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THE HOUSE OF ASSEMBLY SELECT COMMITTEE ON THE COST OF LIVING MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON THURSDAY 16 AUGUST 2012.

Mr MICHAEL REYNOLDS, DIRECTOR, BUDGET MANAGEMENT, DEPARTMENT OF TREASURY AND FINANCE, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Ms White) - Michael, thank you for coming today. Before we begin I wanted to make sure you have received from the secretary information pertaining to the functions of the committee.

Mr REYNOLDS - I have, yes.

CHAIR - And that is any evidence you give today will be covered by parliamentary privilege but anything you repeat outside the proceedings will not have that coverage. It is a public hearing and the media could potentially be here; however it does look very bare at the moment. Would you like to make an opening statement before we begin?

Mr REYNOLDS - I certainly would like to just clarify some of the role of Treasury and what has been going on especially in this area in the last number of years in particular. There was a response from the secretary back to the committee advising that in Treasury's view that is actually a role now taken on by the Social Inclusion Unit within DPAC. Certainly we feel they are better placed to provide a more holistic view of what goes on in the concessions field from particularly a policy perspective.

Having said that, Treasury has in the past played a role and in fact our budget management branch in 2007-08 prepared a review into the concessions, a copy of which I notice the committee has in front of them today. From our understanding that was perhaps the first major review of concessions that was done for quite some time. In fact we cannot find one prior to that, although there was some administrative and accounting work done back in 1998 to clarify how concessions and the like should actually be collated.

As far as the review is concerned, in 2008 we actually did that in conjunction with our friends at Premier and Cabinet and it was a fairly comprehensive review. It was as a result of essentially an election commitment that was given by the government back in 2006 to undertake such a review. The review scope was quite broad and covered both individual concessions offered by the state government and the framework within which they were actually delivered.

The review was provided to the government in May 2008 and made 18 recommendations covering both the administration and delivery of concessions as well as the recommendation of the abolition of several concessions. In September 2008, the former treasurer, Michael Aird, publicly released a report, which is now also available on our Treasury website. It made a ministerial statement to parliament on the review, accepting all but three of the recommendations, in particular ones relating to the first home and

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duty concession, the inter-generational real transfer exemption and a range of other concessions relating to angling licences.

Of the recommendations most have been implemented. There are some that are still in progress subject to the time frames. I heard earlier that the committee may be interested in actually going through some of these recommendations so I will leave that for the moment so we can work systematically through those and provide you with an update as to where we understand we are at at this time.

CHAIR - Perhaps we could start from the top and if you could give us an update on where we are at with them.

Mr REYNOLDS - The first recommendation relates to Treasury undertaking a review of the concession system in Tasmania every five years against the guiding principles to ensure that the level and targeting of concessional assistance provided by the state government remains appropriate for the Tasmanian community.

Given that the review was completed in 2008 and accepted by the government in September 2008, we are still within the deadline for that recommendation. However, we have started work on aspects of that particular review in the sense that Treasury is actually revisiting the measurement as part of the review. That is, we have actually written to all the agencies seeking their advice as to the value of the concessions that they are actually providing and ensuring that we are actually capturing all the concessions that they are providing to their particular constituents.

In July we wrote to the agencies requesting that information. It is not due back to us until 31 August. With that information, at this stage it is a measurement exercise because it is often quoted that the government provides more than \$300 million in concessions. That number has a bit of history about it and it is a little dated so we thought it was necessary to ensure for public accuracy on this information that we go and test that again, so that was part of the exercise.

In relation to where we are at we are asking agencies to verify the information and provide us with any updates that they feel necessary and then we will be able to provide a more accurate estimate of what the concessions level actually is. We will provide that information to the Treasurer once it is gathered. Then the Treasurer, and I can imagine in conjunction with the Social Inclusion Unit, the extent to which we then take it as far as doing a comprehensive review as we did in 2008 will ultimately be a matter for her and government.

Mr MORRIS - So Treasury has accepted that it will be its role to run a review of the concessions?

Mr REYNOLDS - We have accepted our role in the sense of the measurement of the task. We feel we are best placed to actually ask the agencies on a financial sense how much the cost of a concession being provided by the agency actually is, given the financial implications to the budget and the like.

Mr MORRIS - Right.

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Mr REYNOLDS - In a review in the sense of looking at the policy objectives and the achievement of that and whether it is meeting those objectives and meeting the criteria of the guidelines when it comes to what a concession should do and what it should deliver, we think that is more the Social Inclusion Unit. We think they are better placed actually to provide input into that space than we are, from Treasury's perspective.

Mr MORRIS - Do they have the capacity to undertake that?

Mr REYNOLDS - I would have to let them answer that direct question.

Mr MORRIS - Right, sorry, but are you aware whether or not? I mean basically we do not have a commissioner any more and -

Mr REYNOLDS - The Premier has commented on those aspects in the past, particularly given the budget environment and the costs that may be involved in these things.

Mr MORRIS - Sure.

Mr REYNOLDS - I think capacity at the moment across government is also a question valid for Treasury of us being able to have the capacity as well, to be honest. I think we will be hard pressed to be able to provide the resources required at this stage, given how much I know was put into the 2008 committee. That review commenced in about September 2007 and concluded in May, so it is over an extended period of time, and gathering the evidence and the data and verifying et cetera does take quite a bit of resource and effort.

From an input point of view we think the Social Inclusion Unit, given their position in the policy space, would be better placed to be able to look at a whole-of-government basis and the overarching sort of implications of a particular concession and again whether it is meeting its objectives. We think they would be better placed than perhaps Treasury.

Mr MORRIS - Okay. So in fact you really have not quite accepted recommendation 1, except in the sense you are doing a measurement component.

Mr REYNOLDS - Correct.

Mr MORRIS - So you are recommending that the Social Inclusion Unit undertake a review or is that a question that has not been raised with them yet?

Mr REYNOLDS - That would be a matter we would put to the Treasurer once we gather the information as to where she would want to go with it.

CHAIR - I was going to say recommendation two might be worth reading at the moment in relation to that question just asked. It does, of course, outline the fact that DPAC has a significant role to play in development policy.

Mr MORRIS - Yes.

