CHAPTER 4

CONCESSIONS AND REBATES

4.1 Although the pillars of Australia's retirement income system have predominantly involved the age pension, compulsory superannuation and private savings, the committee notes the importance of concessions and rebates to the capacity of older people to finance the costs of living. In particular, the Commonwealth Government provides substantial funding for subsidies and concessions - including for healthcare and pharmaceutical discounts - which also contribute to reducing expenses for older people, thereby increasing their disposable incomes. Many concessions are also provided by state and local governments.

Available concessions

4.2 There are numerous types of concessions, allowances, offsets and other payments for which older Australians may be eligible depending on their financial and social circumstances. Although the Pensioner Concession Card (PCC) and the Commonwealth Seniors Health Card (CSHC) exist primarily to provide access to the PBS and certain Medicare services at a reduced rate, they also provide eligibility for other concessions. Approximately 85 per cent of people over the pension age have an Australian Government concession card.[1]

4.3 The PCC is available to all recipients of the age or service pensions, which constituted 3.15 million people in 2006. DVA also issues Gold and White cards to eligible veterans and war widows and widowers.[2] The Gold Card provides entitlements to the full range of health care services including medical, dental and optical care. The average cost during 2006-07 was $14 500 per card.[3] The CSHC provides eligibility for a more limited range of concessions and rebates and is available to self-funded retirees of age pension age with income below a certain threshold, which included 300 000 people in 2006.[4]

4.4 Some of the concessions, offsets and rebates available to older people include the senior Australians tax offset, pensioner tax offset, medical expenses tax offset, rent assistance (up to $104 per fortnight for singles and $98.20 each per fortnight for

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1 Department of Families, Community Services and Indigenous Affairs, *Committee Hansard*, 20 September 2007, p. 2.

2 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, pp. 7-8; Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 50.

3 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 86.

4 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, pp 7-8; Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 50.

couples), utilities allowance ($106 in 2006-07), a telephone allowance ($85.60 in 2006-07), council rate concessions, water and sewage concessions, vehicle registration concessions, public transport concessions and stamp duty concessions for property purchases, and a seniors' concession allowance for holders of the CSHC to recognise less access to concessions available to pensioners ($214 in 2006-07).[5]

4.5 Considering the boom in property prices over the past decade, there was substantial interest during the inquiry regarding the value of rent assistance. This assistance is provided by the Government to people in private rental accommodation who receive the age pension or other income support to recognise the potentially high costs faced. FACSIA reported that in 2006-07 the Government provided $361 million in rent assistance for aged pensioners, with 215 081 aged pensioners receiving rent assistance as at 30 June 2007. In March 2007 only 30 per cent of age pensioners receiving rent assistance were paying over 30 per cent of their income on rent. This figure would be 67 per cent without the rent assistance provided.[6] Housing costs including rental assistance are discussed in more detail in chapter 5.

4.6 Concessions provide important improvements to living standards of older people by decreasing out-of-pocket expenses. The Commonwealth Government provides funding to state and territory governments to assist with providing concession for rates, utilities, car registration and transport, and public and community housing. However, the state and territory governments exhibit discretion about what concessions are offered and the criteria determining their accessibility. FACSIA submitted that the Commonwealth payment for concessions amounted to approximately $200 million in 2006-7.[7]

4.7 Some of the submissions to the inquiry expressed concerns that self-funded retirees were often ineligible for many concessions.[8] In particular, the Wide Bay Women's Health Centre highlighted that the CSHC was not necessarily accepted by medical services or other institutions. The Centre noted that the PCC also has various rates of acceptance.[9]

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5 National Institute of Accountants, *Submission 67*, p. 4; Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, pp 7-8; COTA Over 50s, *Submission 96*, p. 7.

6 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 33.

7 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 51-52.

8 Wide Bay Women's Health Centre, *Submission 55*, p. 8; Ms Valerie Applegarth, *Submission 16*, p. 1; Ms Margaret Howard, *Submission 78*, p. 1; Mr Terry and Mrs Ellen Banko, *Submission 73*, p. 1; Name withheld, *Submission 27*, p. 1; Name withheld, *Submission 36*, p. 1; Name withheld, *Submission 48*, p. 2.

