting concessions to those in society suffering the most disadvantage, rather than discriminating between customers solely on the type of income support payment received.³

6.7 Examples given of situations where concessions need to be targeted more accurately are outlined in the following sections.

Equity for the unemployed

6.8 According to ACOSS, unemployed people constitute the greatest percentage of Australians living in poverty.⁴ Unemployed people and others receiving allowances/benefits currently receive \$13 per week less than pensioners. ACOSS demonstrated their call for more equity in concession distribution by pointing to a study undertaken by them for the Commonwealth Department of Health and Family Services (DH&FS). The study looked at demand for emergency relief - cash handouts, food vouchers, warm clothes, etc - provided by charities and community organisations throughout Australia. The ACOSS study found that sole parent pensioners were the main group needing emergency relief, indicating, according to ACOSS, the hardships currently faced by single parents. The second largest group needing help was the unemployed.⁵ A representative of ACOSS told the Committee:

People in the same position with the same need do not get the same support. It reflects the past, and it reflects the history and origins of the concessions system, whereby it was considered that pensions were for the long term and that benefits were for the short term - indeed, four weeks is the average...the average time on unemployment benefits was 92 weeks, at the time our submission was written.⁶

3 Submission no. 32, pg 145.

4 Transcript of Evidence, pg FCA 134.

5 *ibid.*

6 Transcript of Evidence, pg FCA 135.

6.9 This underlines ACOSS's argument that although unemployed people have long term expenses such as electricity and water charges, car registration, public transport and land rates, they are expected to meet these costs with few or no concessions, while receiving an income lower than pensioners. ACOSS's submission said:

*ACOSS believes that rectifying this anomaly must take precedence and priority over extending concessions to other, less disadvantaged groups such as non-pensioner retirees.*⁷

6.10 The Welfare Rights Centre agreed with ACOSS and recommended that there should no longer be a distinction between pensions and allowances/benefits when determining eligibility for concessions.⁸

6.11 ACOSS specifically called for the telephone allowance (currently paid to all Pensioner Concession Card holders) to be extended to all Health Care Card holders. An average quarterly phone bill is equal to about a week's income for an unemployed person, according to ACOSS. ACOSS argued that because unemployed people need a telephone to conduct job-seeking activities, they should be entitled to the telephone allowance (currently \$15.40 per quarter, per household).⁹

Equity for people with health problems

6.12 People suffering from chronic health problems and their families also suffer from inequity in the current concession system, according to evidence received.

6.13 The Consumers' Health Forum of Australia (CHF) argued that chronic illness - defined by CHF as including arthritis, asthma, cystic fibrosis, diabetes, epilepsy, mood disorders, Multiple Sclerosis (MS) and schizophrenia - can affect individuals and families in two ways. First, the extra costs involved in managing a chronic illness often amount to significant expenditure. Extra costs may include pharmaceuticals, consultations with doctors and specialists, diagnostic and monitoring tests, carers, hospitalisation, health insurance, special equipment, special food and supplements, home and car adaptations, child care, special clothing and membership of support organisations.

7 Submission no. 24, pg 104.

8 Submission no. 22, pg 87.

9 Submission no. 24, pg 102.

6.14 Secondly, a chronic illness often has a significant impact on earning capacity. A person suffering chronic illness may need a lot of sick leave, may only be able to work part-time, or not at all. Family members, including the partner, parent or child, may also have limited earning capacity because of a need to care for the sick person.¹⁰

6.15 Several other organisations outlined the high financial and emotional burden for individuals/families suffering chronic illness. The Juvenile Diabetes Foundation of Australia estimated the cost of caring for a child with diabetes at \$5,000 per year.¹¹ The Multiple Sclerosis Society of Western Australia told the Committee that people suffering from MS are often not eligible for concessions because their partner is employed. However, this employment is often low paid and/or temporary, given the fluctuations in their partner's condition and the need for care. The MS Society of WA recommended that concession cards be made available to all people suffering MS, regardless of spouse income, or that the high costs of caring for MS be taken into account for means testing.¹²

