

CHAPTER FIVE

TYPES OF REPATRIATION BENEFITS

5

INTRODUCTION

5.1 This chapter gives an overview of the major benefits available under the repatriation system and the eligibility requirements for those benefits. It is not intended to be a comprehensive description of the system. For the sake of simplicity, the eligibility rules are described in broad terms in this chapter and further detail is provided in individual chapters that address specific benefits.

VETERANS' ENTITLEMENTS ACT 1986

5.2 The *Veterans' Entitlements Act 1986* (VEA) provides four major types of benefits:

- compensation by way of a disability pension to veterans, certain members of the Defence Force and members of peacekeeping forces, and war and defence widow/er's pensions and orphan's pensions for their dependants (Parts II and IV);
- income support payments by way of service pensions for veterans with qualifying service and their partners, and income support supplements for war or defence widows (Parts III and IIIa);
- health care for veterans and their dependants (Part V); and
- allowances and other benefits for veterans and dependants (Parts VI, VII and VIIAA).

SERVICE ELIGIBILITY

5.3 The criteria for the different types of benefits are complex. There are many terms in the VEA that have specific meanings and the terminology can be confusing to the non-expert. However, the different categorisation of service of

veterans is crucial to the issues before this Review and, thus, must be understood. The next few paragraphs give a broad description of the service eligibility rules.

5.4 The primary eligibility under the VEA is for veterans who, as such, have access to compensation, income support and health care, subject to certain requirements. A veteran is normally a former member of the Australian armed services who served in wars or conflicts, or in warlike and non-warlike operations declared by the Minister for Defence. Members of the Australian armed services or police forces who served in peacekeeping forces also have coverage. In addition, in certain circumstances, Australian merchant mariners and certain civilians have primary eligibility. For ease of reference, unless stated otherwise in this chapter, all these groups are included in the term 'veteran'. The VEA also provides compensation coverage for peacetime service in the Australian armed services on and after 7 December 1972 to before 7 April 1994.

5.5 Part II of the Act covers service during World Wars I and II, post-World War II service in defined operational areas (such as Korea, Malaya, South Vietnam or the Persian Gulf) and, more recently, service on warlike operations in areas such as East Timor and Afghanistan. It also covers service in the British Commonwealth Occupation Force (BCOF) in Japan by members of the Australian armed services and service determined by the Minister for Defence to be non-warlike service, such as peace monitoring in Bougainville. To be eligible as a veteran under Part II for service overseas post-BCOF, the person must have been allotted for operational duty or assigned for service in a defined operational area and have actually served in the area. Allotment or assignment is an administrative process by the Department of Defence on the basis of a risk assessment and the task to be performed.

5.6 Part IV of the VEA covers service on designated peacekeeping duties (such as in Cambodia), normal peacetime Defence Force service between 1972 and 1994, and service after 7 December 1972 that is declared by the Minister for Defence to be 'hazardous service'.

5.7 Veterans fall into two further subgroups: those with operational service and those without. For World War II service, operational service is defined in the legislation. It includes service outside Australia and certain service in Australia in particular places and between particular times. Veterans of the BCOF, the Korean War, the Malayan Emergency and Indonesian Confrontation, the Vietnam War and the Gulf War have operational service.

5.8 Service declared by the Minister for Defence as warlike or non-warlike service is also operational service. Service in peacekeeping forces is treated in the same way as operational service, as is certain peacetime defence service

between 1972 and 1994 that has been declared by the Minister for Defence as 'hazardous service'.

5.9 Operational service does not affect the range and level of compensation benefits, but does affect the standard of proof applied in determining claims for acceptance of disabilities and claims for war widow/er's pensions. Veterans with operational service have their compensation claims and those of their dependants considered under what is often referred to as the 'generous' standard of proof, a reverse criminal standard, for deciding if the veteran's disability or death is war or defence caused. Once a reasonable hypothesis is raised from the evidence, linking the veteran's disability or death to his service, the claim must be accepted unless the decision maker is satisfied beyond reasonable doubt that there is insufficient ground for accepting the claim. This is the reverse of the 'beyond reasonable doubt' test that applies in criminal court cases.

5.10 Where a veteran does not have operational service, the claim is considered using a civil standard of proof: that is, the decision maker decides the claim to his or her reasonable satisfaction.

5.11 Qualifying service is another important classification of service, and is relevant to the eligibility of veterans to claim the service pension under Part III and the Repatriation Health Card – For All Conditions (Gold Card) under Part V. Qualifying service is close in concept to operational service, but the two terms are separately defined and have different purposes. Qualifying service is regarded as the highest type of service under the Act.

5.12 Qualifying service for veterans of the Australian armed services is defined differently for World Wars I and II compared to subsequent eligible war service. For World Wars I and II, qualifying service is service in operations against the enemy that involved incurring danger from hostile forces of the enemy. Most, but not all, overseas World War II service and service in certain parts of Australia at certain times in World War II has been regarded as qualifying service. Thus, not all World War II veterans have qualifying service. All veterans allotted for operational duty and who served in an operational area of the Korean, Vietnam and Gulf wars, the Malayan Emergency and the Indonesian Confrontation have qualifying service. Warlike service is qualifying service; however, non-warlike service, including peacekeeping and hazardous service, is not. Similarly, normal peacetime defence service is not qualifying service.

5.13 Service pension eligibility has also been extended to British, Commonwealth and allied (BCAL) veterans and mariners with qualifying service who served in wars or conflicts in which Australian forces were involved. The qualifying service requirement for BCAL veterans and mariners is

similar to the requirement for Australian veterans of World War II. However, there are other conditions that have to be met, which are described below.

5.14 BCAL veterans do not qualify for compensation payments unless they were domiciled in Australia immediately before enlistment, and BCAL mariners only qualify if they or their dependants were residents in Australia before they took on their employment as mariners.

5.15 As mentioned above, the VEA provides compensation for disability or death related to peacetime service in the Australian armed services between 7 December 1972 and 7 April 1994. However, coverage for this service has also been provided under the Commonwealth employees' compensation legislation – the *Safety, Rehabilitation and Compensation Act 1988* (SRCA). This dual eligibility provides for benefits paid under one system to be offset against those paid under the other. More detail on dual eligibility is given below (see paragraphs 5.50–5.54). Veterans who receive compensation from other sources for disabilities for which they also receive the disability pension may have their disability pension limited.