9 Wide Bay Women's Health Centre, *Submission 55*, p. 8.

Inter-state reciprocity for public transport

4.8 At the Canberra hearing, FACSIA discussed the negotiations between the Commonwealth and State and Territory governments regarding reciprocity of public transport concessions. In 2002 and 2004, the Commonwealth offered additional funding to allow State Seniors Card holders to travel on public transport at concessional rates outside their home State and to extend concessions to CSHC holders. The March 2004 transport offer was \$5.6 million and the offer for extending concessions to CSHC holders was \$75.4 million. However, the negotiations were unsuccessful and lapsed. Consequently the Government decided to provide funding directly to seniors in the form of the utilities allowance and the seniors concession allowance. The Government anticipated spending \$54 million on the seniors concession allowance and \$161 million on the utilities allowance in 2008.[10]

4.9 Nevertheless, many of the submissions to the inquiry expressed concern about the lack of reciprocity of public transport concession between the states.[11] This has substantial impacts on the quality of life of older people because of the increasing dispersal of families across the country. The ability to visit friends and families has enormous implications for quality of life and social isolation and impacts disproportionately on low-income older people. Ms Mary Maxwell noted that, ironically, Canada and the UK will accept a Seniors' Card issued in one of the Australian states for eligibility for travel concessions, but such a card would not be recognised in any of the other Australian states.[12] The Superannuated Commonwealth Officers' Association called for the Commonwealth to facilitate the renewal of negotiations between the states and territories to address the situation.[13]

4.10 As noted in Appendix 3, the new Labor government has committed funding of \$50 million to establish national reciprocal transport concessions in cooperation with the State and Territory governments.

Indexation of the Commonwealth Seniors Health Card

4.11 Over the past ten years, the Government has increased the number of CSHC holders from 35 000 to 318 000. The CSHC income limits were indexed until 1999

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10 Department of Families, Community Services and Indigenous Affairs, *Committee Hansard*, 20 September 2007, p. 24. See also Senate Community Affairs Committee, Budget estimates 2007-08, Additional information FaCSIA, Question nos, 313 and 314.

11 These included: National Seniors, *Submission 60*, p. 7; National Seniors Goodna Redbank Branch, *Submission 39*, p. 2; Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 9; National Seniors, *Submission 60*, p. 7; Mr Lindsay Kayess, *Submission 115*, p. 2; Ms Anne and Mr Bill Byrne, *Submission 1*, p. 1; Mr Geoff Ball, *Submission 206*, p. 1; Mr Bernard and Mrs Barbara Murray, *Submission 86*, p. 4; Mr Graham Sharpe, *Submission 82*, p. 1; Ms Mary Maxwell, *Submission 34*, p. 5.

12 Ms Mary Maxwell, *Submission 34*, p. 5.

13 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 9.

when they were raised substantially and indexation ceased. The limits were raised from $21 320 to $40 000 for singles and from $35 620 to $67 000 for couples. In July 2001, the income limits were again increased to $50 000 for singles and $80 000 for couples. FACSIA submitted that the limits would have been substantially lower without the rises in 1999 and 2001.[14]

4.12 However, concerns were expressed about the lack of indexation for the eligibility thresholds of the CSHC and the absence of any rise since 2001.[15] Submissions focused on the fact that while since 2001 incomes have increased, so too have costs. Therefore, inflationary effects have reduced the real level of the CSHC. The lack of rises or indexation of the threshold has meant that some older people have lost their access to concessions, particularly PBS prescriptions, visits to medical practitioners and hospital expenses, travel costs, telephone allowances and other concessions. Ms Aileen Monck elaborated on this issue:

> Many self funded retirees have had small increases in their gross income in recent years, because of upward movements in the share market which affects share dividends, allocated pensions etc. At the same time the cost of living has increased, as has the cost of pharmaceutical prescription items. Failing health as a person ages often requires the expenditure of quite large sums of money on prescriptions, and other pharmaceutical items. When this increased expenditure is taken into account it has the effect of reducing the net annual income of self funded retirees, but, because the gross income exceeds $50 000 annually, they either lose their entitlement or are unable to apply for the fore-mentioned card.[16]

4.13 The Superannuated Commonwealth Officers' Association advocated a rise in the qualification threshold and indexation to the higher of the CPI and MTAWE to reduce the risk of compromising the health of older people.[17]

The importance of concessions

4.14 As has already been established in this report, older people generally have lower incomes than most other demographics and have limited capacity to improve their financial situation following retirement. Therefore, concessions provide an extremely important means to help counter the adverse impact of rises in cost of living

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14 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 51.

