



## Social Security and Veterans' Affairs Legislation Amendment (Enhanced Allowances) Bill 2008

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## Social Security and Veterans' Affairs Legislation Amendment (Enhanced Allowances) Bill 2008

**Date introduced:** 14 February 2008

**House:** House of Representatives

**Portfolio:** Families, Housing, Community Services and Indigenous Affairs

**Commencement:** On Royal Assent, with the Schedules commencing on the earlier date of either 20 March 2008 or Royal Assent.

**Links:** The [relevant links](#) to the Bill, Explanatory Memorandum and second reading speech can be accessed via BillsNet, which is at <http://www.aph.gov.au/bills/>. When Bills have been passed they can be found at ComLaw, which is at <http://www.comlaw.gov.au/>.

### Purpose

The Bill extends eligibility for, changes the timing of, and increases the rates of, payment of Utilities Allowance. It increases the rates of, and changes the timing of, payments of Seniors Concession Allowance. It also introduces a higher rate of Telephone Allowance for certain recipients with an internet connection.

### Background

#### Basis of policy commitment

The measures in this bill were first proposed during the 2007 election campaign. Those concerning the Utilities Allowance and the Seniors Concession Allowance were first proposed by the Coalition on 23 October 2007 and later adopted by the ALP and extended to veterans. The Telephone Allowance measure was also added by the ALP.<sup>1</sup>

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1. The Coalition policy document was called 'More Support for Pensioners, Self-funded Retirees, People with Disabilities and Their Carers', 23 October 2007. Full text at: [http://parlinfoweb.aph.gov.au/piweb/TranslateWIPILink.aspx?Folder=PARTYPOL&Criteria=CITATION\\_ID:8ASO6%3B](http://parlinfoweb.aph.gov.au/piweb/TranslateWIPILink.aspx?Folder=PARTYPOL&Criteria=CITATION_ID:8ASO6%3B) the ALP policy was announced in 'Making Ends Meet - Federal Labor's Plan For Older Australians, People With Disabilities And Carers', 1 November 2007. Full text at: <http://www.alp.org.au/media/1107/msagediscfcsloo010.php>, accessed on 20 February 2008.

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## Utilities Allowance

This payment originated from a commitment made by the Coalition in the 2004 election campaign. It was first paid in December 2004.<sup>2</sup> At that time Utilities Allowance was \$100 for a single person and \$50 for each member of a couple, and was paid annually to age pensioners and age service pensioners. The allowance was paid in two instalments in March and September of each year and was indexed to the CPI. It was intended to help pensioners with the cost of utilities such as electricity and gas.

In June 2006 an additional one-off payment of Utilities Allowance of \$102.80 for a single person or \$51.40 for a partnered person, was paid to people of age pension age in receipt of income support and recipients of Mature Age Allowance, Widow Allowance and Partner Allowance.

From July 2006 Eligibility for Utilities Allowance was extended to recipients of Mature Age Allowance, Widow Allowance and Partner Allowance.<sup>3</sup> These people were all over 50 years of age with little recent work force attachment. The payments they are receiving are either closed to new applicants or are being phased out.

Again in June 2007 an additional one-off payment was made to recipients of Utilities Allowance. This time the rate was \$500 for each person who qualified.

## Utilities Allowance Changes in this Bill

This Bill will:

- increase the annual rate of the allowance to \$500 for a single person and \$250 for each member of a couple,
- extend eligibility to people under age pension age who are recipients of Disability Support Pension, Carer payment, Wife Pension, Widow B Pension, Bereavement Allowance, Service Pension and Income Support Supplement, and
- provide for quarterly payments rather than biannual payments.

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2. See the Bills Digest for the original Bill: Peter Yeend, 'Family and Community Services and Veterans' Affairs Legislation Amendment (2004 Election Commitments) Bill 2004', *Bills Digest*, no. 66, Parliamentary Library, Canberra, 2004–05, <http://www.aph.gov.au/Library/pubs/bd/2004-05/05bd066.htm> accessed on 20 February 2008.