COMPENSATORY PAYMENTS

5.16 There are two main types of compensatory payment: the disability pension; and the war/defence widow/er's pension.

Disability Pensions

5.17 Disability pensions are paid to veterans and Australian mariners for incapacity from injuries or diseases (disabilities) that are accepted as war or defence caused. The incapacity is often described as either service-related incapacity or incapacity from accepted disabilities. Disability pensions were formerly called 'war pensions' and this term is still used occasionally by veterans.

5.18 The disability pension is non-taxable and non means tested. It is payable for life, unless there ceases to be any incapacity from the disability or if the pension is obtained by fraud or misrepresentation.

5.19 There are multiple rates for the disability pension, which is paid in accordance with the degree and nature of incapacity.

General Rate

5.20 The general rate is payable in increments of 10 per cent, up to 100 per cent. The level of general rate payment relates to the level of service-related

incapacity, so the greater the incapacity, the greater the disability pension. The current 100 per cent general rate disability pension is \$281.50 per fortnight.

5.21 The level of general rate payable is determined on the basis of a combination of the level of medical impairment (i.e. loss of bodily function) and the impact of the disabilities on the veteran's lifestyle (called lifestyle effects). The assessment of incapacity for general rate pension level is made in accordance with the Guide to the Assessment of Rates of Veterans' Pensions (GARP), which is produced by the Repatriation Commission and tabled by the responsible ministers in both the Senate and the House of Representatives. Medical impairment is measured in points from one to 100. The lifestyle effects measured are mobility, personal relationships, social and recreational life, domestic life and employment. Lifestyle ratings are measured in points from one to seven. GARP has only minor regard to the veteran's employability.

5.22 Determination of a pension follows automatically whenever a disability is accepted as war or defence caused. A veteran can also request an increase in an existing rate of disability pension for the worsening of service-related incapacity.

5.23 The 100 per cent general rate does not mean total incapacity. A veteran in receipt of this rate may still be able to work full-time, although some veterans receiving the general rate may be prevented from working as a result of factors other than service-related incapacity.

Special Rate

5.24 For veterans whose employability is affected by their war or defence caused disabilities alone, there are two higher rates of disability pension. In very broad terms, the special rate is the rate paid to veterans assessed as unable to work more than eight hours a week as a result of their service-related incapacity alone. Where such inability is permanent, the rate paid is known as the totally and permanently incapacitated (TPI) rate. It can also be paid if the impact is temporary, in which case the rate is called the temporarily totally incapacitated (TTI) rate. The special rate is also paid to veterans assessed as totally blinded as a result of service.

5.25 In summary, the special rate is paid if a veteran is:

- totally and permanently incapacitated;
- totally and temporarily incapacitated; or
- totally blinded in both eyes as a result of service.

5.26 To be granted the TPI pension, a veteran under 65 years of age must:

- be eligible for at least a 70 per cent general rate pension (or suffer tuberculosis and be entitled to a disability pension at 100 per cent of the general rate);
- have incapacity from accepted disabilities that, of themselves alone (i.e. the sole cause), prevent the undertaking of any paid employment totalling more than eight hours a week; and
- be, by reason of incapacity from accepted disabilities alone, prevented from continuing to undertake remunerative work that the veteran was undertaking and, as a result, suffer a loss of salary, wages or earnings.⁸

5.27 If a veteran is aged under 65 years, the third requirement may be satisfied if he had been genuinely seeking to engage in remunerative work but incapacity from accepted disabilities is the substantial reason for his inability to obtain such work.

5.28 Veterans aged over 65 years can claim the special rate pension, but in addition to meeting the criterion in paragraph 5.26, they must also demonstrate that they were still working after age 65 years and had been engaged in their last paid employment, which commenced before the age of 65, for at least 10 years. Accepted disabilities must be the only reason for ceasing paid work.

5.29 The pension, once granted, is generally payable for life, unless the veteran commences work for more than eight hours a week or has obtained the pension by fraud or misrepresentation.

5.30 The special rate is currently \$742.40 per fortnight.

Intermediate Rate

5.31 An intermediate rate pension is set at halfway between the special rate and the 100 per cent general rate. The criteria for the intermediate rate are the same as for the TPI rate, except that the veteran's incapacity from accepted disabilities alone must prevent him from undertaking remunerative employment for more than 20 hours a week. The intermediate rate is currently \$512.40 per fortnight.

Extreme Disablement Adjustment

5.32 An extreme disablement adjustment (EDA) is paid at 50 per cent of the general rate to a veteran aged over 65 years who is severely disabled and is already entitled to a disability pension at the 100 per cent general rate, but only

⁸ See also *Veterans' Entitlements Act 1986*, s.28 for a definition of what constitutes capacity to undertake remunerative work.

where the veteran is ineligible for either the special or intermediate rate. The EDA is paid in addition to the 100 per cent general rate. As the name suggests, the degree of incapacity must be extreme. The veteran must first be assessed at 100 per cent of the general rate and have medical impairment of at least 70 points and a lifestyle rating of six or seven.⁹

5.33 An EDA veteran currently receives \$422.25 per fortnight.

Section 27 Amounts

5.34 Section 27 of the VEA also provides that amounts of disability pension may be paid on top of the 100 per cent general rate in respect of specific service-related disabilities, such as blindness and loss of limbs. The first six items in the s.27 schedule provide for payment supplementation up to the special rate for substantial loss of limbs. The maximum specific disability amount payable is \$460.90 per fortnight.¹⁰ When specific disability amounts are added to disability pension, the total payable is not more than the special rate.

War Widow's Pension

5.35 A war widow's pension is paid where the veteran's death is accepted as war or defence caused or in certain other cases (e.g. where the veteran had been receiving the special rate or EDA, or had been a prisoner of war). An orphan's pension is paid to a dependent child in similar circumstances.