6.16 The Deafness Forum of Australia submitted that concessions should be standard for people requiring hearing services. The Forum pointed out that currently veterans and PCC holders receive more hearing assistance than other concession card holders and argued that low income earners must also have access to concessional hearing services. The Forum outlined the importance of hearing services:

*The result of an inability to hear adequately is people living in partial or total isolation, unable to communicate with others. Older people, in particular, frequently are isolated enough...without the added impact of being unable to hear.*¹³

6.17 CHF research into costs of chronic illness found that low income households spend a much greater proportion of their income on health care costs than those in higher income brackets. Households in possession of a Health Care Card were more likely to be able to meet health costs. The CHF research said:

10 Consumers' Health Forum of Australia, *Cost of Chronic Illness and Quality Use of Medicine*, April 1997.

11 Submission no. 26, pg 111.

12 Submission no. 10, pg 32.

13 Submission no. 12, pg 36.

It appears that a concession card is a major factor in determining what impact health costs will have on low income households. The difference is markedly disproportionate in terms of the percentage of household income required to pay for the services.¹⁴

6.18 The groups mentioned above argued that the high costs of chronic illness should be taken into account when determining eligibility for concession cards. Often families who do not hold concession cards struggle financially to care for members with a chronic illness. Recommendation 6.43 may include a review of how the needs of people with chronic illness are met through the concession system.

6.19 The Committee notes that the Consumers' Health Forum is currently undertaking research for the Department of Health and Family Services on costs of chronic illness and ways to meet the needs of individuals and families suffering chronic illness.

Adequacy of the PBS Safety Net

6.20 The Consumers' Health Forum (CHF) and the Brotherhood of St Laurence urged the Committee to review the current PBS Safety Net arrangements, arguing that co-payment and Safety Net thresholds have increased too much in recent years. The Consumers' Health Forum produced a report in April 1997, entitled *Cost of Chronic Illness and Quality Use of Medicine*. According to the report,

Since 1992, the Safety Net and consumer co-payments have been raised several times. The general Safety Net has been raised from \$312 to \$406.60 in 1994 and to \$600 in 1996 - a 92% increase over the past three years. The concessionary Safety Net was raised from \$135.20 in 1995 to \$140.40 in 1996 and to \$166.40 in 1997 - a 23% increase over the past two years.¹⁵

6.21 Co-payments (now \$20 per prescription) have also increased sharply in recent years. Co-payments for concession card holders increased from \$2.70 to \$3.20 on 1 January 1997, with no corresponding increase in Pharmaceutical Allowance payments.¹⁶ The impact of these cost increases, according to CHF

14 Consumers' Health Forum of Australia, *op.cit.*

15 *ibid.*

16 *ibid.*

and the Brotherhood of St Laurence, is that some individuals/families cannot afford to look after their health. A representative of the Brotherhood of St Laurence told the Committee:

Our research has shown that, among those families with children who are on low incomes but do not qualify for a health care card, pharmaceutical costs can be a major issue...there is some reluctance to consume medication that they should be consuming. The only practical way of trying to assist that group, unless you extend the concession card eligibility, is with the safety net.¹⁷

6.22 Several seniors interest groups such as the National Seniors' Association (NSA), the Australian Pensioners' and Superannuants' Federation (AP&SF) and the Association of Independent Retirees argued for extension of the Commonwealth Seniors Health Card (CSHC) to independent retirees, to help meet their pharmaceutical expenses. These organisations felt that the PBS concessions are the main attraction of current concession cards and providing the CSHC would help to encourage older people to continue to fund their own retirement. NSA told the Committee that the high concession limit severely disadvantaged older people who did not qualify for a CSHC. NSA said:

We believe it is unreasonable that \$612 be the safety net for one widow who is 80 years of age and funding her own retirement, compared with - and I am not criticising children - a family of 10 children, when it is much easier to get to \$612 than when you are funding your own retirement.¹⁸