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Mr REYNOLDS - DPAC of course produce the concessions booklet which is released each year and which outlines the concessions available for Tasmanians so they have a key role in it. When the review was put together and I gave the time frames between late 2007 and early 2008, at that stage the Social Inclusion Unit did not exist.

Mr MORRIS - No, that is correct.

Mr REYNOLDS - It came to fruition around about the time the review was coming out so we were framing these recommendations at the time when that did not exist within government. It now does and I think there has been some evidence given to this committee in the past, particularly by Professor Adams, about where he thought the role would be better placed. I think he gave evidence that DPAC was in a better position; from Treasury's perspective we would wholeheartedly agree.

Mr MORRIS - Yes. I just did not want to leave a space where it sort of fell down the middle.

Mr REYNOLDS - No, and perhaps it has been in the middle to some extent. Evidence I have seen given to the committee on this matter perhaps needs to be clear about who has ownership of this particular issue. Certainly Treasury has a role in the sense of gathering some data and information from a financial perspective, but DPAC also has a major role, in my view, particularly in being able to provide the policy framework and understanding within which concessions should be considered.

Mr MORRIS - Sure.

Mr REYNOLDS - Perhaps in the past, concessions have been considered on too much of an individual basis and perhaps haven't had the coherent structure that they really did need, and perhaps duplication or perhaps not the efficiency from a concession system, which obviously is very important from a Treasury perspective. The state government is providing resources in this field to make sure they're getting the most benefit from the provision of those resources. In my mind there is still work to be done in this space and it should continue.

CHAIR - I seek your advice on the logistics of this. You are taking a measurement at the moment of what's out there and how much is being spent.

Mr REYNOLDS - That's right.

CHAIR - This information could then be passed to the Social Inclusion Unit within DPAC for them to cast their policy eyes over it.

Mr REYNOLDS - Indeed.

CHAIR - In terms of implementing any changes that might be required, as recommendation 2 calls for looking at existing and perhaps new concessions, how would that be implemented across agencies? So if the Social Inclusion Unit looked at the measurements and the data that you've provided and say we can re-distribute this in a more effective and more efficient manner, do they then come back to you and you make sure that agencies implement those recommendations?

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Mr REYNOLDS - It would ultimately be a consideration of the government if it wanted to change the structure of the concessions. I can see the unit coming back to Treasury in a sense of getting input about how it could be managed. I suspect it would be a matter that could be referred to the budget committee as part of a budget development process. If the committee was agreeable to the change recommended by the Social Inclusion Unit to the concessions, they would agree to that and then direct that the agency go about implementing the change that it has identified.

CHAIR - I thought that might be how it would work but I needed to double check how you get effective change. Once you've done all the work and you think about it, how do you actually make it happen.

Mr REYNOLDS - That's always the hardest task, no matter what we do - ensuring that the changes actually deliver and the recommendations are followed through. That does touch on recommendation 2 quite a bit about Treasury having primary responsibility for concessions policy in consultation with DPAC, and continue to provide advice to agencies on the establishment of new concessions and significant changes to existing concessions. There haven't been a great number of new concessions as such. There have been some specific ones, however, in the water and sewerage space and also the electricity concession space. Beyond that I am not aware of a proliferation of concessions out there.

Mr MORRIS - It's been more an issue around growth in the concessions, hasn't it, in recent years?

Mr REYNOLDS - It has.

Mr MORRIS - Keeping up with CPI and the like.

Mr REYNOLDS - It has. The government has actually, as you'd understand from budget deliberations, invested quite a bit and directed quite a bit of money, particularly in the last budget with the electricity concessions and the relief provided there. The community service obligation provided to Aurora for their pensioner concessions has increased substantially from approximately \$24 million in the last budget up to about \$36 million or \$37 million in this budget. It reflects a number of factors, of course, with electricity cost issues there, but the government's policy intent is to provide some relief in that area.

Mr MORRIS - With the Aurora concessions, does the government pay to Aurora that amount which is forgiven as a CSO payment?

Mr REYNOLDS - That's right. Essentially, a CSO is that the GBE has been asked by the government to provide a service that's effectively non-commercial. The government effectively then provides the revenues that it would have forgone as a result of implementing that policy. In that particular instance the government pays Aurora for discounts it provides to pensioners and other concession holders. It's gone up to about \$37 million this year.

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Mr MORRIS - But that won't apply in the latest announcement, will it, with the reduction in the recommended price rise for electricity?

Mr REYNOLDS - No, not that I am aware of. I'd need to seek advice on that.

Mr MORRIS - It's broadly across the whole set of customers, presumably, but it's not seen as a concession, is it?

Mr REYNOLDS - No. This is an interesting question in the sense of what do you measure as a concession, rebate or subsidy and what's provided by the government. It is effectively a discount that is being provided.

Mr MORRIS - No doubt about that.

Mr REYNOLDS - I have seen some jurisdictions that also report this information consider that in the value of the concessions they provided, so if we were to include that in our methodology when it comes to measuring concessions and measuring what the \$300 million consisted of, you could go through the task of deciding the type of discount you would include in that figure, for example. I don't know the number but I could imagine it would be quite significant when you added that into the concessions.

Ms PETRUSMA - I think from 2014, when we go to full retail contestability, there are no concessions at all; it is going to be open market. It is up to the consumer to get the right price. TasCOSS has already started writing articles.

Mr MORRIS - I don't think there's been an announcement that the concession system will go.

Ms PETRUSMA - That's what TasCOSS in its latest newsletter was talking about, that when we go to full retail contestability, because if you have different companies they are often in -

Mr MORRIS - It will obviously need to change in some way because it won't be Aurora.

Ms PETRUSMA - Have you done any modelling on that, looking at what may happen?

Mr REYNOLDS - I haven't done any modelling on it, nor has the budget branch. I wasn't aware of that.

Mr MORRIS - No, nor was I. It will have to be dealt with differently -

Mr REYNOLDS - Certainly our forward estimates show that we will maintain the CSO concession paid to Aurora, so it won't be abolished.

Mr MORRIS - But the intention is to have three companies in place of Aurora doing the retail.

Mr REYNOLDS - That's right.

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Mr MORRIS - There's no problem in the concession system continuing, but this is an opportunity to reconsider that particular concession and whether that's the best way of delivering it. One of the issues for me seems to be that there's no ability to cash out that concession and use energy-efficiency measures to instead provide that same level of relief without having to continually pay out a subsidy to those people.

