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## List of Acronyms

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<b>TERM</b>	<b>DESCRIPTION</b>
ABS	Australian Bureau of Statistics
CSO	Community Service Obligation
DCHS	Department of Community and Health Services
DSS	Department of Social Security
DVA	Department of Veterans' Affairs
FTE	Full Time Equivalent
GBE	Government Business Enterprise
GPOC	Government Prices Oversight Commission
HEC	Hydro Electric Corporation
MAIB	Motor Accidents Insurance Board
MTT	Metropolitan Transport Trust
TPI	Totally and Permanently Incapacitated

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## INTRODUCTION

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This report follows a review undertaken by the Tasmanian Audit Office into the administration of a selection of concessions provided by the State Government. The review was primarily concerned with those concessions aimed at pensioner groups. The objective of the audit was to review the efficiency and effectiveness of the administrative procedures and to examine the relative costs of administering the concessions.

The review was carried out under the provisions of Section 44(b) of the Financial Management and Audit Act 1990. This section states that the Auditor-General may

*“... carry out examination of the economy, efficiency and effectiveness of Government departments, public bodies or parts of Government departments or public bodies. ...”*

The conduct of such audits is often referred to as performance auditing or value for money auditing and is a component of what is described as a comprehensive audit process adopted by audit offices within Australia and overseas.

The project was selected because of its significance in terms of the value of concessions provided to pensioners and other target groups.

The Tasmanian State Government provides a wide range of concessions to groups such as aged and invalid pensioners, low income earners and war veterans. The majority of concessions are directed to families and individuals who receive income support payments from the Commonwealth Government and who have an appropriate Commonwealth card such as a Pensioner Concession Card, Health Care Card, Health Benefits Card or Repatriation Health Card. Details of the various concessional cards are provided in the section entitled “Types of Pensions and Cards”.

A Register of State Government Concessions is prepared on an annual basis by the Department of Premier and Cabinet. The Register includes details of the various concessions provided by the Tasmanian Government and was last produced in May 1996. The information contained in the Register is collected from those agencies responsible for administering each concession.

The details provided in the Register include:

- the name of the concession,
- the name of the responsible agency,
- a description of the concession,
- the target group(s),
- the eligibility criteria,
- the actual value of the concession for the preceding financial year, and
- the estimated value of the concession for the coming financial year.

A review of the May 1996 Register revealed that the value of concessions provided primarily to pensioner groups is significant. The five major concessions amounted to over \$34 million in the 1994-95 financial year. It is noted that 1995-96 figures have not been used because the Register of Concessions had not been completed at the time of writing.

The information contained in this report was primarily obtained as a result of conducting interviews with officers from government agencies and councils throughout the State. The selection of the concessions was based upon an initial review of the Register of State Government Concessions. The information collected and the findings made in the audit process are based on an analysis of the administrative policies and procedures at the time the agencies and councils were interviewed.

Audit appreciates the co-operation and assistance provided by the management and staff of the government agencies and councils that were interviewed.

The recommendations contained in this report are provided for the information of Government departments and agencies, Parliament and the public generally.

## SUMMARY OF FINDINGS AND RECOMMENDATIONS

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The results of the audit indicate that the State Government concessions which were subject to review are generally being administered in an efficient and effective manner. As part of the audit, it was noted that electronic data interchange is being employed by an increasing number of agencies in order to confirm the eligibility status of applicants. The cross-checking of information to other agency records, such as DSS or DVA, provides an effective means of ensuring pensioners are eligible for concessions.

The findings and recommendations relating to the individual concessions are provided in the following paragraphs.

### **Pensioner Rate Remissions and Land Tax Exemptions**

- A number of implementation problems were encountered following the introduction of a new method of eligibility assessment. The problems were primarily due to the non-matching of data between council and Treasury records. According to advice received from Treasury and council officers, the problems should be largely overcome in the 1996-97 financial year.
- The process of cross-checking pensioner data against DSS and DVA records appears to be an efficient and effective method of assessing the eligibility status of applicants. A weakness was noted with the timing of the check in that a pensioner's eligibility is confirmed prior to 1 July, however the resulting risk is considered minimal.

### **Electricity Rebate**

- The process of cross-checking pensioner data against DSS and DVA records appears to be an efficient and effective method of assessing the eligibility status of applicants. As part of the review, it was noted that the eligibility criterion that the pensioner be the principal householder and be responsible for payment of electricity accounts has been removed due to an inability to properly enforce the requirement.

### **Bus Travel Concessions**

- The risk of ineligible passengers travelling at concessional rates is controlled by the fact that transit officers perform periodic checks to ensure passengers have appropriate tickets and proof of eligibility.

### **Motor Vehicle Concessions**

- It was noted that the Department of Transport confirms the eligibility status of pensioners on a manual basis. As a further check of the claimant's eligibility, the Department may consider utilising electronic data interchange, such as the client confirmation service provided by DSS and DVA.
- As part of the review, it was revealed that the method of calculating the administration cost of the various concessions is not consistent between the various agencies. The Department of Transport has based its calculations on the total cost of providing the service. Other agencies have only included the additional administration cost associated with confirming the eligibility status of claimants. For comparative purposes, it is recommended that the basis for calculating the administration cost be included in the Register of State Government Concessions.



## AUDIT OBJECTIVES, SCOPE AND TIMING

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### AUDIT OBJECTIVES

The audit objectives were to review the administration of State Government concessions aimed at pensioner groups and to undertake an examination of the relative costs of administering particular concessions. The purpose of the review was to determine whether procedures and mechanisms exist to ensure that the concessions were administered efficiently and effectively and only eligible applicants received the concessions. Procedures and mechanisms that should exist include:

#### **Eligibility Criteria and Assessment**

- Existence of appropriate documentation and guidelines.
- A method of eligibility assessment that ensures only eligible applicants receive the concession.
- Cross-checking of data with other departments and/or entities, where practicable.
- Regular and timely reviews of the eligibility status of applicants.

#### **Administration Cost**

- Employment of the most efficient method of eligibility assessment to ensure administration costs are minimised.
- Inclusion of all the costs of administering the concession.

## SCOPE OF THE AUDIT

The review covered the administration and cost effectiveness of a selection of concessions throughout Tasmania.

The audit focussed on the large dollar value concessions and those arrangements with relatively high administration costs. Following a review of the Register of State Government Concessions, the pensioner concessions with large dollar values were identified as:

<b>Name</b>	<b>Agency</b>	<b>Total Value 1994-95 \$</b>	<b>Admin. Cost 1994-95 \$</b>
Bus Travel	Metro	\$ 5 480 000	\$ 15 000
Electricity Rebate	HEC	\$ 8 539 748	\$ 36 000
Pensioner Rate Remissions	Treasury	\$10 839 000	\$ 25 000
Land Tax Exemption	Treasury	\$ 2 860 844	\$ 60 624
Public Dental Health Services	DCHS	<u>\$ 7 143 000</u>	<u>not provided *</u>
		\$34 862 592	\$136 624

\* Administration cost was included in the value of concessions provided.

The administration cost associated with Pensioner Rate Remissions represents the cost to Treasury. The cost incurred by Local Government is not included.

Dental concessions were excluded from the audit due to the recommendations contained in the Final Report of the Department of Community and Health Services (DCHS) Internal Review issued in December 1996. The report recommended that all options for imposing user charges for dental services be explored. The report also recommended that a fee for dentures be introduced from 31 January 1997.

The following concessions were also identified due to their relatively high administration costs:

<b>Name</b>	<b>Agency</b>	<b>Total Value 1994-95 \$</b>	<b>Admin. Cost 1994-95 \$</b>
Drivers Licences	Transport	\$ 334 763	\$271 398
Motor Vehicles Registration	Transport	\$ 1 429 000	\$295 536
No Fault Insurance	Transport	<u>\$ 1 672 000</u>	<u>\$293 509</u>
		\$ 3 435 763	\$860 443

For the purpose of reviewing Pensioner Rate Remissions, officers from various councils throughout the State were interviewed, in addition to officers from the Department of Treasury and Finance.

The interviews were conducted during January and February 1997. Information was obtained with the assistance and co-operation of staff from the organisations interviewed. Financial information provided as part of the interview process was subsequently reviewed and verified to audited financial statements. Unusual or inconsistent responses were investigated and resolved with the organisation concerned.

## **AUDIT RESOURCES AND TIMING**

The project was selected in November 1996, the preliminary survey was commenced in late November 1996 and the project was approved in December 1996. Interviews were conducted in late January and early February 1997. A draft report was issued for comment in April 1997. Copies of the draft report were provided to the various agencies and councils that were interviewed as part of the review.

The approximate cost of the audit at the time of printing was \$23 800 which includes salaries and related on costs and office overhead expenses. This excludes the cost of producing the report. The total cost of the audit will be disclosed in the Office's annual report.