6.23 The Association of Independent Retirees proposed that the Commonwealth Seniors Health Card be provided to all retirees up to a cut-off point the same as the current limits for the government rebate on private health insurance - an income of \$35,000 for singles and \$70,000 for couples. The Association costed this proposal at \$9.5 million per annum above the current CSHC costs.¹⁹ The Department of Social Security and the Australian Bureau of Statistics calculated the cost at \$19.5 million per annum above current CSHC costs.²⁰

17 Transcript of Evidence, pg FCA 340.

18 Transcript of Evidence, pg FCA 347.

19 Association of Independent Retirees Supplementary Submission, pg FCA 413.

20 Department of Social Security, letter dated 24 October 1997.

6.24 DSS provided costing for a number of options for extending eligibility to independent retirees. These are detailed in the table below.

Table 6.1 Costs of extending CSHC beyond current eligibility criteria²¹

Group of retirees to receive the CSHC	Cost per annum
All retirees over age pension age	\$56.5 million
All retirees of 70 yrs of age and above	\$35.3 million
All retirees with income up to 10% above pension cut-out	\$2.3 million
All retirees with income up to 20% above the pension cut-out	\$4.6 million
All retirees with income up to 40% above the pension cut-out	\$13.5 million
All retirees with income up to 50 % above the pension cut-out	\$15.6 million
All retirees with an income up to \$35,000 (single) or \$70,000 (couple)	\$19.5 million

Source: Department of Social Security, May 1997 and October 1997.

6.25 Groups such as the Council On The Ageing Australia (COTA (A)) and ACOSS, argued against extending concessions to people other than low income earners and income security recipients, because of the dangers of eroding the true value of the concessions. However, the Commonwealth Seniors Health Card only confers a single concession - the PBS Safety Net - and is not used by States/Territories to determine eligibility for any State/Territory-based concessions. Therefore, any impact on core concessions for electricity and water charges, rates and public transport would be non-existent.

6.26 The Committee believes extending eligibility for the Commonwealth Seniors Health Card to more independent retirees will encourage Australians to continue to fund their own retirement, and recognise the contribution older Australians have made throughout their lives to the wider community. The current income cut off point for access to the card is \$20,966 per single or \$35,027 per couple. The Department of Social Security has calculated that the average cost to the Commonwealth of providing pharmaceutical concessions to

21 Department of Social Security, letters dated 21 May 1997 and 24 October 1997.

Commonwealth Seniors Health Card holders is \$182.69 per card holder per annum.²²

6.27 The argument for extending the Commonwealth Seniors Health Card must be balanced against the need for resources to be directed to low income Australians who have a need to access essential goods and services. For this reason, the Committee believes the extension of the CSHC should be limited to those whose income is 40 per cent higher than the income cut off point for receipt of a Pensioner Concession Card. This would raise the income cut off point to \$29,352 per single or \$49,037 per couple.

6.28 Figures supplied by the Department of Social Security and the Australian Bureau of Statistics indicate this would extend the Commonwealth Seniors Health Card to 74,400 people, at an extra cost of \$13.5 million per annum.²³

6.29 The Committee recommends that eligibility criteria for the Commonwealth Seniors Health Card be extended to include independent retirees whose income does not exceed by more than 40 per cent, the income limit set for qualification of a part pension.

Doctor billing

6.30 According to evidence before the Inquiry, the 1993 extension of the Pensioner Concession Card (PCC) to all pensioners resulted in fewer doctors offering bulk-billing to PCC holders. AP&SF expressed concern that some of its members have not been able to access bulk-billing by doctors. The Gold Coast Division of General Practice said in its submission:

*Most GPs can quote numerous examples of wealthy people presenting to our practices with concession cards. There are far too many cards. The meaning of having such apparently loose eligibility criteria devalues the value of the card for those in genuine need.*²⁴

6.31 Some interest groups appearing before the Inquiry, including AP&SF and the Association of Independent Retirees, suggested that perhaps some doctors are unsure about the different card entitlements. For example, veterans are entitled to concessionary health care regardless of their income and Commonwealth Seniors Health Card holders may appear wealthy, but have a

22 Department of Social Security, letter dated 24 October 1997.

23 Australian Bureau of Statistics, letter dated 27 October 1997.

24 Submission no. 11, pg 33.

low income. The Gold Coast Division of General Practice admitted that its doctors were unsure of the meaning of different cards and said that the government had not provided them with information regarding the purpose of concession cards and how they are targeted.