Mr REYNOLDS - It's not my area of expertise, unfortunately, but I would imagine that type of question may be put by the government to Treasury as to some of the options it may have.

CHAIR - As Michael just said, in the forward estimates the CSO exists still for the provision of that discount, so perhaps if the customer sold and received a discount then the government provide it to whoever the new retailer is, so it follows the customer.

Mr REYNOLDS - Exactly.

Mr MORRIS - It may well be that TasCOSS needs to be reassured. As far as I know there has been no announcement about the abolition of it.

Mr REYNOLDS - As I said, that was the first I have heard of that suggestion.

Ms PETRUSMA - It might not be a real concern but -

Mr MORRIS - It is certainly an opportunity to revisit and look at whether that concession can be delivered more efficiently and effectively.

Mr REYNOLDS - I think that's a question that should be asked of all concessions at all times, to be honest.

Mr MORRIS - That's probably the big question for this review.

Mr REYNOLDS - From my perspective it's about trying to get the most value from any concession that's provided, particularly when there are limited resources. You want to make sure it's going to the target audience and that those who need to benefit are benefiting from the concession.

Mr MORRIS - It says here, 'Treasury has primary responsibility for concessions policy', but you are now suggesting that that should go to the Social Inclusion Unit.

Mr REYNOLDS - As I mentioned earlier, given the timing of when this report was put together, they didn't exist at the time. We think from a policy perspective they are best placed to provide it, but we have a role in assisting and gathering the relevant information they require for any review they undertake.

Mr REYNOLDS - The third recommendation explored Treasury ensuring that the state government concession guidelines were updated and reflect the outcomes of the review. On the guidelines, from the investigations I have put into this prior to appearing before the committee we cannot identify where the guidelines have been updated. This is an area where we believe the Social Inclusion Unit should be adopting some of the recommendations that we have identified in the review and updating the guidelines,

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which were a DPAC construct at the time, and including the recommendations or guidelines that we identified and developed in the report of 2008.

Mr MORRIS - Do we have a copy of those guidelines?

Mr REYNOLDS - Appendix 5 of the review has a copy of them. We have been unsuccessful in trying to identify these on the DPAC website although they did in the first instance come from there.

Mr MORRIS - Right. They have fallen down the back of a cupboard somewhere.

Mr REYNOLDS - It comes back to the point you made about falling through the middle and the like. We think there is an opportunity for some of these guidelines to be reviewed and adopt some of the recommendations we had in the report. I would suggest it is something we would want to ensure is part of the five-year review that is undertaken.

Mr MORRIS - Okay, so that recommendation, as far as you know, has not been done.

Mr REYNOLDS - Not to my knowledge; we are unable to identify it.

Recommendation 4 looked at all state government agencies, identifying and costing all services that are not currently included within the annual concession booklet and which fit within the definition of concession, and report back to Treasury in 2008. As part of 2011-12 measurement exercises, and I spoke about going to agencies, we are asking these questions again to ensure that the information that is in the concessions booklet put together by DPAC, includes all the concessions that are available to people. We have shaken this tree a couple of times and we are quietly confident we have most of them.

Mr MORRIS - But you keep getting a couple of new ones every time.

Mr REYNOLDS - You tend to kick over things and things emerge. That is why we constantly ask the agencies about this. Certainly, as I said, the review that we are currently undertaking with the measurement exercise has that same question. If any come out we would advise the DPAC people who put together the concessions booklet and ensure that they capture that as part of their booklet.

Mr MORRIS - What about something like the reported discount is given to Aurora workers or former Hydro workers on their power bill. Is that considered as a concession?

Mr REYNOLDS - It is specifically targeted to -

Mr MORRIS - Apparently as part of their employment conditions that group of people get cheaper power.

Mr REYNOLDS - Which is probably part of their terms and conditions of employment.

Mr MORRIS - Is or was.

Mr REYNOLDS - Is or was, yes. We do not have those types of arrangements in the concessions booklet, not that I am aware of at least. It is probably made aware to them

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as part of their employment contracts, or at least has been in the past, but it is not one that we measure or have not measured as a concession provided.

Mr MORRIS - It is a cost to Aurora.

Mr REYNOLDS - It would be.

CHAIR - It is in lieu of wages. That is part of the deal that they strike as part of their remuneration package.

Mr MORRIS - It comes back to what is a concession and what is not.

CHAIR - It is part of their agreement for work, though.

Ms PETRUSMA - It is like getting a car and stuff like that.

CHAIR - Exactly. It is part of the work package.

Ms PETRUSMA - I would have thought it would have FBT implications if it went over \$1 000.

Mr REYNOLDS - I suspect it would. From our perspective, we do not include it. You are right that it is a cost to Aurora but I would suggest, as the Chair has, that it is part of their employment arrangements and the like.

Recommendation 5 is about DPAC and Service Tasmania in consultation with relevant agencies evaluating and identifying opportunities for Service Tasmania to enhance its role in relation to promotion and delivery of concessions on a cost-effective basis. Service Tasmania have done quite a bit of work in this area and established a working group in 2008 to identify options for the ways that Service Tasmania could increase its role in helping customers access concessions. Given the nature of customer coming to the desk it is an ideal opportunity to market - or promote the concessions. There are quite a number of people who aren't aware that they are eligible for concessions in a lot of instances. This, historically, has been reflected when we have made estimates about what we believe the value of concessions would be, for example; based on the number of health care card holders and the like, but we weren't getting anywhere near those numbers being claimed because eligible people weren't claiming.

So similarly, the electricity entities in the past strongly promoted this to ensure that those that are eligible do receive the benefit. Similarly, Service Tasmania has awareness campaigns in the past to promote concessions to people who may be eligible.

Mr MORRIS - However it might be a bit scary for Treasury if all-of-a-sudden everyone claimed what they were entitled to.

Mr REYNOLDS - As I said, we do our estimates, on what we believe is the number of people who are eligible.

Mr MORRIS - Oh right.

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Mr REYNOLDS - It is improving, perhaps because people are far more conscious of their electricity bills. But in the past we had instances where our estimates were well above what was actually being claimed; people just weren't going and claiming what they were entitled to under the concession system.

Mr MORRIS - We're certainly pushing the booklets out through our office a lot more than we did in the past.