## TYPES OF PENSIONS AND CARDS

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### PENSIONS, ALLOWANCES & BENEFITS

Income support payments are provided to individuals by the Commonwealth Government, primarily through the Department of Social Security (DSS) and the Department of Veterans' Affairs (DVA). The payments provide income security to groups such as:

- the aged and retired,
- the sick,
- unemployed people,
- the disabled, and
- families.

The major types of pensions, benefits and payments available to Tasmanians through the DSS and DVA are shown in Table 1. Also shown is the number of recipients at 30 June 1994 and the expenditure level for the twelve months to that date. The information has been taken from the 1996 Tasmanian Year Book issued by the Australian Bureau of Statistics (ABS).

**Table 1: DSS and DVA Pensions, Benefits and Payments**

<b>Pension, benefit or family payment</b>	<b>Number of recipients at June 1994</b>	<b>Expenditure (\$000)</b>
<b>DSS Pensions</b>		
Age Pension	43 860	(b) 322 827
Disability Support Pension	14 357	(b) 143 570
Job Search & Newstart allowances (a)	30 058	255 633
Basic Family Payment -		
Children	104 588 )	
Clients	53 946 )	60 554
Additional Family Payment -		
Children	55 140 )	
Clients	27 470 )	107 470
<b>DVA Pensions</b>		
Service Pension	15 802	104 200

(a) June monthly average

(b) Includes expenditure on Wife/Carer Pensions

Source: ABS Tasmanian Year Book 1996

As illustrated by Table 1, the major types of income support payments paid to Tasmanians are the:

- Age Pension,
- Service Pension,
- Disability Support Pension,
- Job Search and Newstart Allowances, and
- Basic/Additional Family Payments.

The following paragraphs provide a brief description of these payments:

### **Age Pension**

The Age Pension is paid by DSS to people who have reached the qualifying age. For men, the age is sixty-five years. The age at which women can claim the pension is slowly being increased from sixty to sixty-five years. The Age Pension is also subject to residential conditions and an income and assets test.

There are two other types of pensions provided to support retired people. A Wife Pension may be paid to the wife of an age pensioner if she does not qualify for a pension in her own right. A Carer Pension may be paid to someone who cares for a disabled person (whether that person is a pensioner or not) where constant attention and supervision is required for more than six months.

At 30 June 1994 there were 43 860 Tasmanians receiving an Age Pension (not including Wife/Carer Pensions).

### **Service Pension**

Service pensions are provided by the DVA to male veterans aged sixty years and over and female veterans aged fifty-five years and over. Like the Age Pension, this pension is also subject to an income and assets test.

At 30 June 1994 there were 15 802 Tasmanians receiving Service Pensions.

### **Disability Support Pension**

Disability Support Pensions are primarily paid to people that:

- are permanently blind,
- have a 20% impairment rating, or
- are unable to work at least thirty hours a week at full award wages, for a minimum of two years (due to a physical, intellectual or psychiatric impairment).

At 30 June 1994 there were 14 357 Tasmanians (not including wife/carer pensioners receiving the Disability Support Pension).

### **Job Search Allowance**

Income support for unemployed people has been divided into two separate payment programs since July 1991, namely Job Search Allowance and Newstart Allowance.

Job Search Allowance is paid to unemployed people aged sixteen and seventeen years (although some fifteen year olds are also eligible). The allowance is also paid to people aged between eighteen and Age Pension age for the first twelve months they are unemployed.

In 1993-94, there was an average of 13 700 Tasmanians receiving this allowance.

### **Newstart Allowance**

Newstart Allowance is paid to people who have been unemployed for more than twelve months. In 1993-94, there was an average of 16 358 Tasmanians receiving this allowance.

### **Family Payments**

As the name suggests, Family Payments are payable to a person(s) who has dependent children under sixteen years of age, or dependent full-time students aged between sixteen and twenty-four years who do not receive a pension, benefit or allowance in their own right. Payments are subject to an income and assets test.

At 30 June 1994 there were 53 946 Tasmanian families receiving a Basic Family Payment and 27 470 families receiving an Additional Family Payment.

## TYPES OF CARDS

There are various types of cards issued to recipients of income support payments by both the Commonwealth and State Governments. The main types of cards are outlined below.

### **Cards Issued by DSS**

#### ***Pensioner Concession Card***

The Pensioner Concession Card is issued by DSS to all pensioners and recipients of the Mature Age and Mature Age Partner Allowances. It is also issued to people over sixty years of age who have been receiving one of the following allowances for more than nine months:

- Job Search Allowance,
- Newstart Allowance,
- Sickness Allowance,
- Widow Allowance,
- Partner Allowance,
- Benefit Parenting Allowance, or
- Special Benefit.

The Pensioner Concession Card is normally issued at the time a payment is first granted, when the person becomes entitled to a card or is reissued at the end of each year for use in the following year. The pensioner's name and address and the card's expiry date are printed on the back of the card.

Holders of a Pensioner Concession Card are entitled to a range of concessions including:

- prescriptions,
- hearing aids,
- dental care,
- eye care,
- telephone allowance,



- council rates,
- energy charges, and
- transport concessions.

### ***Health Care Card***

The Health Care Card is primarily issued to the following groups:

- People receiving New Start, Job Search, Partner, Widow, Benefit Parenting or Youth Training Allowances, Drought Relief Payment or Special Benefit. The card is issued automatically every twelve weeks.
- People receiving Job Search, Newstart, Partner, Widow or Youth Training Allowances, Sole Parent Pension or Special Benefit whose pension/allowance is cancelled because of income from employment, are issued with the card for a period of six months, provided they had been receiving a payment continuously for at least twelve months.
- Low income earners, depending on their income, may be eligible for six monthly periods.

The eligibility period is shown on the front of the card, including the card's expiry date.

The concessions available to holders of the Health Care Card include:

- prescriptions,
- dental care,
- eye care, and
- transport concessions.

**Commonwealth Seniors Health Card**

The Commonwealth Seniors Health Card is issued to people who do not receive an Age Pension and where the following conditions are met:

- the person is an Australian resident living in Australia;
- the person has reached the Age Pension age, or in the case of veterans, reached Service Pension age; and
- their annual income is below the following amounts:

- single	\$20 841.60
- couple	\$34 798.00
- couple separated due to ill health	\$41 059.20

*N.B. The income limits are those current at September 1996.*

The concessions available to holders of the card include:

- prescriptions, and
- hearing aids.

**Health Benefits Card**

The Health Benefits Card is issued by DSS to Sickness Allowance recipients. The concessions available to holders of the Health Benefits Card include:

- prescriptions,
- hearing aids,
- dental care,
- eye care, and
- transport concessions.

The eligibility period is shown on the front of the card, including the expiry date.

**Cards Issued by DVA**

The Department of Veterans' Affairs (DVA) provides treatment to entitled veterans and to their eligible dependents. Two types of treatment entitlement cards are issued by DVA. They are:

- Repatriation Health Card for all Conditions (Gold), and

- Repatriation Health Card for Specific Conditions (White).

The cards are reissued every four to five years. The month and year in which the card expires is shown on the face of the card.

#### ***Repatriation Health Card - For All Conditions (Gold Card)***

The Repatriation Health Card for All Conditions is gold coloured and is basically issued to veterans, service pensioners, war widow(er)s and dependants. It provides hospital and medical treatment for all illnesses and disabilities, whether service related or not, plus travel assistance to and from the nearest health care facilities where treatment is being received.

#### ***Repatriation Health Card - For Specific Conditions (White Card)***

The Repatriation Health Card for Specific Conditions is white in colour and is issued to those veterans with conditions accepted by the Department as war or service related, or who suffer from cancer, pulmonary tuberculosis or post traumatic stress disorder (irrespective of whether the latter three conditions are service related). The card covers the cost of all hospital and medical treatment of these disabilities, plus travel assistance to and from the nearest health care facilities.

#### ***Pensioner Concession Card***

Like the DSS, the DVA also issue a Pensioner Concession Card. The two cards are similar in appearance but are distinguished by the logo and name of the issuing authority, which appears in the top left hand corner of the card.

The pensioner's name and address and the card's expiry date are printed on the back of the card.

### **Cards Issued by State Government**

#### ***Seniors Card***

The Seniors Card is issued by the Department of Community and Health Services to people over sixty years of age who are not in paid employment for more than twenty hours per week. There is no income or pension limit. The concessions available to holders of the Seniors Card include:

- travel concessions with MTT;
- free drivers licences for people over sixty-five years of age; and
- discounts on Port Arthur entry fees, the Bruny Island Ferry, trout fishing licences and national park fees.

## PENSIONER RATE REMISSIONS

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### INTRODUCTION

Pensioner Rate Remissions are granted by the various councils throughout the State. The councils are subsequently reimbursed by Treasury for the amount of remissions granted throughout the year. Treasury is responsible for the administration of the concession. As noted previously, the value of the concession amounted to \$10 839 000 in the 1994-95 financial year.