6.32 The Committee recommends that the Department of Social Security target Divisions of General Practice for information dissemination on the eligibility requirements for different concession cards. This should include specific background on the veterans' repatriation health cards, as these differ from the Commonwealth concession cards.

6.33 The Royal Australian College of General Practitioners (RACGP) told the Committee that the increasing number of concession card holders was threatening doctors' ability to practice quality medicine and doctors had to charge higher fees to full-paying customers in order to subsidise the amount of bulk-billing. The RACGP also contended that doctors are the only concession service providers who are expected by the government and the community to provide concessionary services (ie bulk billing), without the government meeting their loss. Other service providers, for example pharmacists who provide drugs at the PBS concessionary rate, are fully reimbursed. A representative of RACGP said:

If you are driving us into a Robin Hood situation - in other words, where we charge a lot more for those that can pay - then we are going to have to charge increasingly more as that group of people who can afford to pay gets smaller and as the number of people with [concession] cards gets larger.²⁵

6.34 The RACGP suggested a sliding scale of concession categories, defining six different levels of social security dependence.²⁶ The categories would specify whether people were receiving full or part pensions, or other types of benefits/allowances such as unemployment, sole parent and carers and identify people on a low working wage. Each doctor would then decide at which level they were prepared to bulk bill - for example, for full pensioners only, or for all card holders except part pensioners.

6.35 The Committee rejects this suggestion on a number of grounds. While appreciating that doctors may feel their resources are being over-stretched, all low-income members of the community have a need to access affordable health

25 Transcript of Evidence, pg FCA 176.

26 Submission no. 14, pg 41.

services. Commonwealth and State/Territory governments, rather than individual members of a profession, are the most appropriate avenues for determining a person's eligibility for concessions. A 'grading' system of concession eligibility may attract a social stigma for some concession recipients. The RACGP proposal would also be more administratively complex and increase confusion for card holders and service providers, as a result of further categories of people eligible for concessions.

Reform of concession eligibility criteria

6.36 The above evidence indicates inadequacies in the current eligibility criteria for concession cards. While the current criteria are administratively simple because of their link to DSS income support payments, changes in Australia's social and economic circumstances have resulted in some inequities within the concession system. The Committee wishes to stress however, that the Inquiry does not encompass the general income support system.

6.37 DSS admitted that the concession card eligibility requirements reflect an historic distinction between the needs of pensioners and those of people receiving allowances/benefits. The DSS submission said:

It is argued that if the purpose of Australia's concession programs is to provide a 'safety net' on the costs of basic essential services for people with low incomes, then to sustain a more privileged degree of access for pensioner groups (particularly part-rate pensioners on moderate incomes) is inequitable and discriminatory. Under this view, it is discriminatory to allow part-pensioners access to the full range of concessions while allowees (for example, those who are unemployed or sick) who meet more stringent income and assets tests have access to only a limited range of concessions.²⁷

6.38 ACOSS, the Welfare Rights Centre and other groups presented strong arguments outlining how unemployed people and other allowance/benefit recipients are disadvantaged by the current system. The average 92 weeks of receipt of unemployment benefits clearly shows that unemployment is not a 'short term' condition for many people. The concession system should reflect this.

27 Submission no. 32, pg 145.

6.39 The DSS submission suggested a number of ways the concession eligibility criteria could be changed, to aim for more equity. The suggestions included providing a single concession entitlement, with the same benefits available to all eligible people. While this would remove some inequities in the system, DSS warned it would involve extensive negotiation and liaison and would have substantial financial implications, with the States/Territories most unlikely to agree to these changes without increased Commonwealth funding.

