

NTCOSS DISCUSSION PAPER

AUGUST 2017

Review of the Northern Territory
Pensioner Carer Concession
Scheme (NTPCCS)

Review of the NTPCCS

The Northern Territory Council of Social Service (NTCOSS) welcomed the 2016 announcement by the Northern Territory Government (NTG) that it would conduct a review into the Northern Territory Pensioner Carer Concession Scheme (NTPCCS). NTCOSS, along with other groups, most notably seniors groups, has been calling for a review into concessions in the NT for some time. NTCOSS has subsequently been a member of the Expert Reference Group for the current NTPCCS Review.

NTCOSS notes here the key principles of the Review:

- 1. The purpose of the Scheme is to reduce the cost of living pressure for eligible seniors, pensioners and carers, and provide an incentive for seniors to remain in the Northern Territory during their retirement years.*
- 2. The reform will be based the most practical solutions to support seniors, pensioners and carers with cost of living issues, providing an equitable and accessible Scheme*
- 3. The Scheme will remain affordable and sustainable.*
- 4. Reducing the administrative burdens and operational costs of managing the Scheme.*

NTCOSS has had an extensive history in the concessions policy area, which is outlined in detail below. One of the critical issues that NTCOSS believes should be considered carefully is the nature and purpose of concessions.

NTCOSS believes that having ‘concessions’ for seniors intertwined with ‘concessions’ for pensioners and carers, veterans and some low-income households merges together different groups with different needs.

The NTPCCS currently has twofold aims, namely to:

- *Provide an incentive for members to stay in the NT during retirement*
- *Help all pensioners, certain categories of low-income earners and carers with a range of cost of living expenses (NT Government, 2017).*

These are valid aims – however, they are quite different and separate to the issue of providing cost of living relief for low-income and disadvantaged people, which is the aim of concession schemes across the country, and is the current second aim of the current NTPCCS.

Trying to accommodate the dual aims for two effectively distinct groups, using the same scheme (with the interstate travel concession being the only concession available to seniors only) clouds the issues around eligibility for concessions – and this may have played some part in the decision by the former Northern Territory government to change the eligibility criteria for seniors in May 2014.

In this light, despite significant reservations about the potential introduction of a debit card for concessions in the NT, NTCOSS broadly welcomes the specific proposal by the NTG, announced after the 2017 budget, to have a two tiered concessions scheme.

NTCOSS believes, however, that the NTG should take this one step further by having seniors and other NTPCCS eligible members in two completely separate schemes. This could be done by adopting the general tenets of some of the recommendations made to the NTG by the NT Ministerial Advisory Committee for Senior Territorians (MAC-ST) in its 2015 submission on NT Seniors Concessions.

NTCOSS supports the broad notions of the first two recommendations from this committee to separate out seniors from pensioners and other groups who are currently eligible for the NTPCCS, and to 'rebrand the seniors' component of the current NTPCCS as *NT Seniors Incentives*. NTCOSS suggests that a form of means testing for the NTPCCS be implemented, but acknowledges that the current use of the eligibility for the Commonwealth Seniors Health Card (CSHC) may not be the best mechanism for this. The first two recommendations from the MAC-ST submission were:

Recommendation 1:

Separate the Seniors component of the current NTPCCS from the Pensioner and Carers components, to accurately reflect each target group's distinctive nature and to reintroduce the long-term strategic purpose of the NT's Seniors Concessions.

Recommendation 2:

Rebrand the Seniors component of the current NTPCCS as "NT Seniors Concessions" and associate the separate concession scheme (and membership card) with the NT Seniors Card, by co-branding and consistent design elements (NT Ministerial Advisory Committee – Senior Territorians, 2015, p.1).

Separating 'seniors' from the concessions scheme, would enable the benefits provided to seniors to be badged in a way that reflects their intent – i.e. as rewards or incentives, which are part of a broader package of supports to seniors in recognition of their past contribution to the Territory, as well as incentives to remain in the NT in the future.

The specific role that concessions are designed to play in addressing cost of living relief for low-income and disadvantaged Territorians (see next section) supports the need for one concession scheme which purely addresses cost of living relief, and a separate seniors scheme which reflects its distinct aim. Issues around eligibility and qualifying periods for the seniors scheme would be best addressed in consultation with seniors groups. Splitting the current scheme in this way would also make the process of ensuring fairness, equity and sustainability a much clearer task.