5.36 The war widow's and orphan's pensions are non-taxable and non means tested. The former is payable for life, whereas the latter ceases upon the child attaining the age of 16, or ending full-time education undertaken up to the age of 25. The rate of war widow's pension is \$25 per fortnight above the maximum single rate of age or service pension. The \$25 component was once called 'domestic allowance'; it is now part of the pension, but is not indexed. The rate of war widow's pension, including the non-indexed element, is \$438.10 per fortnight. The indexed element must be at least 25 per cent of Male Total Average Weekly Earnings (MTAWE), that is, it is increased by the Consumer Price Index (CPI) or to up to the level of 25 per cent of MTAWE, whichever gives the greater result. On top of this pension, the war widow also gets a supplement of \$16.30 per fortnight for the Goods and Services Tax (GST). The supplement is indexed by the CPI.

⁹ VEA s.22.

¹⁰ Six types of specific disability are covered by s.27: two arms amputated; two legs and one arm amputated; two legs amputated above the knee; two legs amputated and blinded in one eye; one arm and one leg amputated and blinded in one eye; and one leg and one arm amputated.

INCOME SUPPORT PAYMENTS

5.37 Income support payments take the form of either a service pension, paid to veterans with qualifying service and their partners, or an income support supplement, paid to certain war widows as a supplement to their compensatory pension.

Service Pensions

5.38 The service pension is subject to the same income and assets tests applied to age and disability support pensions payable under the *Social Security Act 1991* (SSA), except that service pensions paid to blinded veterans are not means tested. The SSA has similar provisions for blinded people. The service pension is paid under the VEA to veterans on the grounds of age, permanent incapacity for work or total blindness. On the grounds of age, the service pension is payable to veterans five years earlier than its SSA equivalent (at 60 years for males and at 57 years for females).¹¹

5.39 The rate of service pension depends on a number of factors, including marital status, the number of dependants, home ownership or rental situation, and the level of income and assets. The maximum rates of service pension (excluding rent assistance) are \$413.10 per fortnight for a single person and \$345.00 per fortnight for each of a couple. Service pensioners also receive a GST supplement of \$16.30 per fortnight (single) or \$13.40 per fortnight (each of a couple). The single rate of service pension is indexed in the same way as the indexed part of the war widow's pension (i.e. by CPI, but it must be at least 25 per cent of MTAW). The married rate of service pension for each member of a couple is fixed at 83.5 per cent of the single rate.

5.40 The service pension for veterans on the grounds of age is subject to taxation, although pensioners with no other income apart from a pension would have income below the tax threshold, taking into account tax offsets. A service pension provided on the grounds of permanent incapacity for work (including blindness) is non-taxable up to pension age of 65 for male veterans and (currently) 62 for female veterans. For partners of veterans receiving a service pension on the grounds of age, the partner service pension is taxable at any age. For partners of veterans receiving a service pension for permanent incapacity for work, the partner service pension is taxable when either the veteran or the partner reaches age pension age (whichever occurs first).

5.41 A person must be an Australian resident and residing in Australia when he or she applies for a service pension.

¹¹ The age limit for females is increasing as a result of age equalisation legislation. Parity between males and females will be achieved on 1 July 2013.

5.42 To be eligible for a service pension, BCAL veterans must have served in a war or conflict in which Australia was involved, have not served at any time in forces that were the enemy of Australia and must have been resident in Australia for a continuous period of at least 10 years. Service by Commonwealth veterans must generally be outside their county of enlistment.

5.43 Disability pensioners with qualifying service may also receive a service pension, but those without qualifying service must apply for income support under the SSA. The disability pension is exempt from the income test applied to the service pension, but under the SSA the disability pension is regarded as income in determining pensions and allowances and income support payments are reduced accordingly.

Income Support Supplement

5.44 An income support supplement (ISS) may be paid to war widows if they are of pension age, have dependent children or are permanently incapacitated for work, or if their partners are receiving a service pension or social security pension.

5.45 ISS is means tested and taxable if paid on the grounds of age, but is not taxable until pension age if granted on the grounds of blindness or incapacity for work. It has a ceiling rate that, until recently, was not indexed. It is now indexed twice yearly in line with the CPI or the percentage adjustment applied to the service/age pension. The current ceiling rate is \$127.20 per fortnight. The war widow's pension is taken into account in assessing the rate of ISS, which is assessed as though the person were eligible for the maximum basic rate of age pension payable under the SSA. This is the notional rate of ISS, and it is compared to the ceiling rate of ISS: the lower of the two rates is the rate payable.

HEALTH CARE

5.46 Health care is generally provided by the Department of Veterans' Affairs (DVA) only to Australian veterans and their dependants who are eligible for compensatory pensions, and to certain Australian veterans who are eligible for service pensions. BCAL veterans and mariners can qualify on the same basis as Australian veterans only if they meet the domicile or prior residency test referred to in s.14 of the Act (see paragraph 5.14).

5.47 The two principal groups eligible for health care paid by the DVA are: Gold Card holders, who are covered for all conditions whether or not the conditions are accepted as war or defence caused; and White Card holders, who are covered only for war or defence caused conditions.

5.48 Veterans who receive a disability pension at or above 100 per cent of the general rate receive a Gold Card. A disability pensioner who has a 50–90 per cent general rate pension, who is also paid a service pension, likewise receives a Gold Card. All ex-prisoners of war (POWs), World War I veterans and World War II ex-servicewomen with qualifying service receive a Gold Card. In addition, all World War II male veterans and post-World War II veterans with qualifying service and aged over 70 years receive a Gold Card. A disability pensioner who is ineligible for a Gold Card receives a White Card that grants entitlement to health care for all accepted disabilities. All veterans may receive a White Card for treatment of malignant neoplasm, posttraumatic stress disorder and pulmonary tuberculosis, even if these are not accepted disabilities. White Cards are also provided for Vietnam veterans diagnosed with depression or anxiety disorders. All war widow and orphan pensioners receive a Gold Card.

5.49 On 1 July 2002, the Government introduced an Orange Card for BCAL veterans of World Wars I and II who have qualifying service and are aged 70 years or more. The card entitles the veterans to pharmaceuticals under the Repatriation Pharmaceutical Benefits Scheme (see also Chapter 6).

MILITARY COMPENSATION SCHEME

5.50 From 1949 to 1972, compensatory payments for injuries or illnesses due to peacetime service in Australia's defence forces were provided under the Commonwealth employees' compensation legislation. In 1972, an extension of repatriation benefits for peacetime defence service created a system of dual entitlement for compensation under the then *Repatriation Act* and the Commonwealth employees' compensation legislation. This dual entitlement was intended only as an interim measure until the introduction of a new military compensation scheme. However, the new scheme did not eventuate until 7 April 1994.