Mr REYNOLDS - So from a Treasury perspective we've included it in our budget estimates and people who are entitled to it can be paid it. So it's not a shock to Treasury, the provision is made.

Mr MORRIS - But your rebate to Aurora, for example, would only be what they have forgiven.

Mr REYNOLDS - Ultimately it is what's paid.

Mr MORRIS - Okay, but your estimate is the full amount if everyone claimed.

Mr REYNOLDS - Yes, that's right. Aurora does a lot of modelling work and we go with their advice on this. It has a pretty good handle on its customer base and are able to advise, 'Well, this is how many we have on our records and this is the cost', and we use that as the estimate for budget purposes.

Recommendation 6 looked at DPAC reviewing the concessions booklet and making it more user-friendly and ensuring that it enables eligible recipients to be aware of the concessions to which they are entitled. They have done quite a bit of work in this space and it was implemented in 2008-09. There was a ministerial statement on this particular matter. I am not sure if you are familiar with them.

Mr MORRIS - Oh yes, very.

Mr REYNOLDS - They market them quite heavily and you'll often find them scattered around various Government agencies and offices for collection. It's certainly, from what I can recall, a far more user-friendly way to identify the concessions available and those who qualify.

Mr MORRIS - Yet no one maintains a database of eligible people in Tasmania for the purpose of concessions?

Mr REYNOLDS - Not that I'm aware of, no. It's all about if you meet the eligibility criteria.

Mr MORRIS - You then may apply.

Mr REYNOLDS - You may. If I remember correctly the review did look at database issues and maintaining them on a state level and the cost of managing a database of that size would have been significant; which you could appreciate.

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So it was determined at that time to continue with the current process; if you meet the Commonwealth requirements for a health care card or a pension card, you are considered eligible in our eyes for the concessions and that is good enough.

Recommendation 7 relates to DPAC developing a dedicated website to promote awareness of the Government's concessions. There is now a website, and has been for some time, the address is www.concessions.tas.gov.au and it effectively replicates the information that is in the booklet.

Recommendation 8 looked at eligibility and the current arrangements - we have just spoken about this, of linking the Tasmanian Government concessions to the pensioner concession card or health care card and having that continue - although through this review there were major changes identified in the Australian Government Eligibility Criteria for both those particular cards.

Again many concessions offered by the Tasmanian Government are linked to those particular cards including areas such as health services, education, transport, parks and heritage. The annual publication of the booklet that is put out by DPAC identifies the health care card or pension care card concessions for which people are eligible. So that is the framework which we continue to adopt for eligibility purposes.

Recommendation 9 looked at Department of Health and Human Services, in consultation with Treasury, at the heating allowance under the guiding principles and report back to the government on its findings. This recommendation was accepted by the government.. The heating allowance is still offered, and in February 2009 Treasury made some recommendations to the Treasurer regarding how that concession may be directed. It came back to the efficiency issue. The recommendations on this particular one, given that the heating allowance still exists, were that it be fully implemented in that regard.

Ms PETRUSMA - In regards to the heating allowance, is it going to be indexed? Will it go up?

Mr REYNOLDS - I am going from memory, but I think it is still a fixed amount of \$56 –00.

Ms PETRUSMA - That is right.

Mr REYNOLDS - This is the type of issue that Treasury wants to have explored further and whether it could have been included in other allowances, as Mr Morris was saying earlier, that could have been adopted and perhaps made it a bit more effective. This is an area that still exists. The review's findings were essentially that there may have been an opportunity for this to be targeted a bit better and maybe the indexation issue could have been included, but at this stage it has not.

Mr MORRIS - From recollection that only relates to electrical heating, does it not, or is it any form of heating?

CHAIR - I think the value of it was based on the cost of a ton of wood.

Mr REYNOLDS - That is right. It has quite a bit of history to it and it was based on a purchasing a ton of timber.

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Mr MORRIS - A good basis by my measure.

Mr REYNOLDS - I do not actually purchase timber myself so I am not sure how that reflects it.

CHAIR - Yes, you would not get much. You certainly would not purchase a ton for \$56.

Mr REYNOLDS - On the road sides I see mostly at \$150 a tonne.

Mr MORRIS - Yes, it is widely varying value.

CHAIR - You mentioned that some of the recommendations about the heating allowance were not taken up.

Mr REYNOLDS - That is right.

CHAIR - Which ones are still outstanding, do you know?

Mr REYNOLDS - There was a recommendation to review the heating allowance full stop and whether it was still an appropriate allowance in some regards. I do not know how long ago it was, it may be 20 years ago that the allowance was first set up, but again the history of concessions has essentially been established and it has not been actively managed and reviewed, by the relevant agency. Certainly we have had no feedback from the department to suggest look this one needs to be reconsidered because it is not delivering what was intended maybe 20 years ago, or perhaps now there are other alternatives Mr Morris mentioned some of those earlier.

CHAIR - But the department has not come back to you with any issues?

Mr REYNOLDS - No.

CHAIR - Do you rely on the department to instigate that? Obviously you conducted this review yourselves.

Mr REYNOLDS - That is right. The responsibility for delivering concessions at the coal face remains with the agency.

CHAIR - Okay.

Mr REYNOLDS - We would hope that it would take a closer look at a concession if they were getting feedback about a particular concession from the people who were receiving it - or others who were not but would like to. There has not been any of that to my knowledge. I suspect this is one we will have to touch on again when we get to the 2013 review. Given what has gone on in the electricity concessions more generally I think this is one we should look at.

Mr MORRIS - Yes. In fact the concession should be around energy, not the form of the energy?

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Mr REYNOLDS - That is right. In fact I have just been advised that the allowance is actually paid regardless of the type of energy used for heating.

Mr MORRIS - Okay, right, so presumably if you have got a pension or a health care card, whichever qualifies you for the concession, then you can apply and you will receive it.

Mr REYNOLDS - That is right, no matter what heating source you are using.

Mr MORRIS - That is \$56?

Mr REYNOLDS - Thereabouts.

Mr MORRIS - Does DHHS make that as a cash payment?

Mr REYNOLDS - I would assume so.

Mr MORRIS - Again that would seem to be a fairly inefficient mechanism. So they have a data base of people who have applied that they issue cheques to?

Mr REYNOLDS - Yes.

Mr MORRIS - And they have to run a whole process about issuing payments?