NTCOSS would however support the age eligibility for the separate seniors scheme being aligned with the age eligibility for the Age Pension – also recommended by the MAC-ST in its submission (Recommendation 4.2), that:

“The access age to the NTPCCS to be the same age as that for access to the Age Pension”, which would make eligibility to NT Seniors Concessions congruent to the access age to the Age Pension and subsequently increase the eligibility age at the same pace as that of the Age Pension” and substantially reduce costs to the NT Government.

The NTPCCS

The Northern Territory Pensioner and Carer Concession Scheme (NTPCCS) provides financial subsidies as concessions to members for a range of goods and services (NT Government, 2017).

Concessions help people on low incomes access important services such as water, energy, transport and housing. The scheme aims to:

- Provide an incentive for members to stay in the NT during retirement
- Help all pensioners, certain categories of low-income earners and carers with a range of cost of living expenses (NT Government 2017).

Currently available concessions

Eligible members can receive concessions on a range of cost of living expenses including:

- electricity - on-grid, off-grid, pre-paid tokens and e-token meters
- water rates
- sewerage rates
- property rates
- garbage collection charges
- motor vehicle registration
- driver licences
- spectacles
- public transport
- interstate and overseas travel.
- Permanent residents of the NT who hold an eligible Department of Human Services or Centrelink concession card or an eligible Department of Veterans' Affairs concession card are eligible for concessions.

Prior to the changes to the NTPCCS in 2009, the electricity concession was based on an electricity charge rebate of 50 percent of the quarterly account, up to a maximum rebate of \$1.108 per day. This meant that the maximum a recipient could receive in one year was \$404.42.

The new scheme brought in a fixed daily concession, which at the end of 2016 was:

2.5 x the rate of the actual fixed daily charge = \$464 per year (NB: even if the power isn't used in a house for a year, because the resident goes on holiday for 12 months, for example, that resident will still be gifted the \$464, which would more than compensate for the \$184 they would be required to pay for the fixed daily charges).

Current Eligibility for Concessions

Since 14 May 2014, new membership to the Scheme has been restricted to those people who have current Commonwealth Government issued concession cards in the following categories:

- Commonwealth Department of Human Services (Centrelink)
- Centrelink Pensioner Concession Card
- Health Care Card Low Income
- Centrelink Health Care Card
- Commonwealth Seniors Health Card, and or
- Department of Veterans' Affairs (DVA)
- Veterans' Affairs Pensioner Concession Card
- Health Card TPI (Gold)
- Health Card War Widow/er (Gold)
- Health Card - Pharmaceuticals Only (Orange) (NT Government 2017).

As at 1 January 2016, there were 24,831 registered members of the Scheme and 19,676 were active and claimed a concession during the 2015-16 financial year (ERG Agenda Item 5a).

The largest category of membership remains the 'seniors' category which contains those members grandfathered from prior to 14 May 2014. At 1 January 2016, in this category there were 18,318 members, or 74 percent of the total membership. Numbers in this group are currently declining at a rate of about five percent per year. There is a possibility that a substantial number of members registered as 'seniors' will be eligible under the categories listed above (NT Government 2016c).

The current concessions framework (which exists in a similar form across the country) is effective in terms of providing timely cost of living relief in an easily accessible way for those eligible households registered for the concessions relevant to them - even if some people access it more than others; and if some people don't know how to access. These issues (and the fact it is too generous for some, for some concessions) could be addressed in other ways, without throwing out the old system.

Concession Best Practice Principles

Purpose of and rationale behind concessions

Concessions in Australia have historically been introduced across states and territories in order to provide a rebate for low income households in order to ease cost of living pressures.

The provision of concessions is also linked to the taxation system in states and territories.

Public authorities (such as power and water corporations) provide a dividend (commonly referred to as a Public Authority Dividend) back to the owner of the goods or service (in this case the NT Government) through the form of GST which is applied to the user's bill.

Taxes on goods and services such as electricity and water are regressive – the higher the water or electricity charges, for example, the higher the GST component paid by a particular household, which represents a greater proportion of household income for low-income households. A concession then provides relief for eligible households (generally low-income households), by effectively compensating for the higher tax component they are contributing, and therefore mitigating the regressive nature of state/Territory taxes and charges.

The benefit of applying a percentage based method of providing concessions is that the concession adjusts as costs (and taxes) are adjusted either up or down. As the revenue from the GST component of charges rises, some of that is handed back in concessions to eligible households, which supports the durability and sustainability of such a concession scheme.

Concession Principles from Other Jurisdictions

A number of other Councils of Social Service (COSSes) across the country have put forward some best practice principles when it comes to State/Territory and Commonwealth concession programs.