5.51 The VEA was concurrently amended to cease coverage from 7 April 1994 for normal peacetime service in most cases. Defence Force members who have served continuously since before the introduction of the VEA on 22 May 1986 have retained dual compensation entitlements for peacetime service in respect of injuries after 7 April 1994. Dual entitlement has also continued since 1994 for any warlike and non-warlike service.

5.52 Following the Black Hawk helicopter accident in 1996, arrangements were made to provide benefits under the *Defence Act 1903* additional to those under the Commonwealth employees' compensation legislation, the SRCA, where severe injury or death was caused by ADF service.

5.53 Commonwealth employees' compensation, as supplemented by the *Defence Act 1903* amendments, is administered by the Military Compensation and Rehabilitation Service (MCRS), which was part of the Department of Defence until 1999. The MCRS administration was transferred to DVA in December 1999 under a service level agreement and is now a part of DVA. However, the Defence Department retains policy responsibility for the MCRS. The Safety, Rehabilitation and Compensation Commission retains a broader policy responsibility over the SRCA, along with Comcare, the workers' compensation 'insurer' for the Commonwealth. Comcare delivers safety, rehabilitation and compensation services to other Commonwealth employees.

5.54 The Government has announced its intention to introduce legislation in the current Parliament to provide for a new military compensation scheme to cover all future service in the ADF, including any operational service or warlike service. This is discussed further in Chapter 7.

CHAPTER SIX

OTHER GOVERNMENT COMMUNITY SUPPORT SYSTEMS AFFECTING THE VETERAN COMMUNITY

6

INTRODUCTION

6.1 The repatriation system does not sit in isolation from other government and non-government community support systems. Early in the review process, the Committee concluded that it was necessary to have an understanding of other support provided to the community, including social security, health, education, workers' and military compensation, taxation, superannuation and housing. All of these have impacts – or potential impacts – on the veteran community. Concerns about access to other assistance were raised in many submissions.

6.2 Accordingly, this chapter describes these other systems in broad detail and examines the interaction between them and the repatriation system. Some particular concerns raised in submissions about community services are discussed in later chapters.

SOCIAL SECURITY

6.3 In its submission to the Review, the Department of Family and Community Services (FaCS) described Australia's social security system as unique:

Unlike almost every other developed country's welfare system, it provides social security payments through a national, general revenue-funded system of social assistance. The historical focus of our social security system has been on poverty relief and income redistribution, rather than on

providing earnings-related entitlements ... the same basic rate of pension or benefit is intended to be payable to everyone regardless of their previous earnings. The truly unique feature of our system is that a person's current capacity for self support is taken into account in determining what actual rate is paid to that individual.¹²

6.4 The system is further described as potentially covering a broad cross-section of the community, including people in part-time, casual and low-paid employment, and those with no previous employment history. Payments are made for as long as the individual continues to meet all eligibility requirements. This also represents a significant difference from countries with a social insurance-based system. In such countries, payments are generally made only for a set duration.

6.5 Personal payments paid by the Commonwealth Government include:

- age pension
- disability support pension
- carer payment
- parenting payment
- Austudy
- Newstart allowance
- mobility allowance
- partner allowance
- sickness allowance
- widow allowance
- youth allowance
- bereavement allowance
- family tax benefit
- child care benefit
- maternity allowance.

6.6 The *Social Security Act 1991* (SSA) provides the legislative basis for social security payments. The *Veterans' Entitlements Act 1986* (VEA) contains very similar provisions in respect of service pensions and income support supplements paid to veterans and war widow/ers (hereafter referred to as war widows).

6.7 Both Acts contain provisions to ensure that income support payments are mutually exclusive (i.e. a service pension and age pension cannot be paid for the same period). This is in accordance with the principle that an individual should not receive more than one income support payment.

¹² Submission 2340. Department of Family and Community Services.

6.8 Around 14,500 veterans who are in receipt of a disability pension under the VEA also receive social security income support payments. Almost all of these are not entitled to the service pension because they do not have qualifying service (explained in Chapter 5).

6.9 VEA pensions, including disability pensions, meet the definition of income in the SSA and are included in a person's assessable income for social security income test purposes. There are some VEA allowances that are specifically exempted from consideration and do not affect the recipient's rate of social security income support.

6.10 FaCS has prime responsibility for social security policy and has an arrangement with the service delivery agency, Centrelink, to provide social security payments on its behalf. FaCS also works closely with DVA in the development of income support policy. DVA currently contracts Centrelink to provide shopfront services for the Department in a few regional centres.

6.11 The Commonwealth Government also provides special assistance to disadvantaged groups. CRS Australia (formerly Commonwealth Rehabilitation Service) provides vocational rehabilitation services to people who have a disability or injury and need rehabilitation assistance to achieve unsupported paid employment or to live independently. Other programs encourage people on income support to stay connected to the economic and social life of the community.

6.12 Pensioner Concession Cards (PCCs) are issued by DVA to service pensioners, age pensioners who receive their pension through DVA and war widows receiving an income support supplement. PCCs give entitlement to concessions on pharmaceuticals and hearing services, rebates on household charges such as electricity and rates, and some discounted travel.

6.13 A Low Income Health Care Card is issued through Centrelink to eligible people who do not receive a DVA service pension or social security age pension. This card also gives entitlement to concessions on pharmaceuticals and other health services, car registration and some household charges.

6.14 Older Australians who do not receive an age or service pension because of their income or assets may be eligible for the Commonwealth Seniors Health Card (CSHC), which provides concessions on pharmaceuticals and a telephone allowance to eligible telephone subscribers. Some discounted rail travel is also available. DVA issues CSHCs to eligible veterans with qualifying service and to war widows.

6.15 All state and territory governments have Seniors Card programs that offer discounts through a range of businesses and services.

6.16 In 1998, the Pension Bonus Scheme was introduced to provide an incentive for older Australians to remain in the workforce and defer claiming the age pension. A tax-free lump sum payment is made to participants in the scheme. DVA provides the Pension Bonus Scheme to age service pensioners, partner service pensioners and income support recipients.