Mr REYNOLDS - I am not familiar with the details of how they actually make the payment to the individual, but yes, it raises the question - of whether it could possibly be linked to another concession in this space - add it on and abolish that particular one. Payments of \$28 are made to the recipients; one in May and one in September - two payments a year.

Mr MORRIS - Twice as inefficient.

Laughter.

Mr MORRIS - One of the questions that clearly need to be asked is: how much does it cost DHHS to maintain the database and make the payments? What is the full cost of the concession? How much they pay out is easy, but it is how much it costs them to administer that whole process.

Mr REYNOLDS - I don't know the answer to that question.

Mr MORRIS - That obviously is one of the key questions relating to any of the concessions because the more we can pump into the concessions and the less we can spend on administering them the better off everyone is.

Mr REYNOLDS - Exactly right. With our limited resources it's all about ensuring we are getting the most out of them and if that can be moved away from an administrative cost and be transferred to the beneficiary, I think we would all agree that's a better outcome. That's the type of approach we were looking for when we conducted the review, and particularly the efficiency of it, which was one of our guiding principles of the concession itself.

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Mr MORRIS - But that one's gone nowhere in terms of identifying the efficiencies?

Mr REYNOLDS - Not to my knowledge. It is one, so far as the 2013 review, that should be particularly targeted. In light of the other concessions you spoke about earlier, we just looked at how it could be incorporated potentially.

Ms PETRUSMA - It would make more sense to go to Aurora or something like that instead of going out with extra -

Mr MORRIS - Yes, that's right, as a discount off your power because you could then spend the money elsewhere.

Mr REYNOLDS - That's right, and it removes potentially the administrative burden you spoke of on the department.

Mr MORRIS - I can imagine that's not just a one-person job.

Mr REYNOLDS - I would suspect not; you are talking tens of thousands of people who are eligible for these types of payments. I don't know how many they are paying out but it's not an inexpensive task to maintain the databases and particularly to keep them up to date, if that's what they are doing.

Mr MORRIS - It seems there may well be quite a number of databases sitting within different agencies depending on their needs or on the concession.

Mr REYNOLDS - Indeed. There is that potential duplication of cost as well as inefficiency. It perhaps should be explored further.

I think we have got to recommendation 10, which is looking at the funeral assistance with the aim of simplifying procedures and ensuring that the process is conducted with sensitivity and flexibility in particular and reporting back. We are advised that the department hasn't made any change to this particular concession in the administration of it. I have learnt a bit more about funeral assistance concessions in the last few days than I thought I needed to know at this stage, but it looks like there needs to be further work done by the department on this. I understand the department has looked at it in some respects but I don't think it's in accordance with what the recommendation was seeking to do to make it perhaps a bit more efficient. That is one I feel could perhaps be explored a bit further in the coming review.

In regard to recommendation 11 that the rates remission provided to pensioners be extended to healthcare card holders from 1 July 2009, that particular recommendation was implemented in the 2008-09 budget.

Mr MORRIS - However, there is one issue that still gets up people's noses and that is that you don't become eligible until the year in which you are an eligible pensioner occurs on 1 July, so you don't get the concession - I just dealt with another one last night in Sorrell. If you turn 65 and become a pensioner on 2 July, you don't get the concession until the following year, and you don't necessarily get it on the first instalment. Their second complaint was that even though they were now eligible, they weren't receiving the concession yet.

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Mr REYNOLDS - The problem was that they weren't eligible on 1 July of the year and that's the point of measurement, unfortunately.

Mr MORRIS - That is probably the main complaint I get about this one.

Mr REYNOLDS - I have heard this complaint about it for some time myself. I think it comes back to some of the issues we spoke about of maintaining databases and cut-off points and the like. Unfortunately some people are going to have to wait 364 days until they get to that.

Mr MORRIS - I think that it was done in a time when rates were normally set out as an annual payment. Now that they are all, I think, available on a quarterly basis it probably needs updating so that once you have the concession card you become eligible from the next period.

Mr REYNOLDS - The next quarter.

Mr MORRIS - Yes, I think that would be a reasonable update.

Mr REYNOLDS - In conducting a review that would certainly be a consideration in making the case for that particular concession. Recommendation 12, that the Fire Services contribution concession be extended to healthcare card holders from 1 July 2009: I am advised that this was implemented in the 2008-09 budget.

Similarly for recommendation 13, that motor vehicle registration and driver licence concessions be extended to healthcare card holders from 1 January 2009, again, it was implemented in the 2008-09 state budget.

Mr MORRIS - Just before the word 'GFC' became common currency. Very lucky, just squeezed in.

Mr REYNOLDS - Recommendation 14 spoke about the government abolishing the first homebuyer duty concession. At the time this recommendation wasn't accepted by the government, however the concession was abolished as a budget savings measure in the 2011-12 budget. From a review perspective the recommendations have been adopted although the government, when their review came down, didn't actually accept them but they have since.

Mr MORRIS - However, it didn't have a time frame on it. We will declare that one accepted.

Mr REYNOLDS - You are being very generous. Recommendation 15 looked at intergenerational rural transfer exemption being abolished from 1 January. That recommendation wasn't accepted by the government at the time nor has it been implemented since, unlike the previous recommendation. Recommendation 16, that the recreational game licence fee concession, the recreational angling licence fee concession and the recreational fishing licence fee concession be abolished from 1 January 2009, wasn't accepted by the government at the time and hasn't been implemented since either.

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Mr MORRIS - Presumably the argument there was that this is not about essential services but about recreation.

Mr REYNOLDS - In so far as the concession?

Mr MORRIS - As far as the concession is concerned. These are on issues that are not core cost-of-living issues.

Mr REYNOLDS - No they are not. Although there was some argument -

Mr MORRIS - There is some argument that these are critical to lifestyle and all the rest of it.

Mr REYNOLDS - That was effectively some of the discussion that was in the review at the time. It was recognised that it wasn't a core cost-of-living issue but a lifestyle issue particularly for certain demographics and that it felt an unnecessary impost at that time to change. We are talking relatively small amounts of money too, from memory. It wasn't a major issue. I think that the review was looking more at all the concessions that are available and whether it met the strict cost-of-living definition, and strictly speaking, no it didn't. But from other aspects it was an exception by the government.