6.40 The most practical DSS suggestion was that concession cards be targeted by duration on income support payments, rather than receipt of those payments only.²⁸ This could be in the form of a “first stage” concession card, similar to the current Health Care Card, in the first 12 months of income support payments. After 12 months of continuous income support, the customer would move to a “second stage” concession card, similar to the current Pensioner Concession Card. This system would recognise that after a certain time, income support recipients often exhaust any financial reserve and meeting long-term expenses such as electricity and water charges, car registration, etc becomes more difficult.

6.41 DSS predicted that problems with this proposal would include negotiation with the States/Territories to ensure they could adequately target their concessions. Another drawback of the proposal is that it could create an incentive to remain on income support payments for longer than 12 months.

6.42 The Committee believes that the current eligibility criteria for concession cards must be reviewed and changed. The Committee commends the DSS for preliminary work in this area.

6.43 In the interest of greater consistency in concession availability, the Committee recommends that the Department of Social Security undertake an extensive review of the concession card eligibility criteria, taking into account the issues of equity, access, uniformity and reciprocity canvassed throughout this Inquiry, and propose revised criteria to the Minister for Social Security.

A uniform concession system

6.44 Several parties making submissions to the Inquiry called for a national concessions framework, providing uniform levels of rebate across Australia. This would involve a set monetary or percentage discount on essential services such as electricity and water, council rates, public transport and motor vehicle

28 Submission no. 32, pg 148.

registration and licence fees, across all of Australia. The arguments in favour of such a scheme included greater equity for residents across Australia, the ability to access concessions when moving interstate and more simplicity and accountability in the administration of concessions across all States/Territories. There were also strong arguments in favour of transport reciprocity throughout Australia. This issue is discussed in Chapter 7.

6.45 DSS predicted that uniformity of concessions was only likely to be achieved on core concessions, not on so-called fringe concessions such as extra council rate charges. The Department suggested the only two methods of achieving a uniform concession system would be through negotiation and liaison with all State/Territory governments on core concessions, or by transferring the responsibility for concessions to the Commonwealth as part of the total income support package - cashing out of concessions.²⁹

6.46 The ACT Council of Social Service (ACTCOSS) argued that the current system, with different levels and types of concessions available in each State/Territory, results in many inequities between States/Territories and confusion regarding eligibility. The ACTCOSS submission said:

*This lack of standardisation results in inequity across different regions and confusion. It also means that because the system lacks any sense of coherency those in the greatest need often fail to recognise that they are actually eligible for the particular concession available.*³⁰

6.47 Submissions from the Australian Pensioners' and Superannuants' League of QLD and private citizen Mrs Ana Moreno also highlighted that the differing levels of concessions across Australia made it difficult for low income people to move from one State/Territory to another.³¹ A qualifying period of six months applies in most States/Territories for access to core concessions. This six month period with no access to concessions often causes hardship, or prevents people from moving interstate.

6.48 However, other groups such as ACOSS, the Welfare Rights Centre and AP&SF recognised the complex issues involved with consideration of a uniform concessions scheme. The AP&SF submission said:

29 Submission no. 32, pg 151.

30 Submission no. 28, pg 116.

31 Submission no. 17, pg 52.

Submission no. 1, pg 2.

*...there are sometimes sound reasons why there are different types of concessions in different regions, dependent on local circumstances. For example, heating allowances in Victoria and Tasmania may be considered an essential concession in those areas, but may not be as important or essential to older people in warmer areas.*³²

6.49 AP&SF also told the Committee that achieving uniformity of concessions across Australia should be a lower priority than ensuring continued access to essential services at an affordable price.

