



SACOSS

*South Australian Council
of Social Service*

Concessions
shift the focus to equity

SACOSS Principles Paper No. 2
July 2009

You can!
help create a better State

*South Australian
State Election 2010*

Concessions: shift the focus to equity
SACOSS Principles Paper No. 2, July 2009

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You can!*

help create a better State

In the lead up to the 2010 South Australian State Election, political parties, independent candidates and interest groups are all constructing their policy platforms. This means that effectively, the future of South Australia is under construction and this is the best opportunity to influence the development of public policy as political parties and candidates *respond to public opinion* – it is our strongest weapon to ensure progressive and equitable policies!

The policy development process should not be taken for granted: politicians and senior bureaucrats need to know what issues are of concern to the voting public and what direction we want them to take. This paper is one of five SACOSS principles papers that are intended to assist politicians, bureaucrats, interest groups and the broader public to consider what principles should underpin policy development in the lead up to the State Election 2010.

With the right policies – policies that look to the long term future of our State – we can make people the foundation of policy in South Australia. By focusing on long term, preventative policies, we can ensure the prosperity of our State is shared with all South Australians.

Start reading beyond the headlines, stop taking the party political process for granted, start questioning your local candidates — and help create a brighter future.

*Visit our website for ideas, information and research, tips and tools,
and to add your comments about the State Election and beyond.*

www.createabetterstate.wordpress.com

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Preamble

Throughout its State Election 2010 strategy formation, as in all other work, consideration is given by SACOSS to those for whom disadvantage is more common and more entrenched. While the Principles Papers themselves do not specifically mention these groups in detail, the core work of SACOSS, based on its vision of *Justice, Opportunity and Shared Wealth for all South Australians*, leads it to always bear in mind the circumstance of the most vulnerable and disadvantaged in our society.

The question of who is most disadvantaged is often framed in a negative way – that is, who is, and who isn't, most deserving of understanding and assistance. SACOSS does not view these issues in this way, nor does it believe that they should be. There are many groups in society disproportionately represented in statistics on poverty, unemployment, incarceration, low levels of schooling and skills acquisition, and poor access to more of the societal goods many of us take for granted every day. Evidence suggests that the following groups in contemporary South Australian society are the most disadvantaged, and must be kept in mind when reading SACOSS materials:

- Aboriginal and Torres Strait Islander people
- Children from low income families
- The ageing population
- Homeless people
- People with disabilities
- Regional and remote communities
- Women
- Young people
- Culturally and Linguistically Diverse (CALD) communities

Members of these groups are overrepresented on a number of indicators of poverty and disadvantage, including:

- Poor access to safe, secure and affordable housing
- Unemployment and under-employment
- Lack of access to education and training opportunities
- Poor access to health and other support services
- Lack of access to appropriate transport and transport services
- High levels of drug and alcohol abuse
- High levels of incarceration
- High levels of family breakdown
- Lack of social participation

Throughout its Principles Papers and its other State Election 2010 material, the focus of SACOSS is on the specific policy areas they aim to address. By maintaining a broad view of the issues it sees as important, SACOSS hopes that the reader will make use of the facts, figures and findings of these papers to inform their views of the issues and to make their own decisions regarding policy directions for South Australia.

This paper is informed by the following:

Principles

Clarity — There needs to be a clear and publicly stated understanding of the target group for each concession. The social objectives and desired outcomes of all concessions need to be clearly and publicly stated, and the public consulted before the adoption of any new concession.

Equity — Both horizontal and vertical equity must be ensured by the concession: those in similar circumstances need to receive similar levels of benefit, and those in different circumstances need to receive different levels of benefit in order to reach similar outcomes.

Accessibility — Government needs to ensure the accessibility of all concessions in two ways: through proactive advertisement to eligible recipients, and through the provision of genuinely accessible concessions and concessionary services to all eligible recipients, regardless of geographical area.

Affordability — Concessions must make the good or service being provided genuinely affordable to recipients, and be indexed to reflect changing prices of essential goods and services.

