



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

COMMUNITY AFFAIRS LEGISLATION COMMITTEE

**Reference: A New Tax System (Family Assistance) Bill 1999 and
related bill**

THURSDAY, 13 MAY 1999

CANBERRA

BY AUTHORITY OF THE SENATE

INTERNET

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to: **<http://search.aph.gov.au>**

SENATE
COMMUNITY AFFAIRS LEGISLATION COMMITTEE

Thursday, 13 May 1999

Members: Senator Knowles (*Chair*), Senator Bartlett (*Deputy Chair*), Senators Denman, Eggleston, Chris Evans and MacGibbon

Substitute members: Senator Schacht for Senator Denman

Participating members: Senators Abetz, Brown, Colston, Crowley, Faulkner, Forshaw, Gibbs, Harradine, Lees, Margetts, Schacht, Stott Despoja and Woodley

Senators in attendance: Senators Abetz, Bartlett, Eggleston, Chris Evans, Knowles and Schacht

Terms of reference for the inquiry:

A New Tax System (Family Assistance) Bill 1999 and related bill

WITNESSES

DOLAN, Mr Alexander, Assistant Secretary, Family and Children Branch, Department of Family and Community Services 1

POPPLER, Mr Jeff, Unit Head, Tax Reform Unit, Department of Family and Community Services 1

RAYMOND, Ms Judith Elizabeth, Assistant Secretary, Child Care Benefits Branch, Department of Family and Community Services 1

TUNE, Mr David John, Executive Director, Department of Family and Community Services 1

Committee met at 6.33 p.m.

DOLAN, Mr Alexander, Assistant Secretary, Family and Children Branch, Department of Family and Community Services

POPPLER, Mr Jeff, Unit Head, Tax Reform Unit, Department of Family and Community Services

RAYMOND, Ms Judith Elizabeth, Assistant Secretary, Child Care Benefits Branch, Department of Family and Community Services

TUNE, Mr David John, Executive Director, Department of Family and Community Services

ACTING CHAIR (Senator Bartlett)—The committee is now taking evidence on a New Tax System (Family Assistance) Bill 1999 and a related bill. I welcome officers from the Department of Family and Community Services. Witnesses are reminded that the evidence given to the committee is protected by parliamentary privilege. I also remind you that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. You will not be required to answer questions on the advice you may have given in the formulation of policy, or to express a personal opinion on matters of policy.

I now invite you to make a short statement which summarises your views concerning the issues in relation to the bills. At the conclusion of your remarks I will invite members of the committee to put questions to you. Initially, can you also tell the committee if there is any change you want to make to the submission you provided.

Senator CHRIS EVANS—Before they do so, Mr Chairman, on behalf of the committee could I apologise for any inconvenience caused by the cancellation of the previous meeting with the department officers. As you might be aware, we had a number of witnesses pull out on us at the last moment, and as the two senators who were determined to be there were Senator Knowles and me, and we are both Western Australians and we had the opportunity of getting on a plane, we thought we could rearrange the meeting. I apologise. Our motives were based to suit our own comfort and our own family assistance. We do appreciate you rearranging the hearing and we are sorry for any inconvenience caused. I just wanted to put that on the record.

ACTING CHAIR—Thank you. Are there any initial comments?

Mr Tune—As you said, the two bills before us today, the family assistance bill and the family assistance consequential bill, are part of a package. There are two further bills that are currently being drafted which we are hoping to introduce shortly. Those two extra bills are largely about the mechanics. The details of the government's announcement in ANTS about the changes to family assistance are incorporated into the two bills that are before us today.

I should also add that, as you would be aware, there were some changes to that announced in the budget on Tuesday evening. I understand those changes have been moved as government amendments in the House of Representatives today, so they are going through the House. They relate to the changes in eligibility for the family tax benefit part A.

ACTING CHAIR—Any other initial comments?

Mr Tune—No.

ACTING CHAIR—I invite questions.

Senator CHRIS EVANS—Could I start with those two issues, which were my starting point. I understand the minister has given an assurance—and correct me if I am wrong on this,

because I do not want to put words in his mouth—that the administration bills will be available prior to the debate in the Senate. But I also know that the government has listed that for the next sitting week. It is a highly optimistic program for them to come up by 25 May. You say there are two bills. Are we likely to have them by that time?