6.17 Contrary to the statements in some submissions, the social security system introduced in the 1900s predates the introduction of the repatriation system in the 1910s. The Australian Constitution originally envisaged a limited role for the Commonwealth Government, with the states retaining main responsibility for service delivery. As a result, welfare systems, ranging from the rudimentary to the relatively sophisticated, were established in each of the six states at various times. The Commonwealth's social security system can reasonably be said to have begun with the passage of the *Invalid and Old Age Pensions Act 1908*.

6.18 Primacy of the Commonwealth in these matters came about largely as a result of World War II, which necessitated the imposition of a uniform income tax collected by the Commonwealth Treasury. It was also necessary for the states to cede certain powers to enable the Commonwealth to coordinate the massive program of post-war reconstruction. In addition, the Labor Governments of John Curtin and Ben Chifley (1941–49) were strongly centralist and did much to consolidate the Commonwealth's control over both taxation and welfare systems.

6.19 Chapter 4 describes the underlying principle of the repatriation system, which is founded upon a sense of gratitude to veterans for their service and an obligation to care for veterans and their families. The community regards veterans as a special group with special standing and needs. Furthermore, the community accepts that veterans' needs should be addressed through a unique system of benefits. The social security system, on the other hand, has a different philosophical basis: it is for the community as a whole and is about provision of welfare at modest but adequate levels as a safety net for those in the community who are not able to support themselves as a result of age, invalidity, unemployment, widowhood etc.

6.20 It is true that, under the veterans' legislation, DVA also provides income support payments through the service pension and income support supplement, and that these are closely tied to the social security pensions. The service pension rates are the same as for the age and disability support pensions, and the same income and assets tests apply.

6.21 However, as subsequent chapters describe, there is a compensatory element to the income support payments made by DVA. For example, the service pension is available on the grounds of age to veterans who have

qualifying service five years earlier than the social security pensions become available for non-veterans and for veterans without qualifying service. The availability of the service pension five years earlier is often described as compensation for the intangible effects on veterans with qualifying service of premature aging and incapacity for work. For some veterans, the service pension is seen as an integral part of their compensation for service-related loss of the ability to work. Similarly, the income support payment to war widows has been seen as an integral part of the compensation to widows for the loss of a spouse due to war service.

6.22 The repatriation and social security systems, despite differences in their underpinnings, have grown concurrently and have interacted with each other. In the early days of both, the repatriation system tended to provide benefits for veterans to address needs that may not have been met through the social security system. However, as the social security system has developed, some benefits in the repatriation system have been allowed to decline. An example is the compensatory payments made to dependants of incapacitated veterans, which were significant before World War II but have been allowed to diminish in value over subsequent decades as family benefits developed in both the social security and tax systems.

6.23 Many veterans and their families receive benefits from both the repatriation and social security systems. For example, veterans without qualifying service have to receive their income support payments from the social security system. Veterans and war widows with children may receive family tax benefits, which are paid through the social security system. Carers of some veterans may receive carer payments from the social security system and the veteran and carer may be receiving compensatory and income support payments from DVA. Therefore, in any analysis of government benefits provided to veterans and their dependants, one must also consider the benefits delivered through the social security system.

HEALTH

6.24 Australia's health system is a blend of public and private. A range of services is available to the community, controlled by a variety of agencies representing the three tiers of government, charitable organisations, private associations, private companies and individuals. The Commonwealth Government, under section 96 of the Constitution, makes grants to the states for health care purposes, and also provides financial assistance to certain organisations concerned with public health matters. Funding of the health care system is made through taxation, including the Medicare levy, which is based on taxable income.

6.25 The Australian Institute of Health and Welfare's 2001–02 health expenditure study showed that more than \$60.8 billion, or \$3153 per person, was spent on health during 2000–01. Nationally, state and local governments invested 22.5 per cent, the non-government sector provided 30 per cent and the Commonwealth Government contributed 47.5 per cent (AIHW 2002).

6.26 Medicare, Australia's universal health insurance scheme, was introduced in 1984. The scheme provides access to free treatment as a public patient in a public hospital and free or subsidised treatment by practitioners such as doctors, including specialists, participating optometrists or dentists (for specified services only).

6.27 Most Australians are required to pay the normal Medicare levy of 1.5 per cent of taxable income for a financial year. However, this may vary according to circumstances (DVA 2002e). The levy is one of the principal means by which the system is funded.

6.28 The public sector is supplemented in all states by nursing homes and hospitals run for the most part by private companies and charitable organisations. Various Commonwealth, state and local authorities monitor standards in these institutions.

6.29 Between 1984, when Medicare was introduced, and 1997, the proportion of people paying private health insurance dropped from 50 per cent to 32 per cent. To relieve financial pressure on the public health care system, the Commonwealth Government introduced initiatives to encourage a return to private funds. This included a 30 per cent rebate on private health insurance premiums, introduced in 1999, and a lifetime cover policy to encourage people to join and remain in private health insurance, introduced in 2000 (DHAC 2001). The earlier in life an individual takes out private health cover, the lower the premiums paid. Private health insurance is designed to allow greater choice in relation to provider, facility and timing of treatment.

6.30 DVA was once a major provider of health services, with repatriation general hospitals operating in each state capital, along with numerous hostels, convalescent homes, daycare centres and artificial limb manufacturers. During the 1990s, the Department sold its repatriation hospitals to state governments and private enterprise. DVA moved out of direct provision of health services and became instead a major purchaser.

6.31 DVA also maintains a substantial network of general practitioners, called 'local medical officers', who provide general practice services to veterans. Other health professionals are contracted to provide more specialised services to veterans and their dependants. It is usual for health services to be provided to the veteran community at negotiated rates at the Medical Benefits Schedule.

Allied health professional fees are negotiated with the respective professional bodies, while some specialist fees are time-tier based.

6.32 DVA administers the Repatriation Private Patient Scheme (RPPS) that provides hospital care for eligible veterans and war widows. Contracts are in place with private hospitals, including former repatriation hospitals, to deliver hospital services to the veteran community. These are known as veteran partnering (VP) hospitals. Veterans and war widows holding a Repatriation Health Card – For All Conditions (Gold Card) are eligible for treatment, including hospital care, for all their medical conditions under the RPPS. Holders of the Repatriation Health Card – For Specific Conditions (White Card) are eligible for treatment (including hospital care) for conditions that DVA has accepted as service-related. Under the scheme, a three-tiered order of preference for hospital admissions has been identified. First preference is to a public or former repatriation hospital or a VP private hospital. When treatment cannot be provided in these hospitals within a reasonable timeframe, veterans can be admitted to one of a number of other contracted private hospitals. Approval to attend the third tier, non-contracted private hospitals, is only given when the service is not available elsewhere (DVA 2002f).