Flexibility — Flexibility must be built into concessions in order to keep pace with changing economic and social practices, as well as prices. Relevant review mechanisms must be put in place to ensure that concessions remain relevant in terms of clarity, equity, accessibility and affordability.

Executive Summary

The South Australian Government provides a range of concessions, including (but not limited to) those for energy; public transport; water and sewerage; vehicle registration and licensing fees; stamp duty; telephone bills; and prescription spectacles. These concessions are meant to provide a means for low income and disadvantaged South Australians to gain access to essential goods and services by making them more affordable.

As in other jurisdictions, concessions in South Australia are often ill-directed, lacking in clarity, and, most significantly, lacking in both horizontal and vertical equity. While certain concessions are available to some people on medium or high incomes, these concessions are not available to some people on lower incomes. This creates a major equity issue, and flows from the inability or unwillingness of state/territory and federal governments to implement a national, integrated approach to concessions.

The inability of the South Australian Government to implement policy across the tax and transfer system in its entirety leaves it in a difficult position in terms of policymaking around concessions. There is, however, scope for change through a more systemic approach to concessions. Beginning with a federal Parliamentary Inquiry in the 1990s, a 'checklist' has been created for the analysis and improvement of concessions systems across Australia:

- *Clear identification and understanding of the target group*
- *Social objectives and desired outcomes clearly defined*
- *Production of horizontal equity ensured*
- *Production of vertical equity ensured*
- *Entitlements are clear to recipients, non-discretionary and easy to use by all eligible recipients*
- *Recipients receive goods and services on the same terms as those not covered by concessions*
- *Flexibility in design in order to change to suit changing needs of target group*
- *Concession must provide affordable access to the goods/service to which it is linked*
- *Effective management of concession to ensure it achieves its clearly stated objectives*
- *Must be broadly consistent with government policies*
- *Supplementation of concession with safety net of one-off assistance*

By incorporating the elements of this checklist into a principle-based approach to concessions, not only will low income and disadvantaged South Australians benefit, but all South Australians will reap the rewards of a more efficient system with less fiscal and administrative burden on taxpayers and government.

Major findings

- In 2005-06, national expenditure on concessions totalled \$27.5 billion including tax concessions, much of which goes to those on middle or higher incomes.
- South Australian expenditure on 'core' concessions alone (energy, public transport, water and sewerage, council rates and vehicle registration) in 2005-06 was \$89 million. \$27 million of this was for energy concessions.
- In 2005-06, 31.2% of South Australians were reliant on government payments as their main source of income – suggesting heavy reliance on additional assistance through the state concessions system.
- Since 2004 annual electricity bills for low usage have risen 1.6%, for gas 22.2%; the energy concession has not changed from \$120.
- A single employed person earning over \$892 per fortnight is ineligible for an energy concession, while a single self-funded retiree earning up to \$1,920 is eligible.

Purpose

The intention of the five SACOSS Principles Papers is to influence debate and policy development in the lead up to the State election in March 2010. The purpose of this particular Principles Paper is to explore the existing system of concessions in South Australia, and to identify key actions for government both to simplify the system and make it fairer. Based on an acknowledgement that the relationship between federal and state jurisdictional powers represent significant barriers to a more efficient means of concessions targeting and management, the purpose here is to highlight principle-based policy approaches to the thorny issue of concessions.

This paper draws on previous work around concessions from various jurisdictions, and by applying the dual principles of equity aims to highlight the attraction of instituting a more sensible and even-handed approach to eligibility for concessions. Additionally, the paper draws attention to the importance of flexibility in the creation and maintenance of individual concessions, as well as of making concessionary benefits fulfil the needs of the community as these needs change.

Introduction

While South Australian state concessions are difficult to put into historical context, Commonwealth concessions are known to have begun with the issue of the first pensioner concession card – the Pensioner Health Benefit (PHB) Card – in 1951. This card entitled aged, invalid and widowed pensioners to free hospital treatment, pharmaceuticals and other health benefits, and was soon joined by the Travel Concession 1 (TC1) transport concession ‘identifier’. Together, these two concession cards became the entitlement test for the range of benefits offered by the ‘complex system of concession entitlements developed in each state/territory’ (Parliament of Australia, 1997). Thus concessions were originally aimed at assisting the aged and ‘invalid’, with many of the range of concessions now offered being added since.