### LEGISLATION GOVERNING PENSIONER RATE REMISSIONS

The remission of rates and charges payable to Tasmanian councils is governed by the Local Government (Rates and Charges Remissions) Act 1991. The term “rates and charges” refers to those rates and charges payable under Part 9 of the Local Government Act 1993, and includes the following:

- a general rate,
- service rates and charges, and
- separate rates.

Service rates and charges may be raised in relation to water supply, sewage, nightsoil, or stormwater removal, waste management or fire protection.

The rates and charges are net of any discount given by the particular council and do not include penalty or interest charges imposed by that council.

In accordance with Section 4(1) of the Local Government (Rates and Charges Remissions) Act, a council is required to remit 30% of any rates and charges payable to it if the following conditions are met:

*“... (a) an application for the remission is made to the municipality before 31 March in that financial year; and*

*(b) on the relevant date the person liable to pay the rates or charges (or if there is more than one such person, one of them) -*

*(i) was an eligible pensioner; and*

*(ii) was occupying as his or her principal dwelling the property in respect of which the rates or charges are payable. ...”*

The “relevant date” means 1 July of any year. The term “eligible pensioner” is defined in the Act as meaning:

*“... a person qualified for fringe benefits under -*

*(a) the Social Security Act 1991 of the Commonwealth; or*

*(b) the Veterans’ Entitlements Act 1986 of the Commonwealth. ...”*

Section 5(1) of the Act provides that if the Treasurer is satisfied that the council has given a remission in accordance with Section 4(1), the Treasurer shall reimburse the council for the amount of the remission. Section 10 provides that the Department of Treasury and Finance is responsible for the administration of the Act.

## **ADMINISTRATIVE PROCEDURES**

Discussions were held with staff from the Revenue and Gaming Division of the Department of Treasury and Finance. The discussions revealed that consultants had been engaged in March 1995 to conduct a review of land tax concessions and rate remissions. According to the consultant’s report, the objective of the review was:

*“... to improve the efficiency, effectiveness and accountability of functions carried out by the Department in relation to pensioner remissions and exemptions. ...”*

The scope of the review involved:

- documenting existing procedures;
- identifying the information requirements for a new process;
- determining the most efficient and effective means of administering the remissions and exemptions; and
- providing a plan for the implementation of the new process.

### **Existing Procedures for Pensioner Rate Remissions**

Prior to 1996, pensioners were required to prove their eligibility each year in order to obtain a rate remission. Rate remissions were granted by councils who subsequently forwarded a claim for reimbursement to Treasury. Upon receipt of the reimbursement request, Treasury would perform a high level reasonableness check using the number of pensioners and the total claim. Once approved, the payment would be processed and a reimbursement cheque issued to council.

As a result of the review, the consultants recommended a change to the existing procedures. The recommendation involved the utilisation of electronic data interchange and the client confirmation service provided by DSS/DVA. In recommending the new process, the consultants identified a number of benefits, including the following:

- pensioners do not have to prove their entitlement to council every year as eligibility for successive remissions is performed automatically;
- rate notices can be printed and issued net of remissions;
- councils will be reimbursed by Treasury at an earlier date;
- fewer resources will be required by councils to manage rate remissions;
- improved service delivery to pensioners;
- improved controls over principal residence test and multiple claims for pensioner rate remissions;
- confirmation that rate remission claims and land tax exemptions are valid; and
- improved quality of information in Revenue and Gaming's database.

### **Treasury Guidelines**

To facilitate the implementation of the new procedures, Treasury issued guidelines relating to the administration of pensioner rate remissions as at 30 June 1996. The guidelines provide information and instructions to councils with regards to:

- establishing eligibility;
- the confirmation process;
- the calculation of remissions;
- application procedures;
- the apportionment of rates; and
- applications by councils for reimbursement.

***Establishing Eligibility***

The guidelines state that a person is eligible for a remission if they hold either a Pensioner Concession Card issued by DSS or a Gold Card issued by DVA. These eligibility criteria reflect the definition of “eligible pensioner” as contained in the Local Government Act.

It should be noted that the guidelines specifically exclude the Commonwealth Seniors Health Card from being used to verify the eligibility of an applicant. The guidelines also state that a DVA Gold Card must bear the inscription “War Widow” or “TPI” to qualify the holder for a rates remission.

As noted previously, the pensioner must be liable to pay the rates and must occupy the property as his/her principal place of residence on 1 July of the financial year concerned. A person is normally liable for payment of the rates and charges if he/she owns or is purchasing the property. However, a person may also be liable if they occupy the property under a life tenancy agreement. In such cases, the agreement must be presented to council upon application for a remission.

Where a property is jointly owned, at least one of the joint owners must be eligible. No apportionment of the remission is made based on the applicant’s interest in the property (i.e. the applicant receives a full remission).

A pensioner who owns more than one property is not entitled, under any circumstances, to receive more than one remission per year.

***Confirmation Process***

From the 1996-97 financial year, the confirmation process involves the following steps:

- Each council sends a data file containing pensioner details to Revenue and Gaming for matching to land tax records. Councils are subsequently notified of any mismatches.
- The matched records are then sent to DSS or DVA for confirmation of eligibility. Councils are provided with a Pensioner Confirmation Status Report which indicates whether the applicant is eligible, ineligible, unconfirmed or an error has occurred.
- Any errors or unconfirmed applications are subsequently followed up by councils. The pensioners are required to complete a new application for their remission to continue. Eligible pensioners receive an automatic remission.

***Calculation of Remissions***

In accordance with Section 4 of the Local Government (Rates and Charges Remissions) Act, eligible pensioners are entitled to a remission of 30% of rates and charges up to a maximum amount for a given year. The maximum amount is currently set at \$300.

***Application Procedures***

Where a pensioner has not previously received a rate remission, an initial application must be made to council before 31 March of the financial year in question. Applications made after this date are not accepted. The pensioner must present a Pensioner Concession Card or Gold Card and certify that the property is their principal place of residence and the only property for which a remission is being sought by him/her in the current financial year. Pensioner status will be confirmed automatically in subsequent years.

***Apportionment of Rates***

Ratepayers who become pensioners or purchase a property after 1 July are not eligible to a pro rata remission in the financial year concerned. They must be eligible as at 1 July of the financial year.

***Applications by Councils for Reimbursement***

The guidelines indicate that the reimbursement of pensioner rate remissions will be made in three payments throughout the year. The first and primary payment will be made following council's initial rate run. According to the guidelines, council's submission for reimbursement should only include those pensioners identified as eligible through the client confirmation process with DSS and DVA. The second payment will be made following a submission of data by November of each year. This submission will comprise new applicants and any pensioners that were identified as ineligible and who have subsequently provided a new application with evidence to substantiate their eligibility. The final payment will relate to applications received between November and 31 March (the cut-off date for applications).

Once the details for each remission have been confirmed by Treasury, councils will be reimbursed for the remissions they have granted .



## COUNCILS

Discussions were held with officers from five councils throughout the State to obtain information regarding the new method of eligibility assessment. In accordance with the Treasury guidelines, all of the councils that were interviewed had downloaded pensioner data from their property system and forwarded an electronic file to Treasury for confirmation. The files were forwarded at various times, ranging from late April to early July 1996.

Councils were subsequently notified of the eligibility status of the pensioners on file. Four of the five councils advised pensioners who were identified as ineligible or unconfirmed to complete a manual application if they believed they were still eligible.

For the five councils that were interviewed, rates were raised as follows:

- Two of the councils applied remissions to eligible pensioners only.
- One council applied remissions where the pensioner had been identified as eligible or where the pensioner had been rejected but council were certain the pensioner was, in fact, eligible. It should be noted that prior to the rate notices being sent, the council confirmed the eligibility of these “rejected” pensioners with Treasury.
- One council sent their rate notices prior to receiving notification from Treasury regarding the eligibility status of pensioners. Remissions were deducted from the gross rates based on council’s existing pensioner details. Where the ratepayer was subsequently identified as ineligible, the remission was cancelled.
- One council applied remissions where the pensioner had been identified as eligible and where a manual application had been completed.

Council officers noted that the new method of eligibility assessment had resulted in a considerable number of rejected pensioners. Some of the rejections were caused by inconsistencies between council and Treasury data. According to council officers, pensioners were rejected if there were minor differences between the details contained in their property system and the details contained in Treasury’s database. The following examples were provided by council officers:

- Pensioners would be rejected if council and Treasury had recorded the name in a different format. Problems were typically caused by hyphenated names, applicants with three Christian names, and varying numbers of initials.
- A property in the name of a husband and wife would be rejected if Treasury had the property in the husband’s name only.