Mr Tune—I would hope so—either that or surely thereafter.

Senator CHRIS EVANS—There are two administration bills. They complete the package, do they?

Mr Tune—Yes. There is an administration bill which is akin to the family assistance bill, I suppose. What it covers are things like claim procedures and appeal procedures, and very much modelled on the way that those provisions are currently drafted in the Social Security Act. So in that sense there is virtually no difference. They are just the mechanics of how it operates. The consequential bill is akin to the consequential bill that we have before us today. Once again, there are a few things that happen in other acts that just need to be cleaned up.

Senator CHRIS EVANS—All right. We can expect to have those prior to the debate in the Senate? I know in the child-care area, which I will come to later, a lot of the questions that I want answers to seem to be in there.

Mr Tune—Whether it is before that debate or thereabouts, I cannot guarantee. The bills are currently being drafted.

Senator CHRIS EVANS—I think the government has been given the message that passage of the bills will be a lot simpler if we have got the admin bills. But that is a matter for them, obviously.

The youth allowance changes in the budget: you say they have been tabled today in the House of Representatives, so I guess we will be able to get hold of them.

Mr Tune—Yes.

Senator CHRIS EVANS—I have not seen those yet. Can you briefly take me through how that works, what has actually happened?

Mr Tune—At the moment the bill is drafted so that children aged over 16 are entitled to the family tax benefit part A if they are either secondary or tertiary students and are ineligible for the youth allowance because of the parental income test that applies to the youth allowance. That applies up to the age of 18, only in respect of tertiary and secondary students.

The amendments announced by the government in the budget extend it in two ways. One, it extends the age to 20, so it is students aged up to 20. In the main, they will be tertiary students, whether 18 or 19. That covers that part. Second, it also includes unemployed kids who are aged 17 to 20 who are parentally income tested off the youth allowance because of their parents' income. They become eligible for the family tax benefit part A at the lower rate, that is, the rate of about \$37.50 per fortnight.

Senator CHRIS EVANS—Is that income tested at all?

Mr Tune—It is income tested at the top end in the same way as the family tax benefit part A is. Under that income test you lose access to that \$37.50 when the joint family income exceeds \$73,000 per annum for one child; two children, you add \$3,000; and another \$3,000 per kid thereafter.

Senator CHRIS EVANS—So the people that have been brought in to the net are treated in exactly the same way as the people younger than them?

Mr Tune—That is correct.

Senator CHRIS EVANS—There is no other differentiation going on? There are no other income test changes?

Mr Tune—No, nothing else. The other element of it is that, if any child aged under 20 on the youth allowance has a rate of youth allowance which is less than the \$37.50 payable under the family tax benefit part A, there will be a top up to take them up to \$37.50. Say the youth allowance entitlement is \$20; then you will get another \$17.50 on top of that.

Senator CHRIS EVANS—So there are effectively three criteria then in a sense? You gave me the other two criteria, but there is also a third, a top up type of thing.

Mr Tune—The third one is just the top up of the component, yes.

Senator CHRIS EVANS—What is the costing on that?

Mr Tune—I think it is \$53 million per annum.

Senator CHRIS EVANS—Have you got that broken down by those three initiatives?

Mr Tune—No, I do not, I am sorry. I can get them.

Senator CHRIS EVANS—Can you take that on notice, because I am trying to work out what each of those measures costs.

Mr Tune—Most of the cost—

Senator CHRIS EVANS—Since the budget there has been some confusion. I have seen anything from \$400 million to \$150 million.

Mr Tune—It is \$53 million; I can guarantee that. Most of the cost is on the student side—not very much on the unemployment side.

Senator CHRIS EVANS—Forgive me for this, but I find this to be a very complex bill. If I have got the question wrong, forgive me. I gather most of it is beneficial measures, but I am trying to understand it. In regard to the relaxed means testing for the minimum rate of family related payments, do I take it that the minimum rate of family tax benefit will be subject to a tapered income test, rather than the sudden death income test that applied previously?

Mr Tune—That is correct.

Senator CHRIS EVANS—Can you take me through how that works?

Mr Tune—I will refer to my documents here. At the moment, the family tax benefit part A is combining a number of other payments. The key one, I suppose, is the family allowance. At the moment the family allowance has a sudden death income test of around \$66,000 per annum, maybe \$68,000.