The South Australia Council of Social Service (SACOSS) (2009) outlined five key principles for concession schemes, which would be very useful principles for consideration by the Northern Territory government in any alterations made to current concession regimes. They are as follows:

Clarity — There needs to be a clear and publicly stated understanding of the target group for each concession. The social objectives and desired outcomes of all concessions need to be clearly and publicly stated, and the public consulted before the adoption of any new concession.

Equity — Both horizontal and vertical equity must be ensured by the concession: those in similar circumstances need to receive similar levels of benefit, and those in different circumstances need to receive different levels of benefit in order to reach similar outcomes.

Accessibility — Government needs to ensure the accessibility of all concessions in two ways: through proactive advertisement to eligible recipients, and through the provision of genuinely accessible concessions and concessionary services to all eligible recipients, regardless of geographical area.

Affordability — Concessions must make the good or service being provided genuinely affordable to recipients, and be indexed to reflect changing prices of essential goods and services.

Flexibility — Flexibility must be built into concessions in order to keep pace with changing economic and social practices, as well as prices. Relevant review mechanisms must be put in place to ensure that concessions remain relevant in terms of clarity, equity, accessibility and affordability”

Source: SACOSS 2009, p.ii.

Analysis of NTPCCS scheme against these concessions principles

It is a useful exercise to examine the current NTPCCS concessions against the SACOSS Principles on Concessions:

Clarity — While there is definitely clarity in relation to the target group for concessions (i.e. to keep senior Territorians in the Territory), NTCOSS does not believe that this principle reflects the actual intent of concessions schemes, which should be about targeting cost of living relief to households most in need, which will include many low (to moderate) income senior Territorians. This area should form a significant part of the public review into the NTPCCS.

Equity — While the need for a cap on electricity and water concessions has been identified strongly in this paper, both the electricity concession and water concessions (from a structural point of view) do quite well in relation to the principle of vertical equity; with the percentage-based concession on per kilowatt hour and per kilolitre usage providing for different household sizes and differing needs. A cap on concessions would strengthen this structure. In addition the level of concession for households using pre-paid electricity, reflect higher charge rates, and the higher cost of living in remote areas.

A further discussion must be had on whether both the current percentage based concessions for electricity (approx 35%) and water (approx 50%) need modifying; as well as the concessions on the fixed daily charge for electricity (approx 2.5x the actual fixed daily charge rate), and water (nearly 1.2x the actual fixed daily charge rate).

These considerations will be important for the overall long term sustainability of the concessions scheme. In terms of horizontal equity, however, the scheme does not achieve this – as it provides concessions to individuals such as pensioners, part-pensioners and self-funded retirees who receive at least \$438 per week (but potentially up to \$1000 per week) in income, but not to individuals who only receive \$268 or \$222 per week, or a sole parent with 2 children who receives \$558 per week (as shown in Figure 1 below).

Accessibility — In relation to the first component of this principle, more work could definitely be done to ensure all people who would meet the eligibility criteria gain membership of the scheme; and also that all of those on the scheme maximise the benefits available.

Some concessions fare well against the second component of this principle; while others – especially the interstate travel concession requires improvement to ensure that the concession can be utilised by people who have no real need to travel interstate, but could benefit from a concession on intrastate travel.

Affordability — The substantial concessions provided for utilities definitely meets this principle; and would continue to do so even with a cap applied, as long as it is set at level that would ensure cost of living relief for the lowest income households. Note, however comments under equity in relation to the current concession rates.

Affordability is also definitely achieved with free drivers' licence renewals; and with \$1 public transport (where available); and with free spectacles, as well as significant reductions (average \$263), where people can afford more expensive glasses.

Flexibility — Review and indexation mechanisms have been in place for some concessions under the NTPCCS – e.g. electricity, water and sewerage; however have not been in place for all concessions in the NT – e.g. Motor Vehicle Registration concession, which has not increased since July 2009.

Councils of Social Service perspectives

The SACOSS principles echo many of the principles suggested as a result of the Federal Parliamentary Inquiry into concessions in the 1990s¹. ACTCOSS (2002) and WACOSS (2007) have also drawn on the work of the Federal Parliamentary Inquiry to create their own 'checklist' of criteria for the concessions systems in the ACT and WA.

VCOSS argues that concessions are necessary to avoid the undesirable social outcome of bill shock. It has also identified that some existing concessions are complex and give vastly different outcomes to different household, and they argue for concessions that give proportionate, consistent outcomes from an equity point of view.