6.33 DVA purchases in the order of \$3 billion worth of health services each year and consequently exercises considerable influence on the sector. In combination with the Department of Health and Ageing and state health departments, DVA contributes significantly to the development of policy in this sector, including that with respect to:

- residential aged care;
- carers and respite care;
- community aged care packages designed to support people to stay at home as long as possible;
- community nursing;
- mental health;
- medication;
- rehabilitation appliances;
- health promotion; and
- research.

6.34 Most prescription medicines are available at a subsidised price through the Commonwealth Government's Pharmaceutical Benefits Scheme (PBS). The general community pays a higher co-payment rate than health care cardholders and DVA cardholders. All members of the community are protected from large overall expenses for PBS-listed medicines by safety nets, which reduce or

eliminate the co-payment when expenditure on prescriptions exceeds a specified amount. Eligible cardholders, including DVA beneficiaries, also receive a pharmaceutical allowance paid fortnightly. DVA cardholders have access to a wider range of pharmaceuticals under the Repatriation Pharmaceutical Benefits Scheme (RPBS). Veteran community concerns about the co-payment for pharmaceuticals were raised in a number of submissions to the Review.

6.35 DVA still provides some specific health care services directly to the veteran community. The Vietnam Veterans' Counselling Service (VVCS), an independent body funded by the Department, provides one-on-one counselling to eligible veterans, their families and serving members of the Australian Defence Force (ADF). VVCS provides significant assistance to many veterans and their families (see Chapter 31).

HOUSING ASSISTANCE

General Community Overview

6.36 The Commonwealth, state and territory governments provide housing assistance through a range of initiatives. Individuals and families on low incomes are assisted through public housing, home purchase assistance and rent assistance schemes. Certain community organisations and local governments also provide services, mainly refuges and crisis accommodation (ABS 2002a, p. 229).

6.37 There are a number of other programs that address specific needs relating to aged and community care. These include funding to support residential care services and other assistance, particularly with respite, for carers.

6.38 The Commonwealth Government currently provides assistance, by way of a one-off \$7000 grant, to eligible first home buyers through the First Home Buyer Scheme. States and territories are responsible for administering the grant in their respective jurisdictions.

6.39 The Aboriginal and Torres Strait Islander Commission's (ATSIC) Home Loan Program provides financial support to eligible Aboriginal and Torres Strait Islander people either to build or to buy their own homes.¹³ This scheme is available for eligible Indigenous veterans.

¹³ATSIC (Aboriginal and Torres Strait Islander Commission) (2002). *Home Ownership Program*, ATSIC, Canberra, www.atsic.gov.au/programs/Social_and_Cultural/Home_Ownership.

Defence Service Homes Scheme

6.40 DVA has a long history of provision of housing assistance to veterans. After both World Wars, re-establishing the soldier in civilian life with a roof over his head was seen as a crucial element of the repatriation system. In the aftermath of Australia's involvement in Vietnam in 1973, the Defence Service Homes (DSH) Scheme was introduced. The scheme replaced the War Service Homes Scheme, established by the *War Service Homes Act 1918*, which had been introduced to make provision for homes for Australian soldiers and their dependants.

6.41 In 1962, the Act was amended to recognise new international roles of ADF personnel in operations different from those carried out in wartime, and deemed their service as special duty in special areas. The 1973 amendment to the Act broadened eligibility criteria to include peacetime service with the ADF as qualifying service. In 1988, the assets of the scheme, together with the right to make new loans, were sold to the Westpac Banking Corporation, and the Act was amended to provide for the sale and the new division of responsibilities for the scheme. Under the agreement between the Commonwealth Government and Westpac, the Government subsidises the bank for low-interest loans it provides under the scheme.

6.42 Benefits under the DSH Scheme continue to be available to eligible persons whose first defence service began before 15 May 1985, and include subsidised housing loans, buildings insurance and contents insurance. The loan can be used to assist in buying or building a home, or to carry out modifications and repairs to an existing house. In certain circumstances, the loan can be used to finalise a right of residence in a retirement village.

6.43 The maximum loan available under the DSH Scheme is \$25,000 repayable over 25 years. The maximum interest rate is capped at 6.85 per cent per year for the term of the loan, and veterans are guaranteed an interest rate 1.5 per cent below market rates.

Defence Home Owner Scheme

6.44 Introduced in 1991, the Defence Home Owner Scheme (DHOS), which replaced the DSH Scheme, assists eligible members and ex-members of the ADF who joined after 15 May 1985 to purchase their own homes by providing a subsidy on the interest of a home loan borrowed from the approved lender, the National Australia Bank. The current loan limit for calculation of the subsidy is \$80,000. The Defence Housing Authority administers DHOS on behalf of the Department of Defence.

Other DVA Home and Housing Support

6.45 DVA also supports programs to assist members of the veteran community to live independently in their own homes for as long as possible. The Veterans' Home Maintenance Helpline provides property maintenance advice, as well as access to tradespersons to undertake improvements or maintenance work. HomeFront is a falls and accident prevention program that provides a free annual home assessment and information to assist with home modifications. The Home Support Loan program provides subsidised loans up to \$10,000, under the same arrangements as DSH loans, to meet the costs of home modifications and maintenance.

6.46 In January 2001, DVA commenced the Veterans' Home Care (VHC) program. Home and community services for entitled veterans and their dependants are arranged and paid for through a wide range of providers. Since the program began, more than 60,000 veterans and war widows have been assessed for VHC services, with more than 56,000 receiving basic home care services.

6.47 The number of people over the age of 65 is increasing rapidly. In response to this situation, the Government has developed a framework to support the ageing population in an effort to ensure older Australians have a healthy and fulfilling life and continue to make a positive contribution to the community. People are being encouraged to stay longer in the workforce and to plan for a longer, healthier and (preferably) self-funded retirement. Demand for residential care will continue to increase for the foreseeable future.