Despite the original intent of concessions, the contemporary system can be seen as outdated and unresponsive to changing social and economic circumstances. Indeed, the efficacy and equity of some concessions can be called into question, and this is why SACOSS has continually called for a review of the concessions system in South Australia. It is only through an understanding of individual concessions as part of a system – that is, indivisible from each other and the wider tax-transfer systems and social contexts – that they can be fully understood and assessed.

To contextualise concessions within the broader policy framework, this paper draws on previous work undertaken in Australian states and territories. Ultimately, it shows that in order to provide fair and equitable concessions to low income and disadvantaged South Australians, the South Australian Government needs to commit to an agreement outlining criteria for a fair system of concessions. These criteria are heavily focused on horizontal and vertical equity, as well as using real cost calculations and indexation as a means to ensuring that concessions achieve their clearly stated goals.

What is a concession?

In its 2002 submission to the ACT concessions review, the ACT Council of Social Service (ACTCOSS) defined a concession as:

a reduction, discount, subsidy, rebate, waiver or exemption provided by the government on the value of goods, services or associated fees to an individual, family, household or organisation. They are generally provided on the basis of low income, special needs or disadvantage, or some other special category such as age or war service. (ACTCOSS, 2002)

Concessions in Australian jurisdictions are predominantly administered by the respective state or territory government, although eligibility is in most cases based on the granting of a Commonwealth concession card or based on income and/or means testing. The concessions offered in South Australia range from lower rates for public transport and private vehicle licensing, to discounted utilities and one-off government co-payments for first time homebuyers.

Types of concessions

Broadly speaking, there are three categories of concession: universal, secondary and targeted.

- *Universal* concessions are those which apply to all within a society through common funding programs, and include the provision of health and education to all members of a jurisdiction. Universal concessions can be seen as government tax expenditure rather than part of the transfer system.
- *Secondary* concessions are put in place to assist individuals and groups within society to access services and to participate more fully in society. Including public transport concessions, those in the secondary category are more limited in scope than universal concessions, and are provided for through the transfer system.
- *Targeted* concessions are much more limited than universal and secondary concessions, and are designed to provide added support for particular groups who experience extreme need; one example is the Supported Accommodation Assistance Program, or SAAP. Conversely, they also include concessions for all or most members of society in order to meet a specific, or targeted, societal goal, for example rebates on the installation of photo-voltaic cells for hot water services (DHCS, 2008).

It is secondary concessions that are of key significance in the context of this discussion paper, as this category includes what are considered to be traditional concessions, such as those for transport and utilities. Moreover, the funding arrangements for this category leave it open to greater scrutiny in terms of its relationship to the transfer system in general.

Two groups of secondary concessions can be identified, one of which fiscally is directly supported by the federal government ('core'), the other of which is provided solely by individual state/territory and local governments ('non-core'). Core concessions, while provided by state and territory governments, are those for which the Australian Government provides Specific Purpose Payments (SPP) to allow for the extension of these concessions to recipients of part pensions.

Non-core concessions are those provided by state and territory governments but are *not* funded through SPPs (AIHW, 2007), their cost being met by state and territory government expenditure – both directly through state revenues and vicariously through broad state-federal funding agreements.