3. See the Bills Digest for the original Bill: Peter Yeend, 'Bills Digest no. 151 2005–06 Families, Community Services and Indigenous Affairs and Other Legislation (2006 Budget and Other Measures) Bill 2006', *Bills Digest*, no. 151, Parliamentary Library, Canberra, 2005–06, <http://www.aph.gov.au/Library/pubs/bd/2005-06/06bd151.htm> accessed on 20 February 2008.

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The rationale for the changes is set out in Minister Macklin's second reading speech:

This government understands the cost of living pressures faced by many in our community. Increases in the cost of living and staple items like food and housing mean those on fixed incomes and those caring for the most vulnerable in our society need our support. That is why the government is acting to help with these pressures.<sup>4</sup>

The reference to fixed incomes perhaps gives a clue as to why other income support recipients such as sole parents and the unemployed have not been included in the eligibility expansion. The groups targeted are those with the lowest rates of part-time employment.

### Seniors Concession Allowance

The Seniors Concession Allowance originated from an election promise made by the Coalition during the 2004 election campaign<sup>5</sup>. From December 2004 it was payable to self-funded retirees who were holders of the Commonwealth Seniors Health Card (CSHC) to compensate for them being ineligible for the same range of State and Territory concessions as social security pensioners. The allowance was paid in two instalments in December and June of each year.

In June 2006 an additional one-off payment of \$102.80 was paid to those eligible for the Seniors Concession Allowance.

In June 2007 a further one off payment of \$500 was paid to those eligible for the Seniors Concession Allowance.

This Bill will increase the annual rate of the allowance from \$218 to \$500 and provide for it to be paid in quarterly instalments rather than biannually.

The Seniors Concession Allowance is paid to self-funded retirees who are ineligible for the age pension because of the level of their income or their assets. Eligibility ceases when their incomes exceed \$50 000 per annum if single and \$80 000 per annum if a couple. Given this income profile, the introduction of the allowance and this increase in the rate raise issues of the appropriate targeting of assistance to retirees. The age pension is squarely aimed at poverty alleviation, but falls short in that regard for those pensioners

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4. The Hon Jenny Macklin, Minister for Families, Housing, Community Services and Indigenous Affairs 'Second reading speech: Social Security and Veterans' Affairs Legislation Amendment (Enhanced Allowances) Bill 2008', House of Representatives, *Debates*, 14 February 2008, p. 19.

[http://parlinfoweb.aph.gov.au/piweb/TranslateWIPILink.aspx?Folder=HANSARDR&Criteria=DOC\\_DATE:2008-02-14%3BSEQ\\_NUM:14%3B](http://parlinfoweb.aph.gov.au/piweb/TranslateWIPILink.aspx?Folder=HANSARDR&Criteria=DOC_DATE:2008-02-14%3BSEQ_NUM:14%3B), accessed on 20 February, 2008:

5. See the Bills Digest for the original Bill, Peter Yeend, 'Family and Community Services and Veterans' Affairs Legislation Amendment (2004 Election Commitments) Bill 2004', op. cit.

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without homes of their own and without much private income. The equity of offering payments like the Seniors Concession Allowance to a comparatively well off group while not addressing the need of the poorest pensioners more adequately can be questioned.<sup>6</sup>

### Telephone Allowance

Assistance for pensioners with the costs of telephones was introduced in 1964 to help often frail aged people afford a vital means of staying in touch with family and friends and seeking assistance in time of emergency.

From July 1992 Telephone Allowance was introduced to replace the telephone voucher scheme<sup>7</sup>. Quarterly payments totalling \$51.80 per annum were paid to pensioners who qualified for fringe benefits and were telephone subscribers. The allowance is indexed annually to movements in the CPI. It is paid quarterly.