At the time of writing, one of the five councils that were interviewed had been fully reimbursed for the remissions granted in 1996-97. The remaining four councils had been reimbursed for only part of the remissions claimed to date. Treasury advised that they are currently investigating discrepancies with a number of applicants. Discussions with officers from the council that has been fully reimbursed revealed that work had been undertaken to ensure the correctness and compatibility of council data prior to information being sent to Treasury for confirmation. According to council staff, the number of rejections was minimised as a result.

Treasury officers confirmed that problems had been encountered when implementing the new method of assessment. Treasury officers indicated that the problems with mismatching of data should not occur in future years, except for occasional discrepancies with new applications. Recent changes to the processing of property sales should also minimise discrepancies in this area. Previously, ownership details were updated separately by the various agencies. Treasury advised that the processing and updating of ownership details has now been centralised.

## **IDENTIFIED RISKS**

The major risks associated with the processing of Pensioner Rate Remissions have been identified by Audit as follows:

- a remission may be granted to a ratepayer who was not an eligible pensioner as at 1 July of the financial year concerned; and
- a ratepayer may claim, and receive, a remission on a property that is not his/her principal place of residence.

From discussions with both Treasury and council officers, a number of controls have been identified which address the above concerns. These controls are outlined in the following paragraphs.

### **Remission Granted to an Ineligible Applicant**

Under the new method of assessment, the eligibility status of pensioners is electronically checked by Treasury against DSS and DVA records using a client confirmation service. The timing of the check is dependant on when the particular council forwards the data file to Treasury. As noted previously, the timing ranged from late April to early July 1996 for the five councils subject to review. According to advice received from Treasury, the majority of data was run through the client confirmation system in early June. The eligibility status of a pensioner is therefore confirmed at this time.

In terms of the eligibility criteria contained in the Local Government (Rates and Charges Remissions) Act, the major shortcoming of the confirmation process relates to the timing of the eligibility check. The Act requires the pensioner to be eligible on 1 July of the relevant financial year. However, as outlined above, the pensioner data is normally confirmed prior to this date. Treasury advised that the check is performed in June to enable councils to apply an automatic remission to eligible pensioners.

The above limitation was noted in the consultants' report on the review of rate remissions and land tax concessions. The consultants recognised that there would be a discrepancy between the date of confirmation and the eligibility criteria contained in the Act. The following comments were provided:

*"... There are some limitations to the use of the confirmation service which require modification of the eligibility requirements. As the CCS (Client Confirmation Service) are able only to confirm entitlement as at a particular benefit date, eligibility for the concession should coincide with one of these payments. We recommend this time to be the first payment after 1 May each year. This timing will allow DSS/DVA, R&G (Revenue and Gaming) and the councils to have the confirmation complete and the information disseminated before councils strike their rate each year. ..."*

In identifying potential problems with the implementation of the new process, the consultants noted that legislative amendments were required to accommodate the timing of the DSS/DVA confirmations.

*"... Legislative changes will be required to implement the process we have recommended. The principal change will be to allow the timing of the confirmation testing to be the first pension payment after 1 May each year. We consider it highly likely that the majority of pensioners eligible on 1 July would have been eligible on 1 May ...".*

Discussions with Treasury confirmed that a risk exists that an ineligible applicant will be granted a remission. The risk arises where an applicant stops receiving a pension prior to the end of June and before the pensioner data is confirmed. However, the risk is minimal as the majority of pensioners are eligible from year to year. Also, the remission would only be allowed for one year because the eligibility check is performed on an annual basis.

### **Property not the Applicant's Principal Place of Residence**

To ensure that a property is a ratepayer's principal place of residence, checks are performed to identify applicants who claim more than one remission in a given year. To identify multiple claims, Treasury checks for duplications within and between municipalities. The duplication checks are based on the pension number provided by each applicant. Where a pension number appears twice, Treasury investigate the discrepancy to ensure only one of the remissions is allowed.

The duplication checks should identify pensioner couples who claim a remission on a second property because couples are assigned the same pension number. Alphabetical references at the end of the pension number are used to distinguish the husband and wife. The duplication checks therefore treat pensioner couples as one person. Couples who live separately must provide evidence that they have two principal places of residence.

It is noted that the duplication checks would fail to recognise defacto couples who claim remissions on two properties.

Advice from Treasury indicates that :

*“.... It is accepted that in certain cases, the checks will not be effective. It is not considered feasible or cost-effective to provide an absolute check on whether a remission is only being claimed in respect of a principal place of residence. However, the new verification processes are considered to have reduced the risk to a reasonable level....”*

## **ADMINISTRATION COST**

According to the Register of State Government Concessions, Treasury incurred a cost of \$25 000 associated with the administration of pensioner rate remissions. As noted previously, this cost does not include the costs incurred by Local Government. The cost of \$25 000 represented 0.23% of the total value of rate remissions granted in 1994-95. Treasury indicated that the cost was based on the time spent by Branch staff in administering rate remissions and excludes oncosts. The amount of time was based on records kept for the year.

Treasury staff believed that the implementation of the new method of eligibility assessment would not result in an increase in the administration cost in future financial years.

## **CONCLUSION/SUMMARY:**

A number of implementation problems were encountered in relation to the new method of eligibility assessment for pensioner rate remissions. The problems were principally due to the non-matching of data between council and Treasury records. It is noted that, at the time of writing, Treasury is still investigating a number of discrepancies with remission applications. As a result, some councils are still waiting to be reimbursed for the related pensioner remissions granted during 1996-97. According to advice from Treasury staff, the outstanding discrepancies constitute approximately 1%-2% of the total applications received during the year.

Based on discussions with both Treasury and council officers, the problems encountered with the new method of eligibility assessment will be largely overcome during the 1997-98 financial year. The process of reimbursing councils should also be more timely.

The process of cross-checking pensioner data against DSS and DVA records appears to be an efficient and effective method of assessing the eligibility status of applicants. A weakness was noted with the timing of the check in that a pensioner's eligibility is confirmed prior to 1 July, however the resulting risk is considered minimal.

## RESPONSE FROM THE DEPARTMENT OF TREASURY AND FINANCE

*"...an ineligible pensioner may be granted a remission due to a timing error created through the verification process adopted. This would occur where a ratepayer's pension entitlement was cancelled in the last one to two months before the eligibility date of 1 July 1997. However, the risk associated with the existing process is immaterial compared with the total value of remissions. It is estimated that the risk would be of the order of 0.09 to 0.22 per cent of total outlays per annum, or therefore not more than \$25 000.*

*This issue was considered at length by consultants and management before the current process was implemented. Whilst moving the eligibility date back to say 1 May 1996 may overcome the risk, it may increase the dissatisfaction on the part of residents who become pensioners prior to the beginning of the rate year but after 1 May and who therefore would not be entitled to a remission for the year. For this reason the risk is considered acceptable and it is not proposed that the eligibility date be changed....."*

## ELECTRICITY REBATE

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### INTRODUCTION

The HEC, which was established by the Hydro Electric Commission Act 1944, is responsible for the generation, transmission, distribution and supply of electricity within Tasmania. In 1995, the Government introduced by new legislation, a package of reforms to the State's electricity industry. The legislation was proclaimed on 6 November 1996 and replaces the Hydro-Electric Commission Act 1944. As part of the reforms the HEC was formally established as a Government Business Enterprise and has changed its name to the Hydro-Electric Corporation. As noted in the Background section of the report, the HEC has been specified as the provider of a monopoly service for the purposes of the Government Prices Oversight Act.

In its 1995-96 Annual Report, the HEC noted the following:

*"... The Hydro also provides a range of services that do not generate a commercial return, and indeed involve a net cost to the organisation. ... Specifically, the principal non-commercial operations which the Hydro is required to perform include the provision of concessional arrangements to pensioners and customers of the Hydro living on the Bass Strait Islands ..."*

The HEC introduced concessional arrangements to old age and invalid pensioners in 1957. Provision of the concessions was based on a memorandum from the then Premier (the late Hon. Robert Cosgrove, MHA) which directed the HEC to grant a 10% tariff concession to these customers. Since 1957, the eligibility criteria have been gradually extended.

A widening of the eligibility criteria took place in April 1993. The widening occurred as a result of the Pensioner Concession Card replacing the former Pensioner Health Benefits Card. In association with this change, the State Governments were requested by the Commonwealth to extend existing concessions to all pensioners. The Commonwealth agreed to provide ongoing funding to compensate for the extension of the pensioner concessions. It is noted that the concession is now available to holders of a Pensioner Concession Card.

Electricity rebates granted in 1994-95 amounted to \$8 539 748. It should be noted that pensioners who are eligible for the electricity rebate are also exempt from paying the 5% government surcharge. In 1994-95, the exempted surcharge totalled \$2 224 000. This amount does not represent a concession provided by the HEC but, rather, revenue foregone by the government. The 5% surcharge has therefore been excluded for the purpose of this review.