Senator CHRIS EVANS—Yes, \$66,403, I think.

Mr Tune—That sounds about right.

Mr Dolan—It is \$68,600.

Senator CHRIS EVANS—Plus \$3,300 or so for an extra child.

Mr Tune—That is right, yes. So that is a sudden death income test. That is being increased firstly to that \$73,000, that I referred to earlier, and then it is tapered away at 30 cents in the dollar. So rather than having a sudden death, you lose 30 cents in the dollar thereafter until it tapers away to zero.

Senator CHRIS EVANS—So when does it cut out altogether?

Mr Tune—About \$76,000—thereabouts.

Senator CHRIS EVANS—Right. Is there any differential made for children?

Mr Tune—You have got that \$73,000 plus \$3,000 per child as your free area in effect and then you still taper away at 30. If you have two children, the cut out is going to be higher than if it is for one child.

Senator CHRIS EVANS—So it will be 76?

Mr Tune—It will be 76 for one child. It will be 79 for two, 82 for three, et cetera.

Senator CHRIS EVANS—Then the taper applies in the same way?

Mr Tune—Sorry, no, I was just giving you the cut out point. There is a \$73,000 free area plus \$3,000 per child on the free area after the first, then a taper away at 30 cents in the dollar to get to a cut out point for one child of about \$76,000. For two children, your free area is \$76,000; your cut out point will be about \$79,000, et cetera.

Senator CHRIS EVANS—All right. Is there any asset testing on that payment?

Mr Tune—No. At the moment, there is an assets test on family allowance. That is being abolished as part of the new family tax benefit part A.

Senator CHRIS EVANS—So someone with large assets would be eligible for the part A who would not have previously been eligible for family payments—is that right?

Mr Tune—They would not be eligible for family allowance. They would have been eligible for the family tax initiative, which forms part of the family tax benefit part A.

Senator CHRIS EVANS—But the largest part of that is the old family payments, so in effect people with large assets have been included in a way that they were not previously—is that right?

Mr Tune—That is correct, yes.

Senator CHRIS EVANS—In regard to means testing of more than the minimum rate of family related payments, is it right that the new income free area for the family tax benefit will not increase with the number of children in the family?

Mr Tune—Yes.

Senator CHRIS EVANS—Because previously they got \$620 or so for each child after the first?

Mr Tune—That is correct, yes.

Senator CHRIS EVANS—What is the rationale there?

Mr Tune—The rationale for having that in the system at the moment is unclear. As part of the clean up, there has been a big increase in the free area for one child in care, from \$23,500-odd to \$28,200. That big increase enables you to absorb those 624s. There is basically no rationale for having that bigger free area for that.

Senator CHRIS EVANS—There is this argument about whether it is fair in terms of those with larger families, isn't there?

Mr Tune—That is reflected in the rate, of course. The family tax benefit part A is a per child rate, so the larger the family the larger the benefit. They still take it away from \$28,200 at 30 cents in the dollar, so you will have the assistance going through the income distribution to a much greater extent. You get your assistance for larger families through the rate of assistance as distinct from the income test per se.

Senator CHRIS EVANS—Just on the family assistance office, what is happening there? When is that going to be set up?

Mr Tune—On 1 July 2000. It will become operational from that point.

Senator CHRIS EVANS—How is that going to be staffed? Are you taking sections out of—

Mr Tune—The family assistance office is basically a joint venture between three agencies: Centrelink, the Australian Taxation Office and the Health Insurance Commission—that is, the Medicare offices. Each of those offices will be utilising parts of their infrastructure, and some of their staff will be working, in effect, as family assistance officers. They will also on some occasions work as Medicare officers or Centrelink officers or tax officers, so they will have a dual role, in effect.

Senator CHRIS EVANS—So what are you saying? They will remain in their current locales?

Mr Tune—Yes. The family assistance office will be in each Medicare and ATO office. There are not a large number of ATO offices but certainly there are a large number of Medicare and Centrelink offices. There are extra staff involved as well, I should add, in staffing up and putting in place the family assistance office.

Senator CHRIS EVANS—What is the estimate on that?

Mr Tune—I do not have it with me. Can I take that one on notice?

Senator CHRIS EVANS—Yes, if you would not mind. Will people have to deal with two separate offices then in terms of income support and family related payments?