Mr MORRIS - Again, the administrative cost would probably be the biggest concern in this one as much as whether it might be possible to deliver something like this in a more efficient manner.

Mr REYNOLDS - Through the Department of Primary Industries, Water and Environment I suspect they would administer something like this. But again, I am not sure of the cost they may have.

Mr MORRIS - Presumably with any review that comes up this time round, clearly the question that will need to be asked is: what does it cost the department to implement each and every concession that they implement?

Mr REYNOLDS - It should be part of the review because the cost of the concession is not merely the payment; it is not the \$56 of the heating allowance. My estimations would be that it would be double that to truly cost the government from an administrative perspective. It should be factored in when looking at these things.

Ms PETRUSMA - What's your suggestion for that? How would you suggest bundling and everything else like that? What would you see as the most efficient way of doing this? They come into Service Tasmania once a year and tick off a sheet and it is given out then?

Mr REYNOLDS - That may be an option as far as - what you want to do is just reduce the handling of these types of things.

Ms PETRUSMA - That's right.

Mr REYNOLDS - The more you have - and the review itself identified that there has been quite a growth - I think it went from 50 to 74 in early 2000 to 2008, effectively a 50 per cent increase in the number of concessions. They have grown on an ad hoc basis and I

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don't think that when they are established they really look at what else is around and whether they can actually enhance an existing concession, for example, which may be a better way to go as distinct from creating a whole new concession which, as we've discussed, has all the other costs associated with it. I think the extent to which they could be bundled should be looked at because some of the savings that are captured from the administrative side of things could actually then be directed into the concession that is provided. So there are other opportunities there. I don't actually have the answer as far as what the solution is but that's what should be explored.

Mr MORRIS - We're going to be looking for that a bit in our next conversation actually, through the Greencard system. Theoretically, if Greencard were able to be loaded with the concessions that everyone was eligible for, if Greencard could be accepted at Service Tasmania, then for any of the payments that could be made through Service Tasmania, that person could use their Greencard as the methodology.

Mr REYNOLDS - That's the type of thing I think we should be exploring as far as delivering these opportunities for the efficiencies key. From the Treasury's perspective, that's what we're all about and particularly trying to apply it to government services. The more innovative ways we can identify in delivering the cost savings the better.

Moving towards the end, recommendation 17, which is education concessions provided through TAFE Tasmania in light of the Tasmania Tomorrow reforms, et cetera, as you'd appreciate, there's been quite a bit of movement there.

Mr MORRIS - It hasn't quite stopped yet.

Mr REYNOLDS - It hasn't quite stopped yet. Certainly, the commitment was given at the time and the recommendation was accepted that students would be worse off under any system and I believe the Department of Education, through their new entities, are continuing to look at this as a guiding principle as far as providing concessions to students; there's been no change in that area.

Finally, recommendation 18 looked at cases where concessions are fixed in monetary amounts; these concessions are indexed to changes in value of the fee unit under the Fee Units Act 1997, to ensure real value is maintained. You raised some of these points earlier. Since the release of the report, the arrangements for the Aurora pensioner concession on electricity, for example, have been revised and it is now linked to the electricity price and the movements in that particular price. This is an area we continue to explore all concessions to ensure - and it's a government policy decision, ultimately, unlike the one we spoke about earlier, the heating allowance, which has remained fixed. Others, when they did look at it, they looked at the value of money over time and the erosion of that value and have taken that into account whether indexation should be applied to those. The concessions in the electricity space have certainly been given that growth.

Mr MORRIS - In fact, they would have exceeded CPI.

Mr REYNOLDS - They have indeed.

Mr MORRIS - In recent times.

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Mr REYNOLDS - They have indeed.

Mr MORRIS - Whereas others haven't.

Mr REYNOLDS - That's right.

Mr MORRIS - So the answer is this recommendation hasn't been implemented per se but the principle behind it of maintaining the value of some of the concessions has been accepted.

Mr REYNOLDS - Indeed. In fact, in that particular example, I think they were effectively double-indexed from what I understand. As you also rightly point out, it's been a bit of a mixture and remains a bit of a mixture at this stage.

Mr MORRIS - So that's a recommendation that really should be passed forward for consideration again.

Mr REYNOLDS - I think so. I think any review you do in the concession space would always look at this as almost essentially a standing item. It's certainly taken into consideration when concessions are looked at, as I said with the example which you spoke about, and it should remain a review point.

They were the 18 recommendations that were part of the review.

Mr MORRIS - That was probably a fairly reasonable pass, I think, in terms of the number and the extent of the acceptance of the recommendations but there is still work to do.

Mr REYNOLDS - I think so. I think on all of these issues there is always work to do. Certainly, the committee's work here has highlighted to Treasury what needs to be done as a follow-up to the 2008 review and to ensure we're working with the Social Inclusion Unit or DPAC to ensure that these things get progressed. As I said, we've taken the first steps with the measurement exercise and that is a valuable data input but then it needs to get into the policy space to assess some of the issues we've just discussed this morning.

Mr MORRIS - So Treasury does actually administer some concessions, doesn't it, itself? I guess there are concessions and there are exemptions.

Mr REYNOLDS - That's right, the taxation ones?

Mr MORRIS - Yes.

Mr REYNOLDS - Through the State Revenue Office, for example, which is where some of the larger concessions exist, particularly if you are looking at land tax-type exemptions, for example.

Mr MORRIS - Do they come in under concessions?

Mr REYNOLDS - Under the broader definition, they are, because the concession looks at discount subsidy rebates and the like. Under the original methodology I believe they

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were included in there. Other jurisdictions I've looked at who do similar types of exercises in measurement, particularly WA when I say this, they include taxes foregone as a result of, for example, zero-rating a tax if they have made a particular policy decision to reduce a particular rate to a zero rate or lower rate, for example - they include it and it is revenue foregone to government. It is a cost to government.

The land tax review, for example, a couple of years ago with that reduction rate, you could argue that that was a \$30 million cost of government each year and it affected a concession to a particular group who had to pay that tax in the past.

Mr MORRIS - Do we actually have a working definition of the concession system?

Mr REYNOLDS - The concessions review supplied a definition.

Mr MORRIS - Clearly the tax exemption for principal place of residence is a concession.