6.50 State/Territory governments also argued that they should retain control over rebate levels of State/Territory core concessions because of pricing and climate differences. The Queensland Government argued against national uniformity of concessions because the diversities in Australia's climate and utilities pricing could result in some citizens being inadequately compensated for their expenses, with others being over-compensated.³³

6.51 While stating its current commitment to core concession provision through the public and private sector, the Victorian Government clearly indicated that it may redefine core concessions in the future. The Victorian Government submission said that increased competition may eventually result in such low prices that concessions may not be needed on some services. The submission also said:

*State governments must retain their capacity to respond flexibly to the pricing environment through concessions, as well as the choice to direct resources to other forms of concessional assistance or to other areas of State responsibility affecting low income households such as health, housing and education.*³⁴

6.52 The arguments against a uniform concession system were also outlined in the SCCSISA *National Framework* paper (January 1997). The paper recommended that all States/Territories and the Commonwealth adopt a single objective for concessions delivery:

The objective of concessions is to improve the affordability of key services by low income households in

32 Submission no. 34, pg 188.

33 Letter from QLD Department of Families, Youth and Community Care, 1 May 1997.

34 Submission no. 42, pg FCA 294.

*Australia regardless of whether the services are provided in the public or private sector.*³⁵

6.53 The paper said there should not be an imposed system of uniform concessions, because of variations in pricing regimes and different geographical circumstances throughout Australia. The *National Framework* paper argued that achieving more consistent outcomes (value for money) for low income people, instead of parity in monetary terms, should be the aim of the concessions system.

6.54 Rather than imposing a uniform concession scheme, with equal monetary rates of concessions across all States/Territories, SCCSISA recommended the national adoption of agreed standards, or benchmarks, for the delivery of concessions. These standards would require that all States/Territories designed their concession system to provide:

- horizontal equity: similar outcomes for households in similar circumstances;
- vertical equity: able to respond to different household circumstances (such as household size);
- clarity for recipients;
- cost effective administration;
- flexibility to respond to tariff and price changes, and differences across Australia;
- consistency with competition policies and practices; and to ensure that
- concessions should not try to compensate for deficiencies in the Social Security system.³⁶

6.55 Essentially, the SCCSISA paper recommended leaving the core concessions under the control of each State/Territory government, provided they follow the standards outlined above. This suggestion is similar to those made by COTA (A), AP&SF and the Combined Pensioners' and Superannuants' Association of NSW.

35 Standing Committee of Community Services and Income Security Administrators, *Proposed National Framework for Concessions for Low Income Australians*, February 1997.

36 *ibid.*

6.56 The Committee recognises the complexities of the current concessions system, with anomalies between entitlements and concession delivery in all States/Territories. The Committee believes that core concessions, agreed to by all States/Territories in 1993, must remain.

6.57 However, for the reasons outlined above, a system in which there were uniform levels of rebate for concessions would not guarantee equity. Some people need greater rebate on items such as electricity charges, because of extra heating or cooling costs. The Committee also notes the Victorian Government's assertion that greater competition in utility provision may result in cheaper services for all Australians.

6.58 The adoption of a national set of standards or benchmarks for concessions, as outlined by the SCCSISA paper would help to alleviate marked inequities in the current concession system across States/Territories, while recognising the differing needs of different areas of Australia.

6.59 The Committee recommends that the Commonwealth Government and all State/Territory governments formally adopt a written agreement on the following national standards for concessions:

- **horizontal equity: similar outcomes for households in similar circumstances;**
- **vertical equity: able to respond to different household circumstances (such as household size);**
- **clarity for recipients;**
- **cost effective administration;**
- **flexibility to respond to tariff and price changes, and differences across Australia;**
- **consistency with competition policies and practices; and**
- **a recognition that concessions should not try to compensate for deficiencies in the Social Security system.**

Cashing out of concessions

6.60 One option for reform of the concession system is that of cashing out concessions. Cashing out concessions would involve calculating the average value of concessions to card holders, including all discounts/rebates on goods and services at Commonwealth and State/Territory level and providing this value in monetary form. The DSS submission outlined the main advantages and

disadvantages of cashing out concessions. Cashing out concessions would provide the following advantages:

- a simple way to create uniformity of concessions throughout Australia - all eligible people would receive the same amount of concession value;
- the Commonwealth would gain from encouraging more rational self-provision and consequently less dependency on income support in retirement;
- companies with Community Service Obligations would have their responsibility in this area more clearly defined;
- substantial gains to both Commonwealth and States/Territories would come from reduced administrative expenditure involved in issuing, maintaining and recognising concession cards; and
- any current over-servicing and/or fraud concerns would be completely eliminated.³⁷