15 This included: Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 9; The Association of Independent Retirees, *Committee Hansard*, 23 August 2007, p. 69; National Seniors, *Submission 60*, p. 17; Mr Desmond Reardon, *Submission 107*, p. 1; Name withheld, *Submission 149*, p. 5; Name withheld, *Submission 149*, p. 5; Mr Wayne Koch, *Submission 164*, p. 11; Ms Denise Scassola, *Submission 166*, p. 1; Ms Aileen Monck, *Submission 187*, p. 1; Name withheld, *Submission 112*, p. 1; Mr John Murray Newman, *Submission 69*, pp 1-2; Mr J S O'Neill, *Submission 214*, p. 1.

16 Ms Aileen Monck, *Submission 187*, p. 1.

17 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 9.

pressures. A range of submissions to the inquiry emphasised the importance of concessions.

4.15 Estimates of the precise value of concessions to the weekly budget of older people differed among the submissions, but there was agreement that it was a substantial component. Also, the degree of subsidy received depends on individual retirees' circumstances, which vary significantly. For instance, according to the Council of Social Service of New South Wales (NCOSS) and the Combined Pensioners & Superannuants Association (CPSA), older people in rural and regional areas did not have the same opportunity to obtain public transport concessions as those in metropolitan areas. This could amount to a difference in benefits worth hundreds of dollars over the course of a year.[18]

4.16 Despite the different value of concessions being determined by different circumstances, some of the submissions estimated the value of their concessions. The submissions of Mr N Flannery and Virginia Boskovic maintained that the value of pension concessions amounted to $1 000 per annum.[19] FACSIA estimates were higher at approximately $1 600 per year for age pensioners and $1 200 per year for holders of the CSHC. As has already been discussed, the Commonwealth Government introduced the Seniors Concession Allowance of $214 for CSHC holders in recognition that the CSHC does not have the same concessional advantages as the PCC.[20] The Brotherhood of St Laurence did not provide an estimate of the monetary value of concessions but suggested the value could be even higher than suggested by FACSIA. It cited ABS data to argue that the health benefits and concessions received by older Australians equates to 25 per cent of their average weekly income. This includes concession rates for PBS pharmaceuticals, bulk-billed medical services, reduced threshold for the cap on non-hospital medical costs through the Medicare Safety Net, subsidised hearing, dental and ambulance services.[21]

4.17 It is clear to the committee that concessions are of great value to older people in assisting them to cope with cost of living pressures. As was argued by the CPSA:

> Concession and benefits are like hard cash to pensioners. Reducing or cancelling concession or benefits, or failing to index them, is tantamount to reducing the pension paid through Centrelink.[22]

4.18 The Corrimal Pensioners and Superannuants Association even argued that the availability of concessions was more important than rises in pension levels, as it

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18 Council of Social Service of New South Wales, *Submission 54*, p. 5; Combined Pensioners & Superannuants Association (CPSA), *Submission 66*, p. 11.

19 Mr N Flannery, *Submission 13*, p. 2; Ms Virginia Boskovic, *Submission 160*, p. 1.

20 Department of Families, Community Services and Indigenous Affairs, *Submission 138*, p. 52.

21 Brotherhood of St Laurence, *Submission 57: Background Paper, Disadvantage and Older People*, p. 8.

22 Combined Pensioners & Superannuants Association (CPSA), *Submission 66*, p. 11.

provided a greater capacity to ensure priority needs are targeted and made affordable.[23]

Declining value of concessions

4.19 Despite the clear importance of concessions for older people in affording the costs of living, various submissions highlighted concerns that the concession arrangements were insufficient, too restrictive in their eligibility criteria, or were declining in their real value - mainly as a result of a failure to index their rates. This effectively resulted in the undermining of the capacity of older people to meet cost of living increases.