Mr REYNOLDS - We have included it in the past as a definition. There have been points of difference on that between DPAC and us but from a Treasury perspective, as I explained the finances, we consider that a cost to the government and value it as part of a concession. In fact other jurisdictions, as I say, Western Australia, that I've looked at more closely, report this information and identify taxes foregone in this particular sense and include it as a benefit provided to the community or being a particular part of the community who would otherwise pay the tax.

Mr MORRIS - With each of those, is there a clear rationale provided for each concession?

Mr REYNOLDS - Each individual concession?

Mr MORRIS - You have a table that lists all the concessions, which is the bulk of this report. It doesn't have a rationale for it, does it?

Mr REYNOLDS - Which particular page are you talking about?

Mr MORRIS - I'm just on the TAFE one here, in the middle of this report.

Mr REYNOLDS - The detailed list.

Mr MORRIS - Yes. It doesn't have a rationale column, it only has a concession, a description, eligibility criteria, administering at agency. Here we go, land tax on principal place of residence land on page 56 - relief from paying tax on principal place of residence. It doesn't have a rationale for that.

Mr REYNOLDS - I was obviously a policy decision by the government to exempt that particular taxpayer group.

Mr MORRIS - So presumably all of the concessions are a government policy or were at some point in time. They may not have been reconsidered in recent times. I wonder whether, as part of a review process, there should be a rationale in there from a logical point of view.

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CHAIR - In a sense, the eligibility criteria are the rationale too. If you are looking at the definition at the beginning of that paper of what is a concession and it talked about anything provided to someone who is disadvantaged, depending on their age or whatever it may be - the eligibility criteria do give the rationale in a sense for why that concession is in place.

Mr REYNOLDS - The government has effectively adopted the policy position that people who qualify for certain cards - pension or healthcare cards - are a certain sector of the community that requires support in a concessional sense and therefore will provide a concession to that group.

CHAIR - And that's the rationale.

Mr REYNOLDS - A lot of these things are lost in the mists of time when it comes to when they were first established. That is why reviews such as the one we did in 2008 actually provided a benchmark or a starting base for these things. It has not resolved all the issues but at least we know what we are now dealing with.

Mr MORRIS - That is right, it is captured.

Mr REYNOLDS - Yes, and it allows discussions and debates like this to now be had, at least in an informed sense.

Ms PETRUSMA - Michael, are you aware of a submission that Treasury put into the committee originally; did you get a copy of that?

Mr REYNOLDS - I did, yesterday.

Ms PETRUSMA - I have a couple of questions on that.

Mr REYNOLDS - I can certainly take them on board for you. I believe Treasury provided factual background from ABS data to try to give you a bit more of a picture.

Ms PETRUSMA - On the first page of the submission, if you look at the third paragraph down, it has, 'The ABS estimates that household income for low income households increased by more than their expenditure between 2003-04 and between 2009-10 in real terms'. It sounds like household income for low income households is more than their expenditure. On the next page, third paragraph down, it is saying that low income households spend on average \$677 each week but their income is only \$602 a week, which means that they are \$75 short in their expenditure.

Mr REYNOLDS - On the face of it that would be contradictory.

Ms PETRUSMA - Yes.

Laughter.

Mr MORRIS - I think it explains the credit card balance.

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Ms PETRUSMA - I was wondering if it has improved, and how bad it was back in 2003-04. Was it a couple of hundred dollars difference?

Mr REYNOLDS - I will take that on notice for you and we can then clarify that.

Ms PETRUSMA - It would be great to have that explained.

Mr REYNOLDS - It may be one of the vagaries of ABS data as well. We will get a clarification for you and provide it to the committee.

Ms PETRUSMA - Thank you.

CHAIR - Thank you, Michael.

THE WITNESS WITHDREW.

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Ms JEAN HEATHER HASELGROVE, CHIEF EXECUTIVE OFFICER, **Mr ANTHONY JAMES**, GENERAL MANAGER, BUSINESS DEVELOPMENT AND PLANNING, AND **Mr RODNEY BYFIELD**, CHIEF INFORMATION OFFICER, METRO TASMANIA, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Ms White) - Welcome, everyone. While you are here you are covered by parliamentary privilege for any evidence you provide today, but anything you say outside the committee will not have that same privilege applied.

We would like to examine the functions of the Greencard that Metro uses, with a view to understanding the first step in trialing a smartcard in Tasmania where we could bundle concessions and use that for people to access the appropriate concession in any of the services they use. The Greencard is the first type of smartcard we've had in Tasmania, so you are at the forefront and we want to quiz you about how it works. You have great technical expertise and we'd like to understand better the technology and how you manage your database. One of the issues we would like to understand is the privacy issue that relates to holding all that information. If we were able to put some other concessions onto the Greencard, how we would protect the privacy of those individuals? Do you think it could be rolled out further than transportation?

Ms HASELGROVE - It is a smartcard ticketing system. We have three types of cards: adult, concession and student. To get either a student or concession card people have to show their eligibility for that type of concession. Students, if they are under a certain age, are deemed to be a student. We also administer the free student travel that the government offers. For families where there are two or more students attending school for the third and subsequent child there is a free student pass on the Greencard and that enables a student to have two trips a day during school times.

Ms PETRUSMA - So that's the third child?

Ms HASELGROVE - Third and subsequent children. There is a calendar set up in the ticketing system that recognises it is a school day, someone presents their card and will get a trip to school, which could involved a transfer. That is working well.

Ms PETRUSMA - On the third-child issue, how do people find out about that?

Ms HASELGROVE - It is not administered by us; it is administered by DIER. They have to make application through DIER.

Ms PETRUSMA - I've never heard of it before and that's why I was wondering if a lot of families are aware of it.

Ms HASELGROVE - I don't know. Previously it used to be a cardboard card and they flashed it at the driver. DIER asked if there was some way we could incorporate it onto the Greencard, so we now record it. I am not sure whether it's promoted. Perhaps you need to talk to DIER, but it may be promoted through schools. It's on our website that free students have to apply to DIER. DIER processes them and then we get a feed into our ticketing system and process it and send out the right card with the pass. They all have passes but we turn that pass on. All the data is recorded in a database and there's

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security around the database. Staff have to sign a code of conduct and that talks about keeping things private. We can track who has accessed any data if we've got any concerns that someone might be inappropriately looking at people's addresses or where they are travelling. The system will record a trip someone makes and you can have a look, so if it's your card or if you've got a child's card you can actually go in and have a look at where the students made their trips that day, so if the parent suspects that the child is playing truant, they can actually go in and have a look.