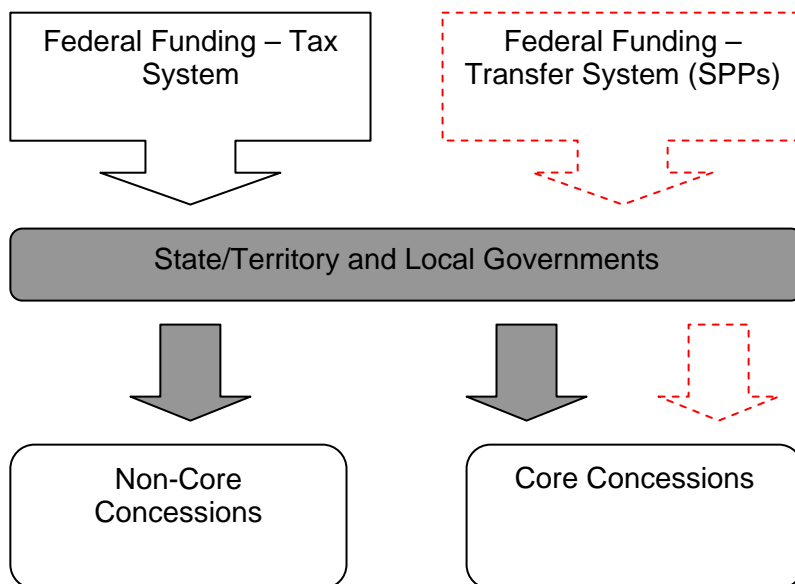
- Core concessions are provided to a range of concession card holders, and include concessions for:
 - Energy
 - Public transport
 - Water/sewerage
 - Local government rates
 - Motor vehicle registration fees
- Non-core concessions, still provided to some concession card holders, include those for:
 - Drivers' license fees
 - Emergency service levies
 - Stamp duty
 - Private telephone bills
 - Pet registration
 - Rural/regional transport

Thus, while the majority of direct concessions are provided by state and territory governments for the purchase and use of their goods and services, funding is provided both directly and indirectly through federal-state funding arrangements (Figure 1).

The focus of this paper extends beyond the core concessions into the area of non-core: it argues that in order for a concessions system to achieve social good, it must include those concessions deemed to be non-core, such as assistance with regional transport and telephone bills. This wider focus is due to the need to view the concessions system in its entirety in order to find whether it achieves its societal goals and whether it is equitable.

While individual concessions may be provided as a political manoeuvre, and then be periodically reviewed, this represents a 'tinkering around the edges' approach. The existing concessions 'system', such as it is, must be approached with the purpose of creating and implementing an agreed set of principles for the evaluation of all concessions using the same practical and conceptual tools.

Figure 1: Funding for Concessions



The cost of concessions

Concessions form an important component of the welfare framework in Australia and represent a significant cost to federal, state/territory and local governments. The Australian Institute of Health and Welfare estimates that the total cost of concessions in Australia was \$27.5 billion in 2005-06, when including tax expenditure¹. Included in this total is funding for the extension of core concessions to part-pensioners through SPPs, which represented \$1.7 billion, and of which \$1.5 billion was provided by state, territory and local governments (AIHW, 2007).

The AIHW found that state/territory funding for the provision of core concessions represented on average 21% of total state/territory welfare services² funding between 1998-99 and 2005-06. Given the lack of dedicated data for non-core concessions, the figures are likely to be much higher in their totality. Moreover, the differing methods of reporting on concessions funding makes it difficult to gauge the true cost of concessions in each jurisdiction. While all jurisdictions regard the provision of concessions as 'revenue forgone' for reporting purposes, there is a difference within this category in terms of reporting funding as payments for concessions or tax expenditure (AIHW, 2007).

In South Australia, funding allocated to core concessions (excluding SPP payments) amounted to \$89 million in 2005-06, up from \$64 million in 1998-99. While rises in the costs of most core concessions have remained minimal, the rising costs of energy have led to a dramatic increase in the cost of providing concessions: the South Australian Government spent \$27 million on energy concessions alone in 2005-06, compared to \$13 million in 1998-99 (AIHW, 2007). This rise corresponds with the privatisation of utilities in South Australia and attendant price rises for consumers.

One of the main issues involved in ascertaining the cost of concessions is the lack of standard related financial reporting standards across government and across governments. This stems from the elasticity between 'tax expenditure' and 'welfare expenditure' (AIHW, 2007). Moreover, the costs of concessions can be described as 'revenue foregone' as opposed to actually iterated as a cost in their own right.

¹ 'Tax expenditure' is here taken to be concessions in their entirety – that is, including tax concessions and offsets and the wide range of other federal government payments not included in 'welfare expenditure' or 'welfare services expenditure' categories.