VCOSS further suggests that concessions should be tariff-independent so that their value is not diminished by the peculiarities of any particular tariff structure (VCOSS 2011, p.1).

VCOSS (2011, p.2) also strongly argues that, "Concession eligibility must be for people with low incomes," rather than what is the case in many other states/Territories including the NT, where eligibility is fractured along the old "deserving"/ "undeserving" line (pensions yes, allowances no). VCOSS makes the point that "concessions are to enable basic access to essential services for people who otherwise can't afford it. All low-income people must be included, and they advocate for the using the Commonwealth's concession card assessments, to ensure universal criteria based on need (i.e. people with Pension, Health care and DVA cards) (VCOSS 2011, p.2).

VCOSS (2011) also suggests that "special needs households should be identified in a consistent manner based on the special need e.g. a benchmark for high usage, specific types of health conditions... though some types of needs may need more qualitative types of assessment". It also argues the need for consistency across jurisdictions (VCOSS, 2011, P.2).

SACOSS (2009, p.1) points to the need for, "flexibility in the creation and maintenance of individual concessions, as well as of making concessionary benefits fulfil the needs of the community as these needs change". It also highlights the need to understand "individual concessions as part of a system...indivisible from each other and the wider tax-transfer systems and social contexts."

NB. See large document for Specific Principles for Energy Concessions – An Energy Concessions Framework

¹http://www.aph.gov.au/Parliamentary_Business/Committees/House_of_representatives_Committees?url=fca/concard/concardindex.htm

NTCOSS history in Concessions Policy and Advocacy

The push for expanding eligibility and adequate indexation

Since 2009, NTCOSS has advocated (through media releases, reports and submissions, as well as meetings with government – see Appendix A) for a widening of the eligibility to the NTPCCS to include those people most in need, as the NT does not extend the NTPCCS concessions to all people on Commonwealth Health Care Cards.

As discussed above, currently people on the lowest incomes (e.g. Newstart – including sole parents caring for children; and people with disability*, and Youth Allowance recipients) do not qualify for the NTPCCS. *It is significant to note that one quarter of Newstart recipients have some type of disability, due to changes made by the then Federal Labor Government in 2011, when eligibility for the Disability Support Pension was tightened.² For Newstart recipients with disability in the NT, not only do they receive \$170 per week less than what they would if on a pension, they are also denied access to the vital cost of living relief provided by concessions.

NTCOSS has also advocated for the need for planned and regular indexation to apply to all NTPCCS concessions, where relevant (and in particular in relation to the Motor Vehicle Registration Concessions). Specifically since 2009, NTCOSS has been calling on the NT Government to implement two major reforms to the NTPCCS Scheme; namely:

1. Extend the eligibility for membership of the NTPCCS to all health care card holders
2. Establish inbuilt and timely review processes and planned indexation for all concession types

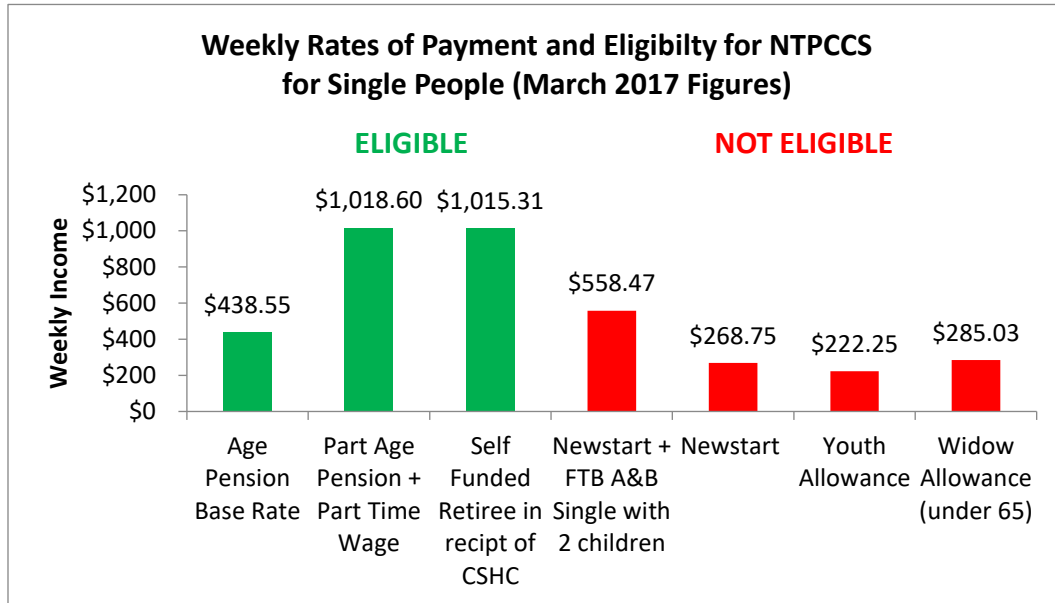
NTCOSS is concerned that the proposed reforms of the NT Government will not extend the eligibility to those households on the lowest incomes, who are most in need; and neither will it be able to adequately address the issue of indexation of concessions with a one size fits all debit card approach. In addition, since July 2015, through its Cost of Living Reports (2015, No. 8, and 2016, No.14), NTCOSS has been calling for a review of all concessions in the scheme.

