



7 March 2006

Mr Elton Humphery  
Committee Secretary  
Community Affairs Legislation Committee  
Australian Senate  
Parliament House  
CANBERRA ACT 2600

Dear Mr Humphery,

**RE: Aged Care (Bond Security) Bill 2005  
Aged Care (Bond Security) Levy Bill 2005  
Aged Care Amendment (2005 Measures No. 1) Bill 2005**

I refer to the sitting of the Senate Community Affairs Committee held Thursday 2 March 2006 and my appearance before the committee to give evidence on behalf of Aged Care Association Australia.

During my appearance, committee members asked for comment upon components of two other submissions namely, the submission from Over Fifties Mutual and the submission from Prof Warren Hogan.

In respect of the Over Fifties Mutual (OFM) proposal, I would like to advise that we have examined this proposal based upon the submission made to the committee and have determined that the proposal as it currently stands would in our opinion be highly inefficient on two counts:

1. The proposal submitted by OFM would be considerably more expensive for aged care providers than the scheme being proposed in the three Bills. The cost of the OFM scheme would be born on two counts:
  - . By an inability to offset the cost of borrowings against the bonds held,
  - . The interest which OFM is offering on the income bonds would in our opinion be considerably lower than available in the general market
2. The Government could not allow a single operator such as OFM a monopoly in the market to provide this scheme and this scheme only. It would need to be an open tender arrangement with multiple financial service organisations of which OFM may be one, providing a similar product and service regime to the industry.

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In our opinion, therefore, the OFM scheme is inferior and more costly to that being proposed by the Government in the Bills before the Senate.

In respect of the component of Professor Hogan's submission in which he recommends the establishment of an entirely independent regulatory authority for the prudential management of the aged care industry, we do not believe that this scheme would offer significant advantages to that being proposed in the Bills and would in addition, have added financial costs compared to the proposed Government scheme.

Prof Hogan's scheme would also have the disadvantage of limiting the flexibility available to aged care providers to offset capital borrowing against the bonds held and thereby indirectly causing the cost of capital to the industry to be considerably higher than occurs within the current scheme.

It is our contention therefore, that having examined the two alternative proposals contained within these submissions that neither scheme offers any significant organisational advantage to that being proposed in the Bills and indeed, on both occasions would add considerable cost which would need to be born by the aged care industry and therefore not available to the industry for either building infrastructure or service delivery.

I trust that these comments are of value to the Committee. If the Committee wishes further comment from the Association, please do not hesitate to contact the undersigned.

Thank you for your attention to this matter.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rod Young', written in a cursive style.

Rod Young  
CEO

Cc Liz Cain