² In the case of state/territory and local government expenditure, the cost of concessions is included in 'welfare services expenditure' by the AIHW.

South Australian concessions

In South Australia, as in nearly all Australian jurisdictions, there is a concessions portal where information on availability and eligibility requirements can be found. Although arguably this makes for relatively easy access, as well as providing a valuable source of information for the purposes of analysis, it is not accessible without internet access.

In South Australia concessions are currently offered by a number of state government agencies and departments and local government, including:

- The Department for Families and Communities;
- The Department of Education and Children's Services;
- SA Water;
- Revenue SA;
- The Department of Transport, Energy and Infrastructure; and
- The Department of Health.

The main concessions available for South Australians through these agents include:

- Council rates remissions;
- Energy concessions;
- Water rates remissions;
- Sewerage rates remissions;
- Emergency Service Levy remissions;
- Public Transport concessions;
- Patient Assistance Transport Scheme;
- Dental care concessions;
- Optical care concessions.

Figure 2 shows the availability of some of these concessions and their value to consumers. As is the case in other Australian jurisdictions, concessions are available to a range of low income households and pension and benefit recipients, including Centrelink pensions and other payments and Department of Veterans' Affairs payment recipients.

Figure 2: Eligibility and Benefit for Major Concessions in SA (Source: DFC)

	Council	Water	Sewer	T'port	Energy	ESL
Pensioner Concession Card	y	y	y	y	y	y
DVA Gold card	y	y	y	y	y	y
British & NZ War Widow	y	y	y		y	y
Centrelink	y	y	y	y	y	y
Aus/Abstudy	y	y	y	y	y	y
Low Income	y	y	y			
State Seniors Card	y			y		y
C'wth Seniors Card					y	
State Concession Card	y	y	y	y	y	y
Max benefit p.a.	\$190 (\$285 areas with septic systems)	\$200 owner occupiers, \$160 tenants	\$95		\$120	\$40

Towards a concessions framework – a checklist?

Ideally, given the importance of concessions within the wider framework of government assistance, the concessions system would be seen as a federal issue rather than a state-by-state one. This notion is not new – in 1997 federal parliament published a report (Parliament of Australia, 1997) on its review of concessions. This review was undertaken with a view to identifying a workable framework for common practices throughout Australia in regard to the eligibility and availability of concessions, and identified a number of guiding principles for this purpose.

In its submission to the ACT Government concessions review in 2002, ACTCOSS drew on this work to create its 'checklist' of criteria for the concessions system in that territory (ACTCOSS, 2002), and more recently the Western Australian Council of Social Service (WACOSS, 2007) has also followed this route.

SACOSS proposes that the following 'checklist' be considered as a possible response to a disparate system:

- *Clear identification and understanding of the target group:* The group within society for whom the concession is supplied must be defined, and a thorough understanding of their socioeconomic circumstances understood.
- *Social objectives and desired outcomes clearly defined:* What is being sought by the concession? Is it to assist the disadvantaged to gain the same goods available to those who are better off, for the purposes of fairness? Or is it to serve other purposes such as reaching environmental targets? These must be defined.
- *Production of horizontal equity ensured:* The concession must ensure that those in similar circumstances are treated in a similar way.
- *Production of vertical equity ensured:* The concession must ensure that those in different circumstances are treated differently in order to achieve equity in outcome.
- *Entitlements are clear to recipients, non-discretionary and easy to use by all eligible recipients:* It must be clear, to all who are eligible, what the concession entails, how to apply, and how to put their entitlements to best use.
- *Recipients receive goods and services on the same terms as those not covered by concessions:* There must be no stigma attached to the attainment of any goods and/or services by eligible recipients of concessions. This must be ensured throughout the process, from application at government level through to delivery by retail outlets or utility providers.
- *Flexibility in design in order to suit changing needs of target group:* Any changes to the needs of the target group should be catered for by the concession. Thus if there is a significant rise in the cost of the goods or service, it should be reflected in the available concession rates. This implies a percentage concession as opposed to a simple monetary value being imposed.
- *Concession must provide affordable access to the goods/service to which it is linked:* It is hard to justify a concession that does not render the goods/services accessible in terms of cost.