This Bill will introduce a higher annual rate of payment of \$132 (rather than the usual rate which is currently \$88) for recipients who have an internet connection at home. This rate will not be available for all Telephone Allowance recipients who are under age pension age. Only recipients of Disability Support Pension, Carer Payment and veterans in that age group will qualify. The rationale for this position is given in Minister Macklin's second reading speech:

The government understands that, in today's Australia, the internet is a critical means for families to stay in touch with their loved ones. Some Australians on income support pensions and payments can be at risk of becoming isolated from the community, and that is why we are helping them stay in touch with friends, children and grandchildren around the country and the world via the internet. Affordable home access to the internet has the potential to connect them with a new world of communication, information and entertainment.<sup>8</sup>

The higher internet rate is therefore targeted at those with the highest potential for social isolation: those with disabilities and carers. Other Telephone Allowance groups such as sole parents receiving parenting payment or Newstart Allowance would be excluded by this rationale. However it is less clear why people with a partial capacity to work because of a disability who receive Newstart or Youth Allowance are excluded. They are in many

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6. For a discussion of this issue see J. Temple, 'The Seniors Concession and Utility Allowance: Equity Implications', *People and Place*, vol. 13, no. 1, 2005, p.23-30. Full text at: [http://parlinfoweb.aph.gov.au/piweb/TranslateWIPILink.aspx?Folder=JRNART&Criteria=CITATION\\_ID:BNVF6%3B](http://parlinfoweb.aph.gov.au/piweb/TranslateWIPILink.aspx?Folder=JRNART&Criteria=CITATION_ID:BNVF6%3B)
  7. The Bills Digest for the 1992 bill is available: Bills Digest Service, 'Social Security Legislation Amendment Bill 1992', Department of the Parliamentary Library, Canberra, 1992. [http://parlinfoweb.aph.gov.au/piweb/TranslateWIPILink.aspx?Folder=BILLSDBGS&Criteria=CITATION\\_ID:I2S00%3B](http://parlinfoweb.aph.gov.au/piweb/TranslateWIPILink.aspx?Folder=BILLSDBGS&Criteria=CITATION_ID:I2S00%3B) accessed on 20 February 2008.
  8. The Hon Jenny Macklin, op. cit.

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cases no less disabled than many recipients of Disability Support Pension. This is due to the fact that most Disability Support Pensioners were assessed under the pre 2006 legislation and are saved from the effects of the Welfare to Work reforms of 2006.

## Financial implications

The changes to Utilities Allowance will cost \$3.746 billion over the four years from 2007-08. Those to Seniors Concession Allowance and Telephone Allowance will cost \$222 million and \$126 million over the same period respectively.

## Main provisions

### Schedule 1

**Item 1** amends the *Social Security Act 1991* to extend eligibility for Utilities Allowance to recipients of Disability Support Pension, Carer Payment, Wife Pension, Widow B Pension and Bereavement Allowance.

**Items 3 and 6** amend the *Social Security Act 1991* to provide for quarterly payments.

**Item 4** amends the *Social Security Act 1991* to increase the annual rate of Utilities Allowance to \$500.

**Items 7 and 13** amend the *Veterans' Entitlements Act 1986* to provide for quarterly payments.

**Items 8 to 10** amend the *Veterans' Entitlements Act 1986* to extend eligibility to all Service Pensioners and Income Support Supplement recipients regardless of age.

**Item 12** amends the *Veterans' Entitlements Act 1986* to increase the annual rate of Utilities Allowance to \$500.

### Schedule 2

**Item 2 and 7** amend the *Social Security Act 1991* to provide for quarterly payments of Seniors Concession Allowance.

**Item 3** amends the *Social Security Act 1991* to increase the annual rate of Seniors Concession Allowance to \$500.

**Items 10 and 15** amend the *Veterans' Entitlements Act 1986* to provide for quarterly payments.

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**Item 14** amends the *Veterans' Entitlements Act 1986* to increase the annual rate of Seniors Concession Allowance to \$500.

### Schedule 3

**Item 4** replaces **old section 223** with a new section and adds **new section 223A** to the *Military Rehabilitation and Compensation Act 2004*. They provide for the increased rate of Telephone Allowance for certain people with home internet connections.

**Item 23** adds **new sections 1061SA and 1061SB** to the *Social Security Act 1991*. They provide for the increased rate of Telephone Allowance for certain people with home internet connections.

**Item 34** adds **new sections 118SA and 118SB** to the *Veterans' Entitlements Act 1986*. They provide for the increased rate of Telephone Allowance for certain people with home internet connections.

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