OTHER WELFARE SERVICES

6.48 Other welfare services are also available to eligible members of the community, including counselling, childcare, education and training, work preparation, preventative health, and community support programs for those with special needs. Needs might include drug and alcohol problems, domestic violence situations or mental health issues. Funding for these would usually come from the Commonwealth and state and territory governments. Additionally, many personal welfare services are provided by voluntary organisations funded through charitable activities and personal philanthropy.

EDUCATION

6.49 State and territory governments have primary responsibility for education and training. This responsibility encompasses primary and secondary education, as well as vocational education and training (VET). The

Commonwealth Government has special responsibilities in the education and training of Aboriginal and Torres Strait Islander people and migrants, for international relations in education and for financial assistance for students. It is also principally responsible for funding of higher education institutions and provides supplementary funding for schools and for VET. The Commonwealth is also involved in promoting national consistency and coherence in the provision of education and training across Australia.

6.50 Primary and secondary education is free in government schools in all states and territories. Students attending a higher education award course contribute to the cost of their education through the Higher Education Contribution Scheme (HECS). Most students are charged some form of administration fee for VET courses (ABS 2002, p. 284).

6.51 Financial assistance is also given to students through a range of allowances and schemes, including Austudy and youth allowance, ABSTUDY, and the Assistance for Isolated Children scheme (ABS 2002a, p. 285).

6.52 The Veterans' Children Education Scheme (VCES) provides assistance to certain students up to 25 years of age through the payment of education allowances and the provision of student support services, such as educational and vocational counselling. The rates of allowance payable vary according to individual circumstances, but in general they are equivalent to youth allowance rates (DVA 2002g). The VCES is a unique scheme that has provided, and continues to provide, assistance to students of eligible veterans. While some of its provisions are similar to those of community schemes, it also provides additional assistance, such as reimbursement of expenses for tuition, equipment and student guidance. VCES is described in more detail in Chapter 25.

6.53 The Education Entry Payment, currently set at \$208, is designed to assist eligible pensioners with the costs of enrolling in a course of study to develop their skills, obtain a qualification or improve their employment prospects. It is available to partner service pensioners, and to war widows in receipt of an income support supplement if they are under pension age.

SUPERANNUATION

6.54 Superannuation in Australia can be regarded as a government-sponsored, private sector managed system of long-term saving for retirement income support (Barrett and Chapman 2002). Superannuation is intended to supplement, not replace, the age pension. The age pension provides for those who are not able to provide full financial support for themselves in retirement. Age pension payments may be supplemented or replaced entirely by other forms of income, such as superannuation or income from investments.

6.55 Superannuation schemes have existed in public enterprise since the end of World War I. The penetration of superannuation into private enterprise began only during the 1960s. Before the mid-1980s, workforce coverage was relatively low (under 40 per cent) (Barrett and Chapman 2002).

6.56 The *Superannuation Guarantee (Administration) Act 1992* was introduced to ensure that most employees receive superannuation support from their employer. Employers must contribute a set minimum amount of superannuation support to a superannuation fund or a retirement savings account.

6.57 There are three superannuation schemes covering former or current members of the ADF. The Military Superannuation and Benefits Scheme (MSBS), covers entrants to the Defence Force since 1 October 1991. The superannuation schemes established by the *Defence Forces Retirement Benefits Act 1948* and the *Defence Force Retirement and Death Benefits Act 1973* (DFRDB) are now closed to new members. DFRDB contributors were given the option of transferring to the MSBS. The Commonwealth Government manages and contributes to both these schemes.

6.58 Some World War II and Korean War veterans would have limited or no superannuation. Veterans of later conflicts, or those with eligible defence service, were covered by either the DFRDB or the MSBS. Veterans working in government employment, and others who were financially able to make personal contributions to private schemes, would have access to superannuation. The DFRDB system provided superannuation that by today's standard was very limited: many in the scheme received small lump sums or pensions. The MSBS, which is largely funded by the Commonwealth through employee contributions, provides greater benefits. It would be fair to say that the current Defence Force is a fully superannuated career force, while many World War II veterans did not have access to superannuation through their military service.

6.59 Superannuation is treated as income in the assessment of income support payments under both the repatriation and social security pensions. On the other hand, superannuation has no effect on eligibility for, and the rate of, any disability pension paid to a veteran. Access to superannuation, either on the grounds of incapacity for work or as a post-retirement benefit, can be an important source of income for some veterans.

WORKERS' COMPENSATION SCHEMES

6.60 Workers' compensation schemes have existed in Australia since the turn of the 20th century, although there was considerable variation from state to

state. The first Australian legislation was in South Australia in 1900, with the Australian Capital Territory being the last to enact such a measure in 1951. From the 1930s to the early 1980s, a slow expansion of coverage occurred, with more dramatic changes being made in states and territories during the 1980s and again in the 1990s (HWCA 1997).

6.61 Workers' compensation insurance is now compulsory for all employers in Australia and is subject to separate legislation in each state. It provides protection to employers for their liability under workers' compensation legislation. It also ensures that employees are protected against injuries received at work. Premiums vary depending on the nature of the business and the chosen coverage. An injured worker or dependant may claim for one or any combination of the following forms of compensation:

- payment on the death of the worker;
- weekly benefits for incapacity for work;
- medical, hospital and rehabilitation costs;
- compensation for certain property damage; and
- lump sum compensation for impairment and pain and suffering.

6.62 Prior to any compensation payments being made to an individual, Medicare benefits can be claimed for the treatment of injuries. However, if more than \$5000 compensation is received, the Health Insurance Commission must be reimbursed the amount of Medicare benefits paid for the treatment of the injury. This repayment is to ensure people do not receive payments from more than one source to cover treatment of the injury.

6.63 In some jurisdictions, a worker's right to sue for damages for negligence has been abolished, while in others that right has been conditionally or unconditionally retained. In the event that compensation is not available, an individual has recourse to the general welfare system, subject to certain limitations. While not intended as compensation, income support and other measures are provided to those in need of assistance.