4.20 The Brotherhood of St Laurence argued that over the past 3-4 years it has observed increasing financial stress among older clients and has received similar reports from other organisations that work with older people. It indicated it was uncertain about what was responsible but noted that increasing costs were not met by increases in concessions.[24] CPSA submitted a similar argument but asserted more strongly that the erosion of the standard of living of pensioners was primarily attributable to changes in concession arrangements by the Commonwealth, state and territory, and local governments. It argued that these benefits and concessions form an integral component of pensioners' income packages but have been gradually reduced.[25]

4.21 Key concessions and rebates that were highlighted as being insufficient for meeting the needs of older people or declining in their real value to contribute to the financial stress of older people included medical fees, pharmaceutical benefits, dental fees, rent assistance, utilities allowances, telephone allowances, senior concession allowance, local council rates, motor vehicle registration, and public transport fees. The submission of Bernard and Barbara Murray outlined increases in their bills between 2001-02 and 2006-07 after the application of concessions. Although these figures did not account for differences in use, they demonstrated a 39.8 per cent increase in expenditure on health insurance, 28.4 per cent increase in council rates, 16.5 per cent in car insurance and registration, 9.5 per cent increase in house and contents insurance, and a 5.1 per cent reduction in telephone costs.[26]

4.22 Some of the submissions highlighted the cost imposed for medications that were not on the PBS. CPSA expressed particular concern with the gap between Medicare refunds and medical fees. It noted that the Pharmaceutical Allowance is only CPI-indexed if this results in an increase of 10 cents or more, and that it has not been increased for years with its real value dropping by 25 per cent. CPSA also noted

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23 The Corrimal Pensioners and Superannuants Association, *Submission 177*, p. 1.

24 *Committee Hansard*, 23 August 2007, p. 27.

25 Combined Pensioners & Superannuants Association (CPSA), *Submission 66*, pp 6-7.

26 Mr Bernard and Mrs Barbara Murray, *Submission 86*, p. 2.

that at the same time, the co-contribution per prescription has continued to rise. Further, CPSA maintained that the decline in bulkbilling for Medicare has meant that many pensioners are unable to afford consultations and put them off as well as expensive scans. CPSA also argued that dental access has declined with increasing unavailability of public dental care and difficulty affording private care. Further, CPSA argued that public podiatry programs are inadequate, forcing pensioners to use expensive private podiatry services.[27]

4.23 Transport was another key area where submissions highlighted increases in payments required from pensioners. For example, the Brotherhood of St Laurence pointed to the Victorian Government's reduction of the concession on motor vehicle registration for pensioners.[28] During a 2004 reform of the concession system, the Victorian Government removed the exemption for pensioners to pay registration fees and instituted a 50 per cent fee. It argued that the full concession was out of step with other concessions and was open to misuse.[29] The CPSA noted that the NSW Government has recently introduced a 15 per cent booking fee for country rail travel, which imposes a cost on a previously free service. Consequently, the CPSA reported, patronage fell by 25 per cent in the first 12 months of the fee introduction.[30]

4.24 Concessions related to housing are, evidence suggested, the most responsible for causing financial stress to retirees. In particular, it was argued that rebates on rates, electricity and water, and rental allowances have not increased in line with inflation. This was particularly highlighted in the submission of Mr Richard Sims.[31]

4.25 In terms of council rate subsidies Queensland, New South Wales and Victoria were highlighted as failing to index subsidies, despite rapid and sustained increases in property prices, which translated into higher council rates. COTA also raised the problem of the inadequacy and declining applicability of concessions, particularly in relation to council rates. COTA submitted:

> Although these concessions are valued by older people they leave many recipients struggling to meet necessary expenditures as costs rise faster than the concession and new, unsubsidised elements are added to basic accounts. For example rebates on municipal rates and utilities have not kept pace with the rising values of properties and the increasing cost of user pays systems.[32]

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27 Combined Pensioners & Superannuants Association (CPSA), *Submission 66*, pp 6-7.

28 *Committee Hansard*, 23 August 2007, p. 32.

29 Premier Steve Bracks, *Concessions Reform Delivers Fairer Outcome*, 28 April 2004, http://www.premier.vic.gov.au/newsroom/news_item_archives.asp?id=409, (accessed 17 August 2007).