With the Queensland Government recently extending its electricity rebate (concession) to all Commonwealth Health Care Card holders, as well as asylum seekers, *the NT now remains the only jurisdiction (State or Territory) not to offer electricity concessions to all Commonwealth Health Care Card holders.*

² Centacare (2017), 'Newstart becomes de facto disability pension for 25% of claimants. Source:

<http://www.centacare.com.au/news/newstart-becomes-de-facto-disability-pension-for-2>

Figure 1: Eligibility Criteria for the NTPCCS – lowest income earners not eligible



Figures derived from: Centrelink 2017 (based on figures at 19 March 2017); Fair Work Commission 2016

In Victoria a job seeker on Newstart can access electricity concessions, as well as motor vehicle concessions. If that job seeker moved to the Northern Territory, they would be ineligible for the equivalent concessions here. With the high costs of living in the NT well accepted, and the fact that payments for people on Newstart and Youth Allowance are indexed at a lower rate than pensions, people on these payments are hit with a ‘triple whammy’ in the NT by also being denied access to concessions that would help ease their cost of living pressures.

The argument for concessions in the NT to be extended to all Health Card holders (particularly electricity, water and sewerage concessions) has support at a national level. SACOSS has pointed out this issue in relation to concessions generally, which it describes as, “...the disjoint between the benefits received by pensioners and those for which recipients of government allowances are eligible. The fact that older Australians who hold a Pensioner Concession Card have access to many concessional benefits that are not available to other people on low-incomes means that horizontal equity in the systemic sense is lacking” (SACOSS 2009, p.8)

In addition ACOSS (2014) has recommended that the Commonwealth Utilities Allowance, “...be extended to recipients of Parenting Payment, Newstart and other allowances, who currently miss out” (cited in SACOSS 2009, p.8). SACOSS (2009, p.8) has recommended concessions for telephone allowance, transport concessions, and the Pharmaceutical Allowance also be available to these allowance recipients.

Current NT Concession System

There are a wide range of concessions made available across the NT with some more complex than others (e.g. utilities concessions with their variable components). There are different eligibility criteria for different concessions, with entitlements and eligibility not always easily understood by all, and concerns that some people are missing out on concessions for which they would be eligible (NTCOSS 2016a, pp.52-53).

The NTPCCS as an effective budgeting tool

Currently the NTPCCS provides concessions in a timely and efficient manner for its eligible members – putting aside issues around the adequacy of or lack of indexation in relation to particular concessions (e.g. Motor Vehicle Registration concession).

In the majority of concessions, the assistance (reduction in bill (utilities with standard meters); or no fee at all (e.g. Drivers' Licence) is applied at the time (or even before) the bill is due. This works as an effective tool in reducing cost of living pressures when the assistance is most required.

Some concessions do require upfront payment in full (e.g. rates, garbage) before the concession is paid; while in the case of the (interstate) travel concession, members have the choice of going through a travel agent and having the concession applied immediately; or paying for the travel oneself, and being reimbursed once the travel has been completed.

In the case of households using pre-paid electricity tokens, they are provided in 6 monthly allotments, and prospectively, rather than retrospectively. These households can therefore maintain a healthy supply of electricity.

The general application of concessions in a timely manner means that the concessions are a very effective budgeting tool – in the same way that many people nowadays choose the option of direct debit or centrepay deductions for managing a large range of household.

In addition, there is no discrimination attached to the application of automatic concessions to an electricity bill, for example, as this is the process whether someone is earning \$50,000 or \$10,000 per year.