## FUNDING OF ELECTRICITY REBATES

Electricity concessions provided to pensioners and Bass Strait Islanders are funded almost entirely by the HEC. The exception relates to the government funding received for the additional costs resulting from the widening of the eligibility criteria in April 1993. In its 1995-96 Annual Report, the HEC disclosed that, for the year ended 30 June 1996, the additional cost was calculated to be \$858 000. This amount was provided by the Commonwealth to the State Government and was subsequently paid to the HEC.

In its Community Service Obligation (CSO) submission to the Minister, the HEC identified pensioner concessions as a community service obligation. To satisfy the legislative requirement under Section 61(3)(a) of the GBE Act, the HEC presented the following arguments:

- the HEC is subject to the GBE Act;
- in accordance with Section 38 of the GBE Act, the HEC must comply with its Ministerial Charter;
- the HEC's Ministerial Charter provides for the provision of concessional arrangements to Pensioner Concession Card holders and Bass Strait Islanders; and
- the provision of concessional arrangements is therefore a specific requirement for the purposes of Section 61(3)(a)(ii) of the GBE Act.

If the electricity concessions are deemed to be CSOs, they will be incorporated into the Budget process and will subsequently be funded by Government. The level of Government contribution will depend on the costing basis and funding arrangement that is adopted.

## ADMINISTRATIVE PROCEDURES

### Rebates

In 1995-96, the basic rebate consisted of a discounted daily network charge of sixteen cents compared with the standard residential charge of sixty cents. An alternative low consumption pensioner contract is available whereby the network charge is further reduced but a higher energy rate applies. The various rebates are included in HEC's annual tariff submission which is ratified by Cabinet. Details of the pensioner contracts available in 1995-96 are provided in Table 2. It should be noted that the pensioner is responsible for choosing the appropriate contract.

**Table 2: HEC Pensioner Contracts**

<b>Pensioner Contract</b>	<b>Network Charge (Daily)</b>	<b>Services Charge (Daily)</b>	<b>Energy Charge (per unit)</b>
Residential Light and Power	60 cents	36 cents	6.40 cents
Pensioner Discount - Mainland Tasmania	16 cents	36 cents	6.40 cents
Low Consumption - Mainland Tasmania	10 cents	36 cents	9.59 cents (with a daily rebate of 34 cents)
Pensioner Discount - Bass Strait Islands	n/a	36 cents	14.48 cents (with a daily rebate of 14 cents)
Pensioner Contract - Bass Strait Islands	n/a	46 cents	14.48 cents (with a daily rebate of 34 cents)

### **Eligibility Criteria and Assessment**

According to the HEC's policy statement on pensioner rebates, a customer is entitled to a rebate if he/she is in receipt of a Pensioner Concession Card issued by either DSS or DVA. (It should be noted that the policy statement still refers to the Pensioner Health Benefits Card which was replaced by the Pensioner Concession Card in 1993).

To comply with the policy statement, a pensioner must complete and lodge an application form at a customer service centre in order to obtain a rebate. The pensioner must also present their Pensioner Concession Card for verification. If the application is posted, a photocopy of the card is required.

Treasury staff advised that the eligibility status of applicants is confirmed to DSS and DVA records every six months. All customers who receive a pensioner concession are subject to the confirmation process. The HEC are notified of mismatches or ineligible pensioners. These customers are subsequently contacted and are required to present their Pensioner Concession Card for verification.

In addition to holding a Pensioner Concession Card, the policy statement provides that:

*"... The eligible pensioner must be the principal householder and be responsible for payment of accounts for electricity consumption to the premises in which he/she resides. ..."*



When applying for an electricity discount, a pensioner must certify on the application form that the above criterion is satisfied.

Discussions with HEC staff revealed that this criterion is not enforced because it is impractical to do so. The difficulties with verification were also referred to in the GPOC's Report on the HEC Retail Prices Investigation. The Commission's findings and recommendations are detailed below.

### **Government Prices Oversight Commission - HEC Retail Prices Investigation**

The Government Prices Oversight Commission (GPOC) was established under the provisions of the Government Prices Oversight Act 1995 and commenced operation on 1 January 1996. The Commission has responsibility for investigating the pricing policies of certain GBEs and agencies that are monopoly, or near monopoly, providers of goods and services in Tasmania. It also has responsibility, under the Act, to provide for the setting of maximum prices chargeable by the GBEs and agencies.

The Commission issued its final report on the HEC Retail Prices Investigation in August 1996. Chapter 12 of the report consisted of a review of the concessional arrangements relating to pensioners. Details of the existing concessions were provided, including the eligibility criteria, the procedures for administering the concessions and the cost (or value) involved.

In relation to administration, the Commission noted the following:

*"... There also has been a requirement that the pensioner must be the principal householder and be responsible for the payment of electricity accounts for the premises. The HEC advises that this requirement has not been strictly applied in recent years due to difficulty of enforcement, and that the concessions are administered in a "light-handed" manner. This enables a concession to be claimed for any premises in which a pensioner resides, regardless of the number and status of other occupants. It also enables pensioner couples to claim the concession on a second property such as a holiday shack. ..."*

According to the Commission,

*"... The high take-up rates may reflect the light-handed approach towards administration by the HEC. ..."*

The report provided the following statistics:

- Approximately 58 000 households claim pensioner concessions on the basis of holding a Pensioner Concession Card.
- DSS indicates that there were more than 80 000 Pensioner Concession Card holders in Tasmania as at June 1995.
- Based on these figures, the take-up rate for HEC pensioner concessions was more

than 70%.

In its assessment of the concessional arrangements, the Commission made the following comments:

*“... The Commission considers that the present manner of administration of the concessions, in the form of individual contracts, to be unduly complex. Upon verification of eligibility, entitlement to the concession should be automatic. ...”*

To achieve this objective, the Commission recommended a standard concession whereby pensioners received a reduction in both the fixed charges and energy rates. Such a concession would obviate the need for an alternative low consumption pensioner contract. In its final report, the Commission recommended that the concession should comprise:

- a maximum fixed daily charge for eligible pensioners of thirty cents per day; and
- a reduction in charges for energy usage up to a maximum amount per pensioner account.

## IDENTIFIED RISKS

The major risks associated with the administration of the electricity rebate have been identified by Audit as follows:

- an electricity rebate may be granted to a HEC customer who is not an eligible pensioner; and
- a pensioner who is not the principal householder and is not responsible for the payment of the HEC accounts may claim and receive an electricity rebate for the premises.

To ensure that electricity rebates are only granted to eligible pensioners, the HEC has implemented the following controls:

- a pensioner must present their Pensioner Concession Card for verification when initially applying for a rebate; and
- the eligibility status of pensioners is subsequently confirmed to DSS and DVA records on a six-monthly basis using their client confirmation service.

The second risk relates to the concerns raised by GPOC in its report on the HEC Retail Prices Investigation. As previously mentioned, the HEC has not been enforcing the requirement that the pensioner be the principal householder because of the difficulties with investigating and checking the customer's personal circumstances. The HEC's CSO submission supported this view. The submission noted that by June 1992 one of the eligibility criteria for receipt of a pensioner discount was:

*“... The pensioner must be the principal householder and be responsible for the payment of accounts for supply of electricity to the premises. ...”*

However, the submission also noted that:

*“... This second criterion has since been removed due to the inability to properly investigate and enforce the requirement. ...”*

Although the above criterion is not enforced, checks are performed to ensure that a pensioner does not claim electricity discounts for more than one property. Like Pensioner Rate Remissions, the duplication checks are based on the claimant's pension number.

The duplication checks also help to ensure that pensioner couples do not claim the concession on a second property. This concern was specifically raised by GPOC in its report. As outlined previously, pensioner couples are allocated the same pension number. An alphabetical suffix is used to identify the husband and wife. According to advice from HEC staff, the duplication checks identified eleven cases where the same pension number appeared twice. These cases involved pensioner couples claiming discounts on a second property.

HEC staff indicated that additional checks were not performed to ensure that the pensioner couples lived separately. No action was taken for the following reasons:

- The amount of funds involved was not considered material in terms of the cost of investigating the claims. The basic network rebate provides an annual saving of \$160. For eleven cases, this represents a possible underpayment of \$1,760 per annum.
- HEC staff were aware that two of the couples were, in fact, separated and living apart.

Discussions with HEC staff revealed that cross-matching of data with local government records would be an inadequate means of ensuring that a pensioner is the principal householder. Council records are based on property ownership and life tenancy, whereas HEC are concerned with the property's residents. In the majority of cases, the owners and residents are one and the same. However, problems arise where the property is rented by the pensioner claiming the HEC rebate. Under these circumstances, the pensioner may be eligible for an electricity rebate, but they will not be recorded as the owner or life tenant in council's system.