Mr Tune—No, they will not. If a person is on income support—say, a sole parent claiming parenting payment single, the old sole parent pension—that person would go to the Centrelink office in the normal way and we would deal with him or her for both pension and family payments through the one process. So you still get the one-stop shop process there.

Senator CHRIS EVANS—So you are saying that because you have them in each office, if they are using the one office for one purpose, they can access their family assistance at that office?

Mr Tune—Correct, yes. We will actually ask them to do that. It is much more efficient both in terms of the efficiency for government and for them because they get the benefits of the one-stop shop.

Senator CHRIS EVANS—There is this issue about income testing on the previous tax year, and you have made some change about that. I have read the stuff and I do not understand it. Can you take me through how that works?

Mr Tune—The way the family tax benefit part A is going to be administered will be on the basis of current year's taxable income. It goes back to the rationale for bringing the payments together. If you are going to provide a choice for people as to how they receive their assistance, whether it be through fortnightly payments or reductions in their PAYE tax deductions—or, indeed, a lump sum at the end of the year through their tax return—

Senator CHRIS EVANS—You have to go to the shared income.

Mr Tune—you need a consistent definition so that they get the same entitlement regardless of where they go and how they receive it. On that basis, it was necessary to change the definitions that existed across all the various payments being pulled into the family tax benefit part A. The decision was made that it was more efficient, and easier probably, to go to the

current year's taxable income. We have also changed that in quite a substantial way from the way it is done under the family allowance, which is based on the previous year's taxable income in some cases but in other cases you have to provide an estimate of your current year's taxable income in certain circumstances.

The major difference and the major benefit are that under the family tax benefit part A there will be a reconciliation at the end of the year. Whilst that is done for family allowance at the moment, it is always done in terms of raising an overpayment. So if a person is paid too much, once the reconciliation is done Centrelink would claim an overpayment and get the money back. But if, indeed, they have an underpayment during the course of the year and they would have been owed more once the reconciliation were done, that is not provided to them. Under this new system, we do it equally up and down so it is much fairer for people. So that is part and parcel of moving to the current year's taxable income.

Senator CHRIS EVANS—But won't you run the risk of having significantly more overpayments as more people have to estimate their income?

Mr Tune—Staffing is being provided for the family assistance office to take a pretty proactive approach to helping people estimate their income. It is important to remember that the vast majority of people are in an income range where they are getting the minimum amount, and any change to their income will not affect their entitlement. Say they are on an income of \$50,000 per annum, there might be a \$5,000 pay increase but it will not affect their rate, so there is no problem in that situation. That is the vast majority. You get rid of them out of the system straightaway and you are down to another group where they do have to—

Senator CHRIS EVANS—Where is the cut in the family income that is going to be variable?

Mr Tune—In effect it will be the point at which they lose access to the higher rate of the family tax benefit, part A.

Senator CHRIS EVANS—Which is where?

Mr Tune—That varies according to the number of kids—\$35,000 to \$40,000.

Senator CHRIS EVANS—We are talking about the majority of Australian families, aren't we?

Mr Tune—A fair proportion. But there are a very large number who are in that other income arrangement. All I am saying is that that is one group you put aside.

Senator CHRIS EVANS—You made it sound like we are then only dealing with a minority, but I think we are still dealing with a fairly large group?

Mr Tune—No, sorry; I was not trying to—

Senator CHRIS EVANS—I am not saying you said that. I am not opposing the system necessarily. I just want to understand. We have an awful lot of people estimating their income and quite big potential differences in payments, depending on what their income is and if there are changes—

Mr Tune—The way we are going to handle those is through this proactive approach that I was talking about to try to help people through that. One approach is to enable people to perhaps go into a band so that they can do a band of income; if their income does not vary outside that band, there is no need to notify a change of circumstances and we will sort it out at the end of the year. Also, it would be beneficial for people quite often to actually

overestimate their income slightly so the benefit is going to be to them when they do the reconciliation at the end of the year. There is also—

Senator CHRIS EVANS—Why if they overestimate their income would it be beneficial to them?

Mr Tune—Because when we do the reconciliation their actual income will be a bit lower than they estimated and therefore we will top them up.

Senator CHRIS EVANS—I thought it was the other way around.