6.64 Compensation schemes are generally designed to rehabilitate workers and return them as far as possible to the position they would have been in, financially and physically, had they not suffered injury. Where rehabilitation is not possible, financial compensation, usually in the form of incapacity payments, is paid to ensure a reasonable standard of living following injury.¹⁴

6.65 Comcare is the workers' compensation insurer for Commonwealth employees. The Safety, Rehabilitation and Compensation Commission (SRCC)

¹⁴ Submission 2466, Department of Employment and Workplace Relations.

determines premiums for departments and agencies and develops policy in relation to the *Safety, Rehabilitation and Compensation Act 1988* (SRCA).

MILITARY COMPENSATION

6.66 In addition to those provided by the VEA, benefits to compensate injured servicemen and servicewomen may be provided under two categories within the Military Compensation Scheme (MCS), depending on the type of service (including warlike, non-warlike and peacetime):

- the SRCA and its predecessor legislation supplemented by an instrument issued under the *Defence Act 1903*; and
- dual eligibility under the SRCA and the VEA.

6.67 The Military Compensation and Rehabilitation Service (MCRS) administered by DVA provides compensation arrangements for current and former ADF members covered for work-related injuries and illnesses under the SRCA, its predecessor legislation and the *Defence Act 1903*. This occurs under a service level agreement between DVA and the Department of Defence, which retains policy responsibility in conjunction with the head of the Commonwealth employees' compensation jurisdiction, the SRCC. DVA administers the VEA provisions under policy guidance from the Repatriation Commission and its Minister.

6.68 Through the MCRS, the following benefits may be provided for conditions for which liability has been accepted:

- lump sum payments for pain and suffering and non-economic loss;
- weekly incapacity payments for loss of ability to work;
- reimbursement of expenses incurred for health care;
- household expenses and attendant care; and
- additional lump sums for severe incapacity and death (the *Defence Act* supplement).

6.69 Dependants of a member who dies as a result of service may also be entitled to lump sum payments and weekly payments.

6.70 The Department of Defence provides in-house rehabilitation for current ADF members who are injured and may be able to return to ADF service. If the member cannot continue serving in the ADF, then the MCRS aims for rehabilitation into civilian employment. MCRS also provides rehabilitation to former ADF members for their accepted injuries to enable a former member to work or improve their quality of life.

6.71 The Government has indicated that a new MCS will be introduced in 2004. Under the policy announced by the Government, the scheme will operate prospectively (that is, for injuries incurred after the scheme's date of effect). Existing entitlements will be preserved for those eligible in relation to an injury that occurred prior to the commencement of the date of the new scheme. Once the new scheme is in place, the VEA will apply only to major warlike situations involving general mobilisation (see Chapter 7 for details).

TAXATION

6.72 By 1900, all Australian colonies collected income tax, though often by different methods and at different rates. The Commonwealth introduced its own income tax legislation in 1915, although the states continued to collect their own until 1942. In that year, the Curtin Government assumed the exclusive power to levy income tax, and that power has remained with the Commonwealth ever since. Before the introduction of uniform income tax, state governments relied on direct taxation for up to one half of their revenue. Now they receive income tax revenue solely through the medium of Commonwealth grants.¹⁵

6.73 A variety of other taxes have been introduced over time, including customs and excise duties, land tax, taxes to help pay for various wars, sales tax, wool tax, fringe benefits tax and capital gains tax. The Medicare levy was introduced in 1986 as part of income tax.¹⁶

6.74 Australia's taxation system underwent a major overhaul in July 2000 with the implementation of The New Tax System. The major element was the introduction of a Goods and Services Tax (GST) on most goods, replacing wholesale sales tax.¹⁷ GST revenue is paid to the states and territories.

6.75 An income tax return must be lodged each year by individuals if they:

- paid tax during the year;
- received a particular government allowance or payment;
- qualify for the senior Australians tax offset or the pensioner tax offset and paid tax during the year;
- had taxable income exceeding certain amounts; or
- met any of a number of other conditions.¹⁸

6.76 The level of taxation payable depends upon the amount of taxable income calculated by the Australian Taxation Office (ATO).

¹⁵ Website of the Australian Taxation Office, Canberra, www.ato.gov.au. (viewed 26 August 2002).

¹⁶ *Ibid.*

¹⁷ *Ibid.*

¹⁸ *Ibid.*

6.77 A number of Australian government pensions and allowances are included in assessable income for taxation purposes (e.g. the age pension, the service pension on the grounds of age, income support supplements and parenting payments). If the recipient's total income is less than the threshold set by the ATO, no income tax payment will be required.

6.78 Some pensions, allowances and payments are exempt from income tax. These include the veterans' disability pension and allowances and the war widow's pension. A service pension paid on the grounds of permanent incapacity to work is tax free to ages 65 years (male veterans) and 62 years (female veterans, subject to age equalisation). The disability support pension is non-taxable up to the same ages.

6.79 A pensioner offset or senior Australians tax offset is available to people who satisfy required conditions relating to such factors as age, income and eligibility for other Commonwealth Government pensions and similar payments.

6.80 Service and social security age pensioners receiving maximum rate pensions, because they have limited or no other income, would not pay tax, due to the pensioner offsets and the tax thresholds.

6.81 However, some pensioners on less than maximum rates would pay income tax on some of their income as well as having their pensions reduced by 40 cents in the dollar for income above the income test level. The interaction of the means test and the taxation system can lead to an effective withdrawal rate on income of over 60 per cent.

6.82 The family tax benefit system was introduced in 2000 as part of the Commonwealth Government's tax reform measures. Twelve separate ways of paying family assistance were replaced with three benefits. Family tax benefit part A is designed to help families with the cost of raising children. Family tax benefit part B gives extra help to single-income families, including sole parents. Childcare benefit helps families with the costs of childcare. Additional payments are available to support families, including maternity allowance, maternity immunisation allowance and large family supplement.¹⁹

CONCLUSIONS

6.83 The repatriation system does not exist in isolation from other payments, allowances, concessions and programs funded or managed by the Commonwealth, state and territory governments. As illustrated in this chapter, Australia has sophisticated social welfare, health, education, housing,

¹⁹ Website of the Family Assistance Office, Canberra, www.familyassist.gov.au.

superannuation, compensation and taxation systems. The repatriation system interacts and works with these other government systems and needs to be viewed in the light of the range of assistance available to veterans and their families as part of the general community. Veterans and their families do not rely solely on the repatriation system and can benefit from a range of community support programs, many of which are fully or partly Commonwealth funded.