As part of the review, testing was undertaken which involved cross-checking HEC pensioner data to council records. The testing confirmed that mismatches will occur where the property is rented. The exceptions which were identified included the following:

- Six properties were owned by the Director of Housing (DCHS) and no remission was granted. According to advice received from council officers, full rates are charged on all Housing properties. Pensioners who have a long term purchase contract with Housing are then entitled to apply to council for a rate remission.
- One property was owned by a home for the aged, where the pensioner was living in an independent unit. According to advice received from the home, pensioners living in units are responsible for the payment of HEC accounts, however, the rates on the property are paid by the home. Therefore, no pensioner rate remission was granted.
- Two properties were owned by an entity or individual other than the person who received the electricity rebate. Further investigation indicated that the property was rented.

## **ADMINISTRATION COST**

According to the Register of State Government Concessions, HEC incurred a cost of \$36 000 associated with the administration of the electricity rebate. This represents 0.42% of the total value of electricity rebates provided in 1994-95 (excluding the 5% surcharge). If the surcharge is included, the administration cost would represent 0.33% of the value of electricity rebates provided. HEC advised that the cost was based on the salary of one full time equivalent (FTE). No oncosts were included in the calculation.

## **CONCLUSION/SUMMARY:**

To ensure pensioners are eligible for the electricity rebate, the HEC perform six-monthly checks using the client confirmation service provided by DSS and DVA. Cross-checking of databases provides an effective means of confirming the eligibility status of applicants.

Duplication checks help to ensure that an applicant does not claim an electricity rebate on more than one property. The checks also identify pensioner couples who claim a rebate on a second property.

In its report on the HEC Retail Prices Investigation, GPOC noted that there has been a requirement that the pensioner must be the principal householder and be responsible for the payment of electricity accounts for the premises. This requirement is reflected in the HEC's current policy statement on pensioner rebates. However, in its CSO submission, the HEC noted that this criterion has been removed due to an inability to properly enforce the requirement.

## BUS TRAVEL CONCESSIONS

### INTRODUCTION

The functions and duties of the MTT are governed by the provisions of the Metropolitan Transport Act 1954. Under the Act, the MTT is authorised to provide transport services within the Hobart and Launceston metropolitan areas and the municipality of Burnie. As previously noted, the MTT has been specified as the provider of a monopoly service for the purposes of the Government Prices Oversight Act.

MTT passengers may be grouped into the following three broad categories:

- children and students,
- adults paying full fare, and
- adults paying concession fare.

In terms of the number of first boardings on timetabled services, children and students represent the largest passenger group. For the year ended 30 June 1996, child and student concessions represented 45.4% of total first boardings. In comparison, adult fares and adult concessions represented 26.1% and 28.5% respectively. Details of the number of first boardings for 1994-95 and 1995-96 are shown in Table 3.

**Table 3: First Boardings By Passenger Category**

Passenger	Number of Trips		Total Patronage		Increase (Decrease) to Previous Year
	95/96	94/95	95/96	94/95	
	000's	000's	%	%	%
Adult Fare.....	2429	2537	26.1	26.7	(4.3)
Adult Concession.....	2648	2459	28.5	25.8	7.7
Child & Student Concession.	4227	4518	45.4	47.5	(6.4)
TOTAL:	9304	9514	100.0	100.0	2.2

Source: MTT 1995-96 Annual Report

According to the Register of State Government Concessions, the value of bus travel concessions provided in 1994-95 amounted to \$5 480 000. This figure does not include student travel concessions. The MTT is funded by the Department of Transport for the estimated net cost of providing travel to and from school, on both scheduled and dedicated school services. As previously mentioned, the scope of the review has been limited to those concessions aimed at pensioner groups. Student transport concessions have therefore been excluded for the purpose of this audit.

## FUNDING OF BUS TRAVEL CONCESSIONS

Government funding represents the major source of revenue for the MTT. In the 1995-96 financial year, government funding totalled \$20.7 million or 67% of total revenue. Of this amount, \$5.7 million represented funding for student transport, \$1.1 million represented funding for pensioner and unemployed concessions and \$13.9 million represented a contribution to the operating loss from the Consolidated Fund. Revenue from fares and charters amounted to \$7.9 million or 25% of total revenue.

In its 1995-96 Annual Report, the MTT outlined the major goals of the organisation for the next three financial years. One of the goals is to restructure the current funding arrangements to reflect CSOs. As noted above, existing arrangements provide for an annual appropriation from consolidated revenue towards the Trust's operating deficit. According to MTT's Annual Report:

*"... Funding in 1996-97 will alter from deficit funding to a Community Service Obligation revenue regime whereby it can be compared with operators in the private sector on a commercial basis. ..."*

Under the CSO regime, the level of government contribution will be determined by reference to those services defined as CSOs.

## ADMINISTRATIVE PROCEDURES

### Fares

The current MTT fare schedule, which became effective on 21 July 1996, is shown in Table 4. As the table illustrates, there is currently a single and ten-trip fare for concession travellers no matter how far they travel. In comparison, the standard adult fare gradually increases with the distance travelled. The value of the concession therefore increases when the passenger travels a greater distance.

The day-trip and ten-day tickets are structured to encourage travellers to use the bus services in off-peak periods.

**Table 4: MTT Fares Effective 21 July 1996 (excludes child and student fares)**

	<b>Single Trip \$</b>	<b>Day Trip \$</b>	<b>10 Trip \$</b>	<b>10 Day \$</b>
<b>STANDARD RATES</b>				
Section 1 - 2	1.20		9.60	
3 - 4	1.60		12.80	
5 - 7	1.90		15.20	
8 - 10	2.10		16.80	
11 - 15	2.80		21.60	
Off-peak multi-trip		3.10		24.00
<b>ADULT CONCESSIONS</b>				
All Sections	1.20		9.60	
Concession off-peak multi-trip		1.90		15.20
<b>SENIOR CONCESSION</b>				
Seniors (all day) multi-trip		2.10		18.00
<b>FAMILY</b>				
Off-peak multi-trip		9.00		

Source: Metro Fares Investigation - Draft Report

**Eligibility Criteria and Assessment**

In broad terms, concessional fares are available to welfare beneficiaries who hold relevant benefit cards. According to advice received from MTT officers, eligibility for a concession is determined by sighting the appropriate card. Table 5 provides details of the groups that are eligible for concessions and the cards that are acceptable by MTT for the purchase of tickets at concessional rates.



**Table 5: Persons Eligible for Bus Travel Concessions**

<b>Eligible Persons</b>	<b>Acceptable Card</b>	<b>Available Concessions</b>
Persons deemed to be legally blind	Blind card (issued by DSS)	Free bus travel.
Unemployed and Low Income Earners	Heath Care Card	Adult concession tickets
Recipients of Sickness Allowance	Health Benefits Card	Adult concession tickets
War widow	DVA Gold Card bearing the inscription "War Widow"	Adult concession tickets
Incapacitated Ex-Member of Forces	DVA Gold Card bearing the inscription "TPI"	Free bus travel
Pensioners	Pensioner Concession Card (issued by DSS)	Adult concession tickets
Seniors	Seniors Card	Adult and Senior concession tickets

Source: MTT 1996 Concession Permits Booklet

Single and day-trip tickets are purchased directly from the driver upon boarding the bus. MTT staff advised that drivers receive training on the types of cards that are acceptable for concessional rates. A bulletin system is also used to inform drivers of any changes, such as the introduction of a new card. In addition, the concessional cards are on display in each of the depots.

Prepaid or multi-ride tickets can be purchased from one of the following locations:

- the Metro Shop in Hobart,
- the administration centres at the Launceston, Burnie and Springfield depots, or
- a Metro agency.

In its 1995-96 Annual Report, the MTT noted that the use of prepaid tickets has increased over the past few years and now constitutes more than 50% of all trips. Table 6 shows the percentage of trips made using prepaid tickets for the three principal fare categories.

**Table 6: Prepaid Ticket Use By Passenger Category**

	<b>Adult</b>	<b>Adult Concession</b>	<b>Child/ Student</b>	<b>Total All Categories</b>
	%	%	%	%
1991-92.....	23.9	17.3	66.4	38.7
1992-93.....	25.3	21.0	66.6	39.2
1993-94.....	25.5	20.4	67.5	48.7 <sup>1</sup>
1994-95.....	27.2	22.9	62.3 <sup>2</sup>	49.8 <sup>1</sup>
1995-96.....	29.6	25.8	65.0 <sup>2</sup>	50.9 <sup>1</sup>

1. Total All Categories - includes prepaid trips and free trips made by eligible school children, these trips have not been included in calculating percentage of Child/Student prepaid travel.
2. Child/Student statistics excludes free school trips. Decrease in 1994/95 is due to the increased number of free school trips at the overall expense of paid school trips.

Source: MTT 1995-96 Annual Report

According to advice from MTT staff, the requirement to present appropriate identification is not strictly enforced when multi-trip tickets are purchased. It is therefore possible for an ineligible traveller to purchase a concessional ticket. However, this weakness is compensated by the fact that transit officers perform periodic checks whereby passengers are requested to produce their tickets and proof of eligibility, where necessary.