Mr Dolan—If you overestimate your income, because of the way the system operates, it means you get a lesser benefit, so at the end of the year you will then be entitled to a higher benefit.

Senator CHRIS EVANS—And they will then get it in their tax return?

Mr Dolan—Exactly.

Mr Tune—That is right. The other option of course is not to take part in the fortnightly system but just wait until the end of the year till your tax return is done and take the lump sum. At the moment, as to how many people will do that, we are not clear.

Senator CHRIS EVANS—It is not really a practical option for the people who really need the money, though, is it?

Mr Tune—Not right at the bottom end, that is probably true. But there is a group there that quite like the lump sum. It enables them to buy a fridge or whatever at the end of the tax year. Some people do that.

Senator CHRIS EVANS—Some people might say that is a forced saving.

Mr Tune—Exactly, and some people choose to do that.

Senator CHRIS EVANS—But then if you are on \$25,000 a year and have got three kids, I suspect you will take the money.

Mr Tune—The essence of this proactive approach is utilising specialist staff and family assistance officers to help them through this process so they are able to make decent estimates. They are informed about the implications of the estimates they are putting in. They are given information about appropriate circumstances and when to vary their estimates and so forth.

Senator CHRIS EVANS—I might sound overly cynical but given the problems we have had with Centrelink and their client base and the potential for this to be quite a complex thing, are we confident we are going to be able to do all this without a hitch? I can see a lot of computer technology involved, a lot of changed—

Mr Tune—There is a fairly major change to the system that is required. We have started work on it. We cannot go too far, obviously, because it is still dependent on legislation.

Senator CHRIS EVANS—You never know what those senators might do to your bill, do you?

Mr Tune—We certainly do not anticipate these things. We are doing a lot of planning at the moment. We thought through about how we would do this. We have made fairly strong provision, we think, for staffing to enable it to happen, so there will not be a shortage of people to be able to do that. We are putting in place fairly major training programs. A number of people working on the project, including Mr Dolan to my right, have been to New Zealand to see how they are doing it over there. So we are trying to learn the lessons from overseas countries.

Senator CHRIS EVANS—Are you saying New Zealand has got a similar system?

Mr Tune—It does, through the tax system mainly, so it is slightly different. They do not give the choice of approach that we are giving. It is not so totally dissimilar that you cannot learn a few lessons from it.

Senator CHRIS EVANS—So if in July 2000 it has all gone wrong, Mr Dolan is the one I have got to see.

Mr Dolan—I think you would probably have to point it at me, Senator.

Senator CHRIS EVANS—Mr Dolan went a very pale colour when I mentioned he was responsible. No doubt we will have this discussion further at estimates. I will not unduly delay you tonight.

I have been asked to ask this question. This is about family allowance. For a child under 13 it is maintained at 16.6 per cent of the combined married rate of pension and the rate for a child aged between 13 and 15 is 21.6 per cent of the combined married rate. Is that right?

Mr Tune—Yes, that is correct.

Senator CHRIS EVANS—Is it the effect of these arrangements that, every time the pension increases so that it stays at 25 per cent of MTAW, the family allowance also increases?

Mr Tune—Yes.

Senator CHRIS EVANS—When is family allowance adjusted to make sure that it is at those set percentages of the pension?

Mr Tune—Family allowance is adjusted currently each January. Under the new system it will be adjusted each July. So it will work on a financial year basis, rather than a calendar year basis.

Senator CHRIS EVANS—So the family allowances will not rise each time in January now; they will rise in July?

Mr Tune—Correct.

Senator CHRIS EVANS—When do the pensions rise?

Mr Tune—Each March and each September.

Senator CHRIS EVANS—So you are not going to be able to adjust them at the same time?

Mr Tune—No. They are not adjusted at the same time now. There is always a lag there.

Senator CHRIS EVANS—So you are going to have a lag as well?

Mr Tune—Yes. It will go up by prices. Take the new system: each July we will look at prices in the previous 12 months and make an adjustment. We will then do a check as to whether that still meets the criteria here, in terms of 16.6 per cent or 21.6 per cent of the combined married rate of pension. For doing that, we will take the pension rate of the previous March as being the benchmark. Under the current system, we would do it in January, based on the previous September benchmark, so there is very little difference in effect.