- *Effective management of concession to ensure it achieves its clearly stated objectives:* Government management of the concession must be effective and efficient so that it achieves its stated goal(s).
- *Must be broadly consistent with government policies:* There is little point in undertaking to provide a concession that does not fit with other government priorities as part of its policy framework.
- *Supplementation of concession with safety net of one-off assistance:* This element is designed to provide for those who 'fall through the gap' because they miss out on the concession due to eligibility requirements, to ensure that they do not suffer unduly.

Government and non-government departments and agencies alike can assess individual concessions using this checklist. More importantly, the concessions system as a whole in South Australia can be brought into a framework that ensures the adequate provision of concessions to those most in need.

What is fairness in concessions? Horizontal and vertical equity

One main issue stands out when discussing concessions: fairness. In order to be fair, a concession should achieve greater equity in terms of economic goods for low income and disadvantaged citizens, and this is where many concessions – and ultimately the concessions system – are found wanting. Many concessions are only provided to certain demographics while others in similar financial situations miss out, and this raises the issue of equity in concessions.

The ostensible aim of the personal tax and transfer systems in Australia is to create greater economic and material equity for Australians. The income tax system itself is geared towards more equitable outcomes by charging higher tax rates for those earning more income and lower rates for those earning less, thus redistributing wealth accordingly. What is more significant in this respect is the way in which tax money is spent in terms of government expenditure on public goods, when these public goods are not intrinsically geared towards equity in its more complex sense.

Many South Australians who interact with the tax system via the payment of income tax also interact with the transfer system by collecting pensions, allowances and other forms of assistance from the federal government. Thus the tax and transfer systems interact through individuals by collectively creating an environment of wealth redistribution. In South Australia, a high percentage of households rely on federal government payments as their principle source of income – 31.2% compared to the national average of 26.1% in 2005-06 (ABS, 2006). While this redistribution can be seen as creating equity, a closer examination highlights the sometimes conflicting requirements to attaining both 'horizontal' and 'vertical' equity. To identify some of the key state and federal issues involved in the equity question, these concepts must be clarified.

Horizontal equity

The principle of horizontal equity is the manifestation of the 'non-discrimination' principle, 'identified by the principle of horizontal equity (HE), which claims that a redistributive policy should provide a fiscally equal treatment of "equals".' (Galbiatti and Vertova, 2008) Thus according to the HE principle, tax and transfer systems should be built upon the assumption that *those who are similarly advantaged or disadvantaged be treated in a similar manner.*

According to horizontal equity, those in similar financial circumstances, yet receiving a range of allowances and pensions, should receive similar concessional assistance. While in many cases this occurs through the state and territory concessions systems and through SPP, in others people on the same horizontal socioeconomic strata are in fact treated differently. Perhaps more

pertinently, according to the principle of HE many low income South Australians who are 'working poor' should be eligible for a range of concessions.

Vertical equity

While horizontal equity can be seen in simple terms as providing the same goods for those in the same circumstances, whether through the tax or transfer system, vertical equity in many ways has two distinct meanings in regards to both systems.

In the tax system, it refers to progressive taxation rates, according to which those in different economic circumstances pay different rates of tax. Thus in regards to the tax system, vertical equity is a 'negative' policy in that it ascertains what taxpayers are not required to pay to the state through taxation.

Through the transfer system, vertical equity can however be seen as a more 'positive' manifestation of rights in that it holds that those with fewer economic goods should be provided with government assistance in order to achieve – at least in part – the goods enjoyed by those higher up the socioeconomic ladder.

In regard to concessions, vertical equity (VE) 'requires that a concession produce similar outcomes for people in different circumstances. That is, a person or household on a low income will need to be treated differently to a person or household on a high income as their relative needs are different.' (ACTCOSS, 2002).

Thus a truly equitable concessions system should be based on the fact that not all individuals or households require the same levels of assistance as others, and reflect this in the application of eligibility criteria and benefit scales.