### **Metro Fares Investigation**

GPOC's Draft Report on Metro Fares, which includes an analysis of possible future fare options, was released for comment in December 1996. The Final Report, which is due to be completed by 28 February 1997, will include recommendations on the maximum prices to be charged for bus services over the next three years.

In its Draft Report, the Commission did not make any recommendations regarding the administration of concession fares. However, the introduction of a new concession fare structure was proposed.

## IDENTIFIED RISKS

The major risks associated with bus travel concessions have been identified by Audit as follows:

- a concessional ticket may be purchased from a Metro agency by an ineligible person; and
- a prepaid concessional ticket purchased by an eligible person may be subsequently transferred to an ineligible person.

As noted previously, transit officers periodically travel on buses and request passengers to produce their tickets and proof of eligibility. This control serves to ensure that concessional tickets are not misused.

## ADMINISTRATION COST

According to the Register of State Government Concessions, the MTT incurred a cost of \$15 000 associated with the administration of bus travel concessions. This represents 0.27% of the total value of bus travel concessions provided in 1994-95. MTT advised that the cost was an estimate based on a proportion of an employee's annual salary, excluding on-costs.

## CONCLUSION/SUMMARY:

The risk of ineligible passengers travelling at concessional rates is controlled by the fact that transit officers perform periodic checks to ensure passengers have appropriate tickets and proof of eligibility. These checks also help to ensure that passengers travelling at standard adult rates have appropriate tickets.

## LAND TAX EXEMPTION

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### INTRODUCTION

According to the Register of State Government Concessions, the total value of land tax exemptions provided in 1994-95 amounted to \$2 860 844. Responsibility for the administration of the concession lies with Treasury, and in particular, Revenue and Gaming. A full exemption of land tax is provided to those who are eligible.

### LEGISLATION GOVERNING LAND TAX EXEMPTION

Section 10(1) of the Land and Income Taxation Act 1910 provides for the levy and payment of a graduated land tax on all Tasmanian land. For land tax purposes, land is classified into three broad categories:

- Principal Residence Land,
- Rural Land, and
- General Land.

Principal Residence Land and Rural Land were exempted from land tax with effect from 1 July 1996.

Section 10 of the Act also provides a number of other exceptions to the tax. In relation to pensioner concessions the relevant exceptions include:

*“... (o) Any land owned by a person who is entitled to a compulsory remission of rates and charges under the Local Government (Rates and Charges Remissions) Act 1991.*

*(p) Any land owned by any person who, being in receipt of a pension payable under the Repatriation Act, is totally and permanently incapacitated and, if, for the financial year for the which the land tax is levied, the taxable income of his wife does not exceed \$100, any land owned by her ...”*

In accordance with Paragraph (o), the land tax exemption applies to all land owned by the pensioner, not just their principal residence, as is the case with rate remissions. Paragraph (p) provides an exemption to totally and permanently incapacitated (TPI) pensioners who receive a pension from DVA. As noted previously, TPI pensioners are also eligible for a rates remission in accordance with Treasury guidelines. Therefore, the basic eligibility criterion for a land tax exemption is a pensioner's entitlement to a remission of rates.

According to Section 11, the taxable value of land is the assessed land value. The assessed land value refers to the land value, as determined by the Valuer-General, multiplied by an adjustment factor. The adjustment factor, which is also determined by the Valuer-General, represents the movement in land values since the last general revaluation in each municipality.

Section 13 provides that,

*“... The land tax shall be charged on land as owned at the commencement of the financial year for which the tax is levied. ...”*

## **ADMINISTRATIVE PROCEDURES**

As noted previously, consultants were engaged by Treasury in March 1995 to review the procedures relating to pensioner rate remissions and land tax concessions. As a result of the review, a new process of confirming the eligibility status of pensioners was implemented from 1996-97. The new process is based on electronic data interchange and utilises the client confirmation service provided by DSS and DVA.

### **Existing Procedures for Land Tax Exemptions**

Prior to the 1996-97 financial year, the administration of land tax exemptions was primarily concerned with the processing of new applications. According to advice received from Treasury staff, approximately three thousand new applications were received each year. Applicants had to provide Treasury with their pension details, including their pension number. The appropriate pension card was sighted when the application was made in person. Where the application was received in the mail, the pension details were usually accepted as correct. If there were concerns or doubts regarding the application, the relevant council was contacted to ensure that the applicant was entitled to a Pensioner Rate Remission.

Prior to 1996-97, pensioners were not required to reapply for a land tax exemption on an annual basis. Once the initial application had been accepted, the exemption was automatically granted in subsequent years. A pensioner's exemption status was not subject to further checks.

### **New Procedures/Process**

As noted in the section relating to pensioner rate remissions, the new confirmation process requires councils to forward data files to Treasury's Revenue and Gaming Division prior to the commencement of the financial year. Revenue and Gaming update its database with councils' information and subsequently transfer pensioner data to DSS and DVA for confirmation. It is noted that problems have occurred in the year of implementation due to discrepancies between council and Treasury data. Treasury advised that only matched data was forwarded to DSS and DVA for confirmation.

Upon receipt of the confirmations, Revenue and Gaming update their database and distribute reports to the various councils. The updated database is then used to determine land tax exemptions for valid pensioners. Land tax assessments are subsequently issued together with notice of the grievance process if the taxpayer believes they have been incorrectly assessed.

## IDENTIFIED RISKS

The main risk associated with the processing of land tax exemptions is that an exemption may be allowed where the applicant is not an eligible pensioner as at 1 July of the financial year concerned.

A similar risk was identified in relation to the processing of pensioner rate remissions. As the eligibility for a land tax exemption is based on a pensioner's entitlement to a remission of rates, the comments regarding the rate remission risk are equally applicable for land tax exemptions.

## ADMINISTRATION COST

According to the Register of State Government Concessions, Treasury incurred a cost of \$60 624 associated with the administration of land tax exemptions. This represents 2.12% of the total value of land tax exemptions granted in 1994-95. Discussions with Treasury officers revealed that the cost is based on the salaries of one and a half FTEs. Oncosts such as superannuation were also included in the calculation.

## CONCLUSION/SUMMARY

Like pensioner rate remissions, the implementation of the new method of eligibility assessment resulted in a number of problems in the 1996-97 financial year. As noted previously, the problems were primarily due to the non-matching of data between council and Treasury records.

## RESPONSE FROM THE DEPARTMENT OF TREASURY AND FINANCE

*... "Whilst there have been some complications associated with the new approval process for pensioners in 1996-97, there have also been considerable improvements in the process compared with past years including significant gains from a customer service viewpoint with a large reduction in contacts by newly approved pensioners...."*

# MOTOR VEHICLE CONCESSIONS

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## INTRODUCTION

According to the Register of State Government Concessions, the value of concessions provided in 1994-95 for drivers' licences, motor vehicle registration (including trailers) and no fault insurance amounted to \$334 763, \$1 429 000 and \$1 672 000 respectively.

For drivers' licences and vehicle registrations, the concession represents approximately 50% of the normal fee for the issue or renewal of a licence or registration. The concessions are primarily issued to recipients of a pension granted by either DSS or DVA and members of the Transport Access Scheme.

The no fault insurance concession represents a rebate on the premium payable to the Motor Accidents Insurance Board (MAIB) in respect of Class I and Class II vehicles. The rebate is available to pensioners and members of the Transport Access Scheme.

## LEGISLATION GOVERNING MOTOR VEHICLE CONCESSIONS

When registering a motor vehicle or trailer, the following amounts are normally payable:

- registration fee,
- motor tax,
- MAIB premium, and
- stamp duty.

Motor tax and stamp duty are excluded for the purpose of this review. The legislation governing registration fees, drivers' licence fees and MAIB premiums are outlined in the following paragraphs.

### **Registration and Drivers' Licence Fees**

Fees for vehicle registrations and drivers' licences are governed by the provisions of the Traffic Act 1925. Under Section 10 of the Act, the Governor has authority to make regulations providing for:

- the registration of motor vehicles and trailers and the issue of certificates and registration labels;
- the issue of drivers' licences;
- the payment of fees for the issue, renewal or transfer of registration; and
- the payment of fees for the issue or renewal of a driver's licence.

The maximum fees payable for the issue or renewal of drivers' licences and vehicle registrations are contained in Schedule Two of the Act.

### **MAIB Premium**

The Motor Accidents (Liabilities and Compensation) Act 1973 provides for the levying and payment of premiums for the use of vehicles. In accordance with Section 30 of the Act, the premiums are payable to MAIB. MAIB is responsible for discharging any liability caused by the death or bodily injury of a person as the result of a motor accident.