Senator CHRIS EVANS—Yes, but there is still only going to be the one annual adjustment?

Mr Tune—Yes, still one annual.

Senator CHRIS EVANS—A question about the maintenance income test: is that pretty much the same under this proposal as under the previous system?

Mr Tune—Yes.

Senator CHRIS EVANS—Right. I gather the dollar amounts are slightly different but, effectively, it is the same system. Is that right?

Mr Tune—Yes.

Mr Dolan—Yes, it is the same system essentially.

Senator CHRIS EVANS—So there is no basic change to the maintenance income test at all?

Mr Tune—No.

Senator CHRIS EVANS—I will just ask a couple of child care questions.

CHAIR—Child care?

Senator CHRIS EVANS—It is in the bill.

CHAIR—A slightly different tack.

Senator CHRIS EVANS—Yes. It is part of the bill. I thank the department—we managed to organise a briefing the other day for my staff which I was not able to attend. I want to get on the record the questions about how the government intends child care to be paid in future. I am bit concerned that there is provision in the bill talking about payment quarterly in arrears, but I understand that that is just an acquittal process. Is that right?

Ms Raymond—Essentially, Senator, yes. There is no suggestion at the moment that there will be any change from the current system, which is payments monthly in advance and then a quarterly acquittal. The reference in section 42 in the bill actually refers to an individual's entitlement, and the payment mechanism to services will be addressed in the next round of legislation.

Senator CHRIS EVANS—So are those arrangements which you say continue the current arrangements contained in this bill, or are they contained in the administration bill?

Ms Raymond—They will be contained in the administration bill.

Senator CHRIS EVANS—So effectively—I want to get this on the record—the method of payment will not alter?

Ms Raymond—Will not change.

Mr Tune—Exactly the same, Senator.

Senator CHRIS EVANS—That is, of course, except for this provision that you are allowing an annual payment to the parent. Could you explain how that is to work?

Ms Raymond—As Mr Tune explained, one of the government's decisions was to provide customers with choice for child care. We are providing them with the choice of a fortnightly reduction in their fees, as they get now, or a lump sum, which is what is available through the child-care rebate system now. People can present receipts at any time and claim their child-care rebate when they front up to a Medicare office. We do not want to restrict the choices available to customers under the new benefit, so we are allowing them a lump sum.

If they are actually in the formal child-care sector, we are suggesting that would be a lump sum once a year, the same as they could claim through the tax system if we were allowing it to be claimed through the tax system. We are not. We are suggesting it should only be a lump sum cash payment. But those that are actually using informal care will be able to present receipts, as they do now, and claim the minimum payment.

Senator CHRIS EVANS—But the method of payment to providers and the relationship to the provider do not change?

Ms Raymond—Not for those getting it on a regular basis. For those who choose to get it as a lump sum at the end of the year they will be paying their full fees and then they will claim at the end of the year. So the services will not need to get involved until they produce records of the attendance patterns at the end of the year.

Senator CHRIS EVANS—What is your estimate of the number of people who would access that alternative provision?

Ms Raymond—We do not have terribly much information at the moment. We suspect it would be very much your higher income group. We think it would be a fairly small percentage overall.

Senator CHRIS EVANS—They would be mainly people that are only getting the equivalent of their rebate now?

Ms Raymond—Getting the minimum payment.

Mr Tune—Exactly. Basically, what the lump sum option is doing is catering for the current situation those people have, so we are just translating that across. We would anticipate that anybody who is currently getting child-care assistance would much prefer to get it via a reduction in their fees—

Ms Raymond—In their fees, yes.

Mr Tune—rather than wait. Otherwise they are going to have to fork out the full fee and get it at the end of the year.

Senator CHRIS EVANS—Yes, if they have got a couple of children in care, it is a big fork out to have to wait for.

Mr Tune—That is right. Exactly.

Senator CHRIS EVANS—So you do not think the relationship between the payment system and the providers will alter as a result of this bill at all?

Mr Tune—If anything, there is an advantage for them, in that for some people who are currently getting child-care assistance and the child-care rebate, this system will enable the child-care rebate component of the child-care benefit to actually go straight to the provider. So there is a benefit in a sense to the provider's cash flow and also to the cash flow of the user because they can get that up front through a reduction in fee rather than on a reimbursement basis after they have paid the fee.