In addition, the effort required by members to access most concessions (property rates and garbage concessions aside) is minimal – given that once they have supplied their NTPCCS Concession Card number to the relevant organisation, in most cases the concession is, or can be automatically applied. This makes these concessions a very effective budgeting tool, as in the case of electricity water and sewerage; people do not have to remember what day a bill is due to have a concession applied, or to remember to have their concession card on them, or to remember a personal identification number (PIN) for a card.

How the current scheme works in practice

Concession Category	Engaging with specific concession	Ongoing effort required by member to access concession
Electricity - on-grid	Must provide NTPCCS concession number to Electricity retailer	Nil Automatically applied to bill
Electricity - off-grid	Present NTPCCS card when presenting receipts (if have own fuel generation)	Present NTPCCS card when presenting receipts ; must provide block number and how many houses being supplied with fuel
Electricity - pre-paid tokens E-token meters (Top End only?)	Must indicate on NTPCCS application form if use pre-paid tokens and whether use wide or narrow tokens Indicate on NTPCCS application form	Nil – Tokens delivered to eligible member 6 monthly
Water rates	Must provide NTPCCS concession number to Water retailer	Nil-Automatically applied to bill
Sewerage rates	Must provide NTPCCS concession number to Sewerage retailer	Nil-Automatically applied to bill
Property rates	Must provide NTPCCS concession number to relevant Council	Nil-Automatically applied to bill
Garbage collection charges		
Motor vehicle registration	Present NTPCCS card at time of claiming concession	Present NTPCCS card at time of paying bill (concession applied on the spot)
Driver licences	Present NTPCCS card at time of claiming concession	Present NTPCCS card at time of paying bill (concession applied on the spot)
Spectacles	Present NTPCCS card at time of claiming concession	Present NTPCCS card at time of purchasing spectacles (concession applied on the spot)
Public transport	Present at time of claiming concession	Show card when board public bus
Interstate and overseas travel	Present at time of claiming concession	<u>If booking through a travel agent;</u> members must present their NTPCCS card at time of booking <u>If booking themselves;</u> members must present their NTPCCS card when they go to NTPCCS office to claim concession (once trip complete); must provide tax invoice and provide bank bsb & account details

Proposed New System

Refer to attachment – NTCOSS Map of Concession Scheme – Tiers 1 & 2

Concessions and Income Support

When examining the possibility of the introduction of a debit card for the NTPCCS, it is important to carefully consider the nature of concessions. Firstly, concessions are not a form of income support. Concessions are fundamentally different in nature to Income Support (Social Security) payments.

ACOSS (2014) states that, “social security for people with little or no private income is a fundamental obligation of Government. The social security system sits at the centre of a network of support services that are essential for people who need or provide care, and those seeking paid employment” (ACOSS 2014, p.5).

Income support payments are paid to recipients, on the basis that they meet appropriate eligibility criteria, and provided that they continue to meet certain obligations (e.g. regular reporting of activities, or notifying of changes in details) they will continue receive the income support payments and generally recipients (unless subject to income management) are free to spend their income support as they see fit.

Concessions on the other hand, as described in the introduction above, are provided to eligible households and targeted to specific expenses or bills, and generally tied to State or Territory taxes, which are regressive in nature. Concessions are not paid in cash and at the discretion of the recipient as to what to spend the concession on. Concessions are paid as “reductions, discounts, subsidies, rebates, waivers or exemptions provided by the government on the value of specific goods, services or associated fees payable by an individual, family, household or organisation.

In short, concessions do not constitute discretionary expenditure areas in the way that an income support payment does.

The way that concessions are currently structured in the NT, and in the other states and territories in Australia, represents well-targeted approaches by governments.

In addition, concessions in the NT are provided in a non-discriminatory and non-stigmatising manner – given that in many cases they are being automatically applied or provided, and are provided in the same way to all eligible recipients, regardless of whether recipients have high or low financial literacy and budgeting skills, and regardless of income level.

The structure of the current scheme also reduces the steps and efforts required in paying bills for people who often have stressful and busy lives, or who may be ageing and/or have disability – so the scheme actually reduces stress and eases burdens. The automatic application of these concessions and the resultant benefits would cease with a debit card, which could be particularly complicated or stressful for some members – especially the elderly and some people with disability

NTCOSS therefore supports adjustments to the current structure of the NTPCCS, rather than a radical overhaul. The adjustments recommended in this paper, and the attached ‘Map’ of the proposed Tier 1 and Tier 2 schemes, would strengthen the current scheme to ensure it meets the intent of a concession scheme in a targeted, efficient and fair manner.