The amount of premium required to be paid is based on the type or class of vehicle and the purpose for which the vehicle is to be used. The premiums payable under Section 30 of the Act are set out in Schedule One of the Motor Accidents (Liabilities and Compensation) (Premiums) Order 1996. Section 5 of the Order provides for a concessional rate if the vehicle is classed as either a motor car (Class I) or light goods vehicle (Class II) and the registered owner is -

- “(a) a pensioner; or*
- (b) a severely disabled person; or*
- (c) the parent or guardian of a severely disabled person who has not attained the age of 16 years. ...”*

The term “pensioner” is defined as:

- “... a person who is in receipt of -*

- (a) an age pension, a disability support pension, a wife pension, a carer pension, a widow B pension, a widow allowance, a mature age allowance, a mature age partner allowance or a sole parent pension payable under the Social Security Act 1991 of the Commonwealth; or*

- (b) a pension payable under the Repatriation Act 1920 of the Commonwealth in respect of age or permanent unemployability; or*

- (c) a pension payable under the Repatriation Act 1920 of the Commonwealth -*
  - (i) to a widow who has attained the age of 60 years; or*
  - (ii) to the widow of a person who had, immediately before his death, been in receipt of a pension under that Act in respect of permanent unemployability; or*



*(d) a disability wage supplement payable under the Social Security Act 1991 of the Commonwealth ...”*

The concessional MAIB premium is currently \$172 per annum. This represents an annual rebate of \$43.

## **ADMINISTRATIVE PROCEDURES**

### **Eligibility Criteria and Assessment**

Concessions on drivers' licences, vehicle registration and no fault insurance are available to:

- persons in receipt of a DSS or DVA pension; and
- members of the Transport Access Scheme or the parent or guardian of a member who is under the age of sixteen years.

Concessions on drivers' licences are also available to persons aged over sixty five years.

In relation to pensioner concessions, eligibility is confirmed in one of two ways.

- An appropriate pensioner card is sighted (either a Pensioner Concession Card issued by DSS or a Repatriation Health Card issued by DVA).
- The pensioner provides the Department of Transport with a concession voucher. The voucher is supplied with the pensioner concession card by the issuing agency.

The pensioner's eligibility is confirmed each time the concession is claimed. Motor vehicle registration and no fault insurance are paid at least annually. For drivers' licences, the fees may be paid for a period ranging from one year to five years. Pensioners who opt for the five year payment period will receive the concession even if their eligibility ceases during the five years. It is noted that TPI pensioners are only required to evidence their eligibility at the time of their initial application.

People with a permanent physical or intellectual disability may be eligible for membership of the Transport Access Scheme. The Scheme provides people who are precluded from using public transport with parking, transport and taxi concessions. When applying for Department of Transport concessions, Scheme members are required to provide medical evidence that satisfies the criteria for membership. It is noted that evidence of eligibility is only required when the member initially applies for the concession.

## IDENTIFIED RISKS

The main risk associated with the processing of motor vehicle concessions is that a concession may be allowed where the claimant is not an eligible pensioner. As previously noted, a pensioner must either produce their pensioner card or a concession voucher when claiming a concession.

According to advice from Department of Transport officers, no additional checks of the eligibility status of claimants are performed.

## ADMINISTRATION COSTS

According to the Register of State Government Concessions, the Department of Transport incurred the following costs associated with the administration of the motor vehicle concessions:

	<b>Administration Cost</b>	<b>Number of Recipients</b>
• Drivers' Licences	\$271 398	36 920
• Motor Vehicle Registration	\$295 536	52 641
• No Fault Insurance	\$293 509	52 280

Based on the above information, the cost of administering the motor vehicle concessions appears high compared with other agency concessions. The administration cost for drivers' licences represents 81.07% of the total value of concessions provided in 1994-95. The percentages for motor vehicle registration and no fault insurance are 20.68% and 17.55% respectively.

The Department of Transport advised that the Austroads Registration and Licencing submission for 1994-95 was referred to when calculating the above costs. Austroads is a national association of road transport and traffic authorities. The Austroads submission provided estimates of the total cost of registration and licencing services. The total cost was then used as the basis for calculating the cost of providing the transport concessions. According to advice received from the Department of Transport, the cost of each concession was calculated as follows:

### ***“... Drivers Licences***

*The number of licence holders who have a concession was expressed as a percentage of all licence transactions and multiplied by the total cost of providing all licence services.*

**Motor Vehicle Registration**

*The number of concession recipients was expressed as a percentage of all registration transactions and multiplied by the total cost of providing all registration services.*

**No Fault Insurance**

*The proportion of class 1 and 2 vehicles owned by concession recipients was expressed as a percentage of all registration transactions and multiplied by the total cost of providing all registration services. ...”*

It would appear that the relatively high cost of administering the motor vehicle concessions is due to the method of calculation adopted by the Department of Transport. This is illustrated by the following comment provided by the Department:

*“... The administration costs were based on the total cost of providing registration and licencing services to people who receive concessions. The actual administration cost for the concession (i.e. marginal additional transaction costs) associated with these services would be significantly smaller. ...”*

In addition the Department noted:

*“...that information has been provided in this format historically, and that in future marginal additional costs will be provided....”*

When calculating administration costs, other agencies adopted a different approach to the Department of Transport. The agencies that were interviewed as part of the review only included the cost of confirming the eligibility status of claimants. In comparison, the Department of Transport have included the total cost of providing the service.

**CONCLUSION/SUMMARY:**

As part of the review, it was noted that the Department of Transport confirms the eligibility status of pensioners on a manual basis. Cross-matching of data with other agency records is not performed as a further check of the claimant's eligibility.

Other agencies utilise the client confirmation service provided by DSS and DVA to confirm the eligibility status of pensioners. This service could also be utilised by the Department of Transport.

As part of the review, it was revealed that the method of calculating the administration cost of the various concessions is not consistent between the various agencies. The Department of Transport has based its calculations on the total cost of providing the service. Other agencies have only included the additional administration cost associated with confirming the eligibility status of claimants. For

comparative purposes, it is recommended that the basis for calculating the administration cost is included in the Register of State Government Concessions.

## RESPONSE FROM THE DEPARTMENT OF TRANSPORT

*“....The report also suggests that client confirmation services could be utilised by the Department to check customer eligibility. I am advised that these services are not instantaneous, but rather provide for batch checking of eligibility weekly, monthly or annually. I believe that there are risks associated with the use of batch checking. For example, if a transaction is processed and the batch check reveals that a person is actually ineligible, administrative action would be required to recoup the outstanding amount, with associated administrative costs.*

*For registration renewals, I believe that the current system is quite effective. Information alerting the customer to their potential eligibility (based on information received in the previous year) and the concession amount is printed on the renewal form. Eligibility is then tested when the customer completes the renewal transaction, whether at a Registry Office, at an Agency service outlet or by mail.*

*The issues surrounding driver's licence renewals are more complex due to the one to five year renewal options. I have requested that a cost-benefit analysis be completed on the marginal cost of administering driver licensing concessions. The investigation will consider how often eligibility should be tested, given that customers may cease being eligible prior to the expiry of their driver's licence (ie, annual check or batch check), other options for electronic data exchange, and customer service impacts. On completion, I will ensure that operational practices are modified if necessary, to provide the most cost effective option to Government....”*

## APPENDIX A: BIBLIOGRAPHY

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1993	SPECIAL REPORT NO. 3	EDUCATION INSTITUTIONS CLEANING SERVICES
1993	SPECIAL REPORT NO. 4	STANDARD OF ANNUAL REPORTING BY GOVERNMENT DEPARTMENTS
1993	SPECIAL REPORT NO. 5	MUNICIPAL SOLID WASTE MANAGEMENT
1994	SPECIAL REPORT NO. 6	ADMINISTRATION AND ACCOUNTABILITY OF GRANTS
1994	SPECIAL REPORT NO. 7	REGIONAL HEALTH MEDICAL REVIEW
1994	SPECIAL REPORT NO. 8	WASTEWATER MANAGEMENT IN LOCAL GOVERNMENT
1995	SPECIAL REPORT NO 9	HERITAGE COLLECTION MANAGEMENT
1995	SPECIAL REPORT NO 10	OFFICE ACCOMMODATION MANAGEMENT
1995	SPECIAL REPORT NO 11	RECORDING AND REPORTING BY GOVERNMENT DEPARTMENTS OF THEIR NON-CURRENT PHYSICAL ASSETS
1995	SPECIAL REPORT NO 12	TENDERED WORKS
1996	SPECIAL REPORT NO 13	NURSING COSTS IN TASMANIA
1996	SPECIAL REPORT NO 14	REVIEW OF PERFORMANCE INDICATORS IN GOVERNMENT DEPARTMENTS
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1996	SPECIAL REPORT NO 16	DEPARTMENTAL ACCOUNTING MANUALS AND COMPLIANCE WITH PROCEDURES
1997	SPECIAL REPORT NO 17	AIR TRAVEL