Senator CHRIS EVANS—So the rebate gets rolled into that payment in a way that it was not before?

Ms Raymond—That is right.

Mr Tune—So it is advantageous overall, I think.

Ms Raymond—One of the other positive aspects, we think, is that in many cases there was perhaps a lack of knowledge about rebate entitlement and people were not claiming in this way because it was part of the same benefit. Those people who perhaps were missing out before will get the benefit of it.

Senator CHRIS EVANS—Do you have any figures on what you thought was not claimed in rebate?

Ms Raymond—No, we do not. But we suspect—

Senator CHRIS EVANS—We are going to have to beef up your child-care research department, aren't we?

Ms Raymond—Yes.

Mr Tune—It is working full-time at the moment, Senator.

Senator CHRIS EVANS—On informal care arrangements, you effectively just make provision that the equivalent of the rebate is available to informal care. Can you assure me that no-one who is eligible for the rebate previously will now be ineligible?

Ms Raymond—I do not think they will be ineligible. We are providing only one rate, whereas before there were two rates of the rebate: there was 30 per cent and 20 per cent. We are now providing just one minimum payment. That minimum payment will be—

Senator CHRIS EVANS—Is that a percentage or a dollar rate now?

Ms Raymond—It is a dollar rate. It is set at \$20.10, which is equivalent to the 20 per cent rebate level basically, as at 1 July.

Senator CHRIS EVANS—So the old 30 per cent rate has gone?

Ms Raymond—Yes. The other change there is that, for informal care, the amount of assistance will also be dependent on the hours of care they pay for, whereas now it is based on out-of-pocket expenses.

Senator CHRIS EVANS—So will any services currently eligible for the child-care assistance or rebate lose eligibility for the new child-care benefit?

Ms Raymond—No. The transitional arrangements that we are going to put in place will be deeming that all services that are eligible now will continue eligibility.

Senator CHRIS EVANS—So, if there are any concerns about that, it is not the intention to exclude anyone?

Ms Raymond—No.

Senator CHRIS EVANS—Okay. Is there any intention to target the new benefit more closely to work related care?

Ms Raymond—No, there is no change there. It is still 50 hours.

Senator CHRIS EVANS—Can you explain to me this 10 per cent loading for part-time care? Can you explain the rationale for that and what you expect to happen in terms of behaviour?

Ms Raymond—The 10 per cent loading has been put in place because the families using part-time care in centres are generally charged a higher per hourly rate because they have to pay per session rather than per hour. In recognition of that, of the higher actual fees charged, we are introducing a 10 per cent loading to help them with the child-care benefit.

Senator CHRIS EVANS—Do you think there will be any behavioural changes, or is that just a recognition of the costing structure?

Ms Raymond—It is basically recognition of cost.

Senator CHRIS EVANS—On the question of session of care and of hours booked versus hours used, is there anything in this legislation that impacts on that?

Ms Raymond—No.

Senator CHRIS EVANS—The department is still working away on that one, are they?

Ms Raymond—I understand it was given to the Child Care Advisory Council to look at.

Senator CHRIS EVANS—That was that report?

Ms Raymond—No. The Child Care Advisory Council that was appointed by the former minister last year has been looking at the difference between hours paid for and hours used. So they are looking at the charging and funding practices of child care.

Senator CHRIS EVANS—There is nothing in this legislation that impacts on that?

Ms Raymond—No. There is nothing in this legislation.

Senator CHRIS EVANS—I gather the minister's press release claims it addresses this anomaly about one child in outside school hours and another in long day care. Can you explain that to me? I have not got my head around that.

Ms Raymond—Currently, the arrangements are that you can only get the higher level of assistance for multiple child families if you are using the same type of care. So that, if you have a child in either long day care, be it a centre or family day care, you can get a higher rate of assistance if you have two or more children in that form of care.

If you have a child in outside school hours care and one in long day care, it is a one-child family for both forms of care. So removing that distinction we are allowing families that have two or more children in different types of care to get that higher per child amount.

Senator CHRIS EVANS—So does outside school hours care include vacation care?

Ms Raymond—Yes.

Senator CHRIS EVANS—You use that as a more general definition, do you?

Ms Raymond—Yes.

CHAIR—I thank the officers for coming along this evening.

Committee adjourned at 7.06 p.m.