6.61 The Australian Pensioners' and Superannuants' Federation (AP&SF) recognised the advantages of a cashing out proposal. The AP&SF pointed out that the benefits currently available through concession cards, particularly for Pensioner Concession Card holders, are not equal across the board. If people do not own their own car, their own home, do not use public transport very much, or are in good health, they do not access many of the available concessions. AP&SF highlighted people in rural and remote areas of Australia as those who are particularly disadvantaged by the current scheme. AP&SF suggested the possibility of optional cashing out of concessions. AP&SF told the Committee:

*...there may be a need to look at whether the system could be designed so you would allow limited cashing out to people who wanted to use that option. If the government could fix a figure - say it is \$1,000 - and if you wanted to opt into that system, you could use that and spend that concession on whatever you wanted to use it on.*³⁸

6.62 AP&SF also said there were concerns that the monetary value of cashing out concessions would not make up for the range of concessions currently

37 Submission no. 32, pg 152.

38 Transcript of Evidence, pg FCA 128.

available. This was one of the main counter arguments put to the Committee by a number of groups. While 100 per cent cashing out of concessions to all eligible recipients would be administratively simple and may provide greater equity for some people, many groups pointed to disadvantages in such a system. These fell under two main themes, outlined below.

Purpose of concessions

6.63 One of the main arguments against implementing a cashed out concession system was that it would not be consistent with the currently agreed purpose of concessions. While completely cashing out concessions may be administratively simple, it would not take into account individual needs. A representative of the Hobart Community Legal Service told the Committee:

*...I would hope customer focus is still part of the business of government. The government then needs to think about what is best for that person, not necessarily whether it makes it easier for government.*³⁹

6.64 The purpose of concessions, as defined by various interest groups in Chapter 2, is to supplement income, by facilitating access to essential health care services and helping to meet basic costs such as electricity, water, transport and land rates. The Council on the Ageing (Australia) (COTA (A)) told the Committee the current distinction between income and concessions was important in conceptual as well as monetary terms. As discussed earlier in the report, pensioners and beneficiaries value concession cards for their security, as well as monetary benefits. COTA (A) said:

*...we see concessions as being a very important part of the safety net.*⁴⁰

6.65 The Brotherhood of St Laurence said that cashing out concessions should not be done in an attempt to rectify larger infrastructure problems. A representative told the Committee:

...some of the services which are lacking in particular places may represent a failure of public infrastructure provision more generally and is not really specific to the needs of the low income population. If there is not an adequate health service it seems to us that the issue there

39 Transcript of Evidence, pg FCA 439.

40 Transcript of Evidence, pg FCA 329.

*is providing the health service for the whole community rather than trying to do something through the concession system.*⁴¹

6.66 This argument was also put to the Committee by Mr Adam Johnston, a private citizen, who said:

*I am not sure that giving somebody a lot of money and then hoping that they will necessarily be able to access all the services they need from a pool of money would necessarily be the most effective way of doing that. I still think the government needs to have certain programs in place, such as transport programs, because people may not always have the capacity, for a variety of reasons, to manage appropriately the money that the government gives them.*⁴²

6.67 ACOSS outlined a number of arguments against cashing out concessions. ACOSS argued that concessions should be available for those who need them at a particular time. To cash out concessions would redefine their purpose:

*...concessions have two purposes: to assist with affordability, and to ensure that people do access the services that are there when they are needed. If you cashed it out, it would seem that you could quite possibly defeat the second of those two purposes.*⁴³

6.68 ACOSS's concern was that the current concession resources would eventually be spread more thinly across a larger group of people than the current situation. Cashing out concessions could also prove a disincentive to people considering re-entering the workforce, according to ACOSS.