30 Combined Pensioners & Superannuants Association (CPSA), *Submission 66*, p. 7.

31 Mr Richard Sims, *Submission 26*, p. 1.

32 COTA Over 50s, *Submission 96*, p. 16.

4.26 Mr Peter McSpadden noted that the Queensland State Pensioner Rate Subsidy Scheme provides a rate subsidy of 20 per cent up to a maximum of $180, but has not been increased since 1992. Since that time, the Queensland Government expenditure on the scheme has increased from $27.13 million in 1992-93 to $41.788 million in 2003-04, due to the increase in the number of Queenslanders receiving the subsidy.[33] The CPSA reported that there is no mechanism for indexing pensioner rebates on rates at the local government level in NSW. Consequently, the rebate has not been increased for 15 years, though rates have increased annually.[34] Mr Thomas and Ms Barbara Sharp provided an illustrative example of rising council rates accompanied by a fall in their rebate. In 2002 their council rates bill was $593.24 and the concession $505, compared to $906.99 and $425 respectively in 2007.[35] The Brotherhood of St Laurence also provided evidence that council rates in Victoria have risen by 6–14 per cent, and concessions have failed to keep pace.[36]

4.27 The cost of utilities associated with housing was another example of a failure of rebates to keep pace with price increases. Mr Thomas and Ms Barbara Sharp submitted that pension rebates are inadequate and, in some cases, have declined while charges rose. They provided figures that suggested the rebate on their electricity bill was 8 per cent and did not even cover the GST on the bill.[37]

4.28 The Superannuated Commonwealth Officers' Association provided a possible explanation for the rises in state and territory charges, which could also explain the apparent declining real value of concessions. It argued:

> The State and Territory shares of total revenue collected by the Commonwealth have been declining, while the Commonwealth share has been increasing. This has resulted in the Federal Government having large budget surpluses, while the States and Territories have had to increase their taxes and charges to make up the shortfall. These increases have impacted disproportionately on the elderly, who consume more State and Territory services than the general population.[38]

Conclusion

4.29 The rise in the real value of the age pension and other benefits for self-funded retirees over the past ten years has highlighted the need for the inquiry to examine other possible reasons for anecdotal reports of increasing financial stress for older people. As was mentioned in the previous chapter, the suitability of the current level

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33 Mr Peter McSpadden, *Submission 127*, pp 13, 24.

34 Combined Pensioners & Superannuants Association (CPSA), *Submission 66*, pp 7-8.

35 Mr Thomas & Ms Barbara Sharp, *Submission 148*, p. 1.

36 *Committee Hansard*, 23 August 2007, p. 32.

37 Mr Thomas & Ms Barbara Sharp, *Submission 148*, p. 1.

38 Superannuated Commonwealth Officers' Association Inc, *Submission 52*, p. 10.

of the aged pension needs to be investigated, irrespective of the rise in value that has occurred, as well as expectations of retirement.

4.30 But while much of the evidence presented to the committee focused on a perceived inadequacy of current pension entitlements and indexations to meet the cost of living, the committee emphasises the importance of the range of indirect benefits such as concessions and rebates provided by all levels of government. These benefits constitute a considerable financial investment by governments and provide a substantial boost to the living standards of older people that are not necessarily fully captured in analyses of income and expenditure patterns and data.

4.31 The evidence presented to the inquiry raised the committee's concerns about the appropriateness of concessions and their erosion as a result of inadequate indexation. For instance, some submissions suggested that some of the state governments have not increased or indexed council rate subsidies for fifteen years, despite inflationary effects and the increase in council rates that resulted from the property boom. There were limited contributions from state and local governments to the inquiry to shed further light on the apparent problem of the adequacy of rebates and concessions. But it appears as though the ageing of the population and resulting increase in the number of people eligible for concessions has led to an increase in expenditure on some of these benefits, even though concessions to individuals have not been increased. The failure to index any concession payment will invariably result in an increasing widening of the gap between its value and the cost incurred by the recipient. This particularly impacts on those on low, fixed incomes such as pensioners, and unless addressed will contribute substantively to their financial stress, exacerbate the deterioration in their financial well-being and have implications for their physical and psychological health.