Where equity is lacking

One of the major issues facing the concessions system in South Australia and across Australia is the disjoint between the benefits received by pensioners and those for which recipients of government allowances are eligible. The fact that older Australians who hold a Pensioner Concession Card have access to many concessional benefits that are not available to other people on low incomes means that horizontal equity in the systemic sense is lacking.

In order to achieve structured, systemic horizontal equity, concessions should be extended to other low income Australians. The Australian Council of Social Service recommends, for example, that the federally administered Utilities Allowance should be extended to recipients of Parenting Payment, Newstart Allowance and other allowances, who currently miss out. This would cost an estimated \$1.2 billion in 2009-10, but would fulfill the requirement of horizontal equity (ACOSS, 2008). This notion could be extended to cover Telephone Allowance, transport concessions, and the Pharmaceutical Allowance.

In the South Australian context, there are other issues with horizontal equity however, and a good example of this is the use of public transport concessions. While public transport concessions are available to a range of concession card holders across jurisdictions, the lack of public transport in rural and regional areas negates any concessional benefit to these communities. Thus while a concession card holder in metropolitan Adelaide may reap the benefits of cheaper travel, a regional concession-holder will not. This represents horizontal inequity.

As mentioned above, equity cannot be seen solely in terms of its horizontal dynamics. When considering vertical equity, other issues emerge which make the case for a review of the concessions system, and these include the lack of means testing in favour of simple income testing for concessions, as well as the provision of many concessions to recipients of part pensions while

those on other government payments miss out. This is of particular concern given the income that can be earned by self-funded retirees before they are 'cut off' from the pension altogether and who still receive concessionary benefits. Additionally, some holders of a Pensioner Concession Card may have significant investment and other assets (other than the family home) to draw on, while recipients of other payments and allowances – as well as low income wage earners – may have very little in the way of assets, as well as being on an income that is comparable to a part-pensioner.

South Australian Government concessions for utilities are an example of vertical inequity in this sense. While those who receive federal government assistance and are entitled to a Pensioner Concession or Health Care Card are eligible for these concessions, those on a low income Health Care Card are not. This means that a single person on a low income of \$892 per fortnight is ineligible for an energy concession, whilst a single disability pensioner with income of up to \$1557 per fortnight and a self-funded retiree with income of up to \$1920 per fortnight are both eligible for a flat rate energy concession. By failing to extend utilities concessions to those on a lower income than some beneficiaries, the state government is failing to ensure vertical equity.

Conclusion

While SACOSS acknowledges that the South Australian state government is limited in its capacity to influence the wider tax-transfer system, there is still scope for a fairer state-based approach to concessions through better public policy. Such an approach would include a more holistic view of the relationship of concessions to wider issues such as income distribution, the changing social and financial needs of all low income and disadvantaged South Australians, and the changing needs of society as a whole. In the short term, the state government needs to undertake a review of each concession with a view to achieving equity and a decreased administrative burden by considering:

- **Clarity** — There needs to be a clear and publicly stated understanding of the target group for each concession. The social objectives and desired outcomes of all concessions need to be clearly and publicly stated, and the public consulted before the adoption of any new concession.
- **Equity** — Both horizontal and vertical equity need to be ensured by the concession: those in similar circumstances need to receive similar levels of benefit, and those in different circumstances need to receive different levels of benefit in order to reach similar outcomes.
- **Accessibility** — Government needs to ensure the accessibility of all concessions in two ways: through proactive advertisement to eligible recipients, and through the provision of genuinely accessible concessions and concessionary services to all eligible recipients, regardless of geographical area.
- **Affordability** — Concessions must make the good or service being provided genuinely affordable to recipients, and be indexed to reflect changing prices for essential goods and services.
- **Flexibility** — Flexibility must be built into concessions in order to keep pace with changing economic and social practices, as well as prices. Relevant review mechanisms must be put in place to ensure that concessions remain relevant in terms of clarity, equity, accessibility and affordability.

In the longer term, the concessions system needs to be based on legislation that incorporates these principles, to ensure a well-managed and equitable system that is responsive to changing individual and societal needs.

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