6.69 The Queensland Government told the Committee cashing out would be inequitable for some people. Geographical differences, price differences and the varying needs for different goods and services would all mean that some people would not be adequately compensated for their reliance on concessions, whereas others would be over-compensated.⁴⁴

41 Transcript of Evidence, pg FCA 339.

42 Transcript of Evidence, pg FCA 530.

43 Transcript of Evidence, pg FCA 140.

44 Transcript of Evidence, pg FCA 375.

6.70 The Welfare Rights Centre saw four major implications of changing the current concession system. Their concerns were:

- how are [peoples'] different needs to use services recognised by cashing out;
- how do you ensure people access essential services, in particular health;
- what Safety Nets will be required, particularly if prices and key services increase at a faster rate than any increases in the amount of social security, and who is responsible for meeting those costs; and
- how does each State/Territory government ensure that eligible recipients in their State/Territory get a fair share of the additional income support arising out of the cash-out.⁴⁵

Money management

6.71 A second argument against a cashed out concession system was that it could cause greater hardship, through financial mismanagement. The Australian Pensioners' and Superannuants' League QLD told the Committee:

*I think the major danger in cashing out those so-called benefits would be that if you get income you spend it.*⁴⁶

6.72 Many groups told the Committee that providing concessions in a cash form would most likely result in some people not having enough money at the critical time to meet payments for essential services such as health care, electricity and water. When the Committee raised this problem with the Brotherhood of St Laurence, their representative said:

What you have put your finger on is the perennial issue associated with governments providing expenditure as opposed to income support. If you provide all things in an income support fashion - if all your support is in terms of cash - then there may be households who will choose, or be driven by internal demon or whatever, to

45 Transcript of Evidence, pg FCA 141.

46 Transcript of Evidence, pg FCA 384.

*use that money in a way which leaves them without sufficient money to meet the essentials.*⁴⁷

Optional cashing out

6.73 At the Committee's request, DSS examined the possibility of optional cashing out of concessions. DSS was not in favour of the proposal and argued that an optional cashing out system for concessions would create a complex administrative burden. A comprehensive concession recording and checking process would have to be established to ensure people did not 'double-dip' the system by receiving cash payment and also discounts on goods and services. The Commonwealth and State/Territories would need to establish cost-sharing arrangements for the cashed-out payment and determine how often people could change their choice of cash/non-cash concessions. DSS told the Committee:

*The administrative problems raised by offering choices would create additional and unwelcome complexity in an already widely disparate concessional program that links Commonwealth, States, local governments and the private sector. A complete re-education of the public and of concession-providing agencies all over the country would be needed.*⁴⁸

6.74 However, there is evidence that DSS has at least considered the possibility of cashing out some concessions. In its draft document on smart card technology, DSS said a smart concession card must be able to store multiple, compartmentalised concession entitlements on a single card, in the form of cash values to facilitate cashing out and credit point values.⁴⁹

6.75 Despite the administrative complications that a partial or optional cashing out system would create, the introduction of smart card technology would have the potential to deal with many of the problems identified.

6.76 The advantage of the current system is that people receive the concession at the time that they pay their bills. DSS, the Victorian and Queensland Governments all agreed that concessions allow people to cope with 'lumpy' expenditure, thereby meeting needs of low-income individuals and families as they arise.

47 Transcript of Evidence, pg FCA 345.

48 Letter from Department of Social Security, 22 July 1997.

49 *Concessions - Future Options and Technology* (draft paper), *op.cit.*

6.77 However, there must be a recognition that some members of the Australian community, particularly those living in rural and remote locations, and some people with a disability, cannot access the transport concessions to which they are entitled because of the lack of services. This problem is further illustrated in Chapter 7. A limited optional cashing out of concessions would allow those people who cannot access transport services to fund other arrangements, such as to reimburse petrol costs.

6.78 The Committee recommends that people qualifying for concession entitlements who live in areas without access to public transport concessions, be given the option of receiving only the transport component of their entitlement in a monetary or voucher form. The monetary payments should be made quarterly rather than annually, to help ensure the money is managed well and is used for relevant expenditure.