

House of Representatives Standing Committee on Family and Community Affairs	
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**Committee Secretary
Standing Committee on Family and Community Affairs
Child Custody Arrangements Inquiry
Department of the House of Representatives
Parliament House
CANBERRA ACT 2600**

Unfortunately, I have only just been informed of this Inquiry but would like to make the following submission.

My submission is in relation to the Committee's second term of reference in relation to the Child Support Formula.

I respectfully submit that the formula is less than fair because its underlying principles and assumptions are flawed and this results in the non-custodial parent having to pay more, in many cases, than would be considered reasonable.

Discrepancies in Child Support Formula

The Child Support Scheme attempts to ensure that parents, particularly non-custodial parents, pay a reasonable amount towards the maintenance of their children. It attempts to do this through the formula. However, a cursory examination of the formula discloses the following discrepancies:

- The figure used for child support calculations is taxable income. However, most people only receive what is actually left after tax. Surely, it is illogical to require people to pay child support on money they don't actually get.
- Following on from the above, the amount of money non-custodial parents are required to pay is 18% of their taxable income for one child. However, in many cases it works out at 25% of the money they actually receive in hand. Many never spent that much on the child while married and it is hard to see how the needs of the child have increased so much since separation.
- Currently, the payers exempt income is \$12,315 but the payees is \$36,213. It is difficult to explain how one parent's needs can be three times that of the other - particularly given that the custodial parent has received more money out of property settlement, and money is being made separately in respect of the children.
- It seems unreasonable that one party is made to pay at least \$260 a year no matter what and is further required to pay more for every dollar they earn over \$12,315.

However, the other party is not affected until they earn nearly three times as much.

- If a payer earns more than \$75,000 they are required to pay \$11,387 for one child. This is nearly more than the individual would get if they were unemployed. It is hard to envisage how a one year old child would cost more to keep than an adult.
- The formula does not take into account that the non-custodial parent also has costs associated with access. For example, if the non-custodial parent wishes to have reasonable access, they also need suitable accommodation, transport, etc.
- The formula does not give sufficient weight to the fact that custodial parents should also be making a real and valuable financial contribution to supporting their children. (Some custodial parents seem to think that dad has to meet all the financial commitments.)
- The formula does not take into account that, even if we accept that children are expensive, that custodial parents receive money and other assistance from the government. This is money they do not have to find. Non-custodial parents are not similarly financially advantaged.

Cost of Keeping children

The costs associated with keeping children are often cited as the reason child support is so expensive. There are two main studies on cost associated with children. The Lee "Expenditure Survey" approach is the one most often cited. However, the figures seem rather high. For example, it alleges that the average family spent \$51.70 per week on transport of a baby less than 1 year old. Likewise, they spent \$35.87 on recreation, \$28.29 on housing and utilities and so on.

The only explanation I can find is that these costs seem to be based on the assumption that costs are spent or shared equally amongst all members of the family. For example, if there is a mother and child, and it costs say \$110 a week to run a car, then the cost should be divided roughly in half - ie. \$55 each.

I would suggest that this ignores the fact that the custodial parent would probably have a car anyway and should really be remunerated only for the additional costs associated with the child. Also, as mentioned above, non-custodial parents need cars too and use them for access purposes.

Surely, once education ceases, child support should also cease. This is particularly so if the child is over 15 and therefore eligible for employment. Is it not reasonable to expect non-custodial parents to financially contribute further unless there is some good medical or other reason.

Summary

My experience is that the current system is good at getting money off some parents who have jobs and giving it to others.

However, people are not treated equally and it does not do this fairly because of the current formula and rules.

I am more than happy to be contacted for further comment or clarification if needed.

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4 August 2003