CHAIR - You allow parents to do that?

Ms HASELGROVE - Yes, for their child they have registered, but they can't look at anyone else's because access to the website is password protected. So privacy is not an issue

The Greencard is a purse and it will take off the value of the trip that you're currently travelling on. For concessions in the urban areas, it's \$1.90 a trip. People can top up money on the buses, on the website and we're soon to have an automatic top up so that people can register a credit card for when a card gets down to a certain balance. So if my card dropped down to \$10, I'd put \$50 on, which then goes into the credit card and takes that money off. That will be announced shortly.

At this stage, we're working on rolling the Greencard out to other bus companies so if someone's got a Greencard they can use it on any -

Mr MORRIS - That's what I'm waiting for.

Ms HASELGROVE - So you'll be able to get in from New Norfolk on O'Driscoll buses.

Mr MORRIS - Yes and I know they're keen.

Ms HASELGROVE - Yes, everyone is.

Ms PETRUSMA - Some buses are already offering that. My children travel on a bus and they're using a Greencard on their bus service that comes from Sorell.

Ms HASELGROVE - That's just recording that they've actually travelled. DIER has put in what the industry refers to as a black box. They are actually monitoring where students are travelling and the bus companies are using that data to substantiate their claim.

There are two types of bus contracts in the state. There's urban, which is mostly Metro, except for Devonport where we've got Merseylink. Our contracts in the metropolitan area enable us to retain the revenue and there is a payment to provide the service. We don't as such get compensated for carrying concessionable students. That is versus the non-urban areas. They are deemed that you've got a contract so you are supposed to set your fares in such a manner for the adult fares, concession fares and student fares, with a top up from government. So every month you have to put a claim in to claim that you've carried x number of students, the difference between the student fare and the adult fare was y , so please send x times y . The same with concessions. So every month you put the claim in. We've got a few. We've only got four: Opossum Bay, the Channel services, Wynyard and Ulverstone. We've got four of those contracts but there are a lot of general access contracts out in the other regional parts of Tasmania.

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The other type of bus service is the school-only service. They can either be free services totally funded by government, or a service where the parents pay the students fare, which is \$1.30 cash or \$1.00 if you've got one of those cards.

What we're concentrating on at the moment is whether we can roll this ticketing system out to the other bus operators. It would be on a fee-for-service basis so we'd manage the back end and they would pay for the infrastructure on the buses and in the depot. We'd have an agreement with them that we'd keep confidential their data that's collected from the buses. There would be sharing of the revenue. At the first instance it would just be a purse and then once we have rolled it out we will work with DIER and the bus companies that come on board on having an integrated fare. So someone would pay one fare or one fare would be taken off when they boarded at New Norfolk. If they came into the CBD and then went out to Kingston we would have to share that revenue, so we have to negotiate that but at least in the first instance we will have a purse.

That is where all our energy is going. I do not know of any state where they actually have a transport smartcard that they use for any other purpose. In New South Wales they use it as their seniors card. On one side it has 'Seniors Card' and on the other side it is the transverse.

Mr MORRIS - But the Seniors Card is just to show -

Ms HASSELGROVE - It is just to show but it saves the person carrying two cards. The Hong Kong oyster card is also used for small purchases, like school canteens, and they have worked. But they did not do this initially; they got it working once they were happy with it. It was a commercial enterprise that then expanded their card, like the equivalent of IGA's parking meters, so there are different things you can use it for.

At this stage the difficulty for us is how would it work. We may be able to do it but can we have two purses? One might be the purse that is the concessions and one might a transport purse, I do not know. We will talk to our ticketing provider, INIT, a German company, about whether it is feasible. I am not quite sure how it would operate.

CHAIR - You said earlier that parents could check their child's usage. Is that online?

Ms HASSELGROVE - Yes.

CHAIR - So anyone with a Greencard can track their usage online?

Ms HASSELGROVE - Yes.

CHAIR - That is really useful to know.

Ms HASSELGROVE - As long as their Greencard is registered. To be a concession card it has to be registered. Students have to register. Adults do not, so adults could go into a newsagent that is one of our agents, or even a Metro shop. If it was a Metro shop or a depot, we would encourage people to register because if you lose your card you just ring up and we can stop that card and for a small administrative fee transfer it to a new card. You might have \$50 on it, so that is a safeguard we offer people.

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Mr MORRIS - I guess the obvious thing we are looking at is whether people could opt to have the concessions they are currently eligible for involve a cash payment, such as the heating allowance which is a \$28 payment twice a year. Instead of receiving that to their bank account that could be paid by the government onto their Greencard. They could then use that for transport, so clearly they are receiving a concession and they are applying it in an area where they can clearly appropriately use it and not misuse it in that sense.

I guess the next step was whether, if they were able to take more than what they could reasonably use for transport and, if they are eligible for a number of concessions, have them all put onto the Greencard but then have the Greencard usable at Service Tasmania, for example, because any of the services that you can pay for at Service Tasmania are ones that I think the community would be very happy for people to apply their concessions to.

Ms HASSELGROVE - Like their registration and licence.

Mr MORRIS - Yes, registration or licensing. I think you can even pay your rates at Service Tasmania. There are a whole number of things that you can pay at Service Tasmania. Is it a big step for something like the Greencard to be used instead of a credit card at Service Tasmania?

Ms HASSELGROVE - Putting the money on would be fine.

Mr MORRIS - Essentially anyone can do that.

Ms HASSELGROVE - We could facilitate a bulk payment to the cards and we have already set up a mechanism for doing that. We would never want to become a gate keeper; that is the issue for us.

Mr MORRIS - Right, other than for the other bus companies where you already have that in mind. I am assuming that the other would not be on a fee-for-service basis.

Ms HASSELGROVE - We could put a reader into the terminals, but the issue would be setting up the rules about that. If someone is eligible for an Aurora concession, I don't know how you would work out what they are eligible to get for transport. Are you saying to leave transport out because transport is currently covered between Metro and the -

Mr MORRIS - The discounts for transport are already built into the system, so they are not an issue in that regard.

Ms HASSELGROVE - So you wouldn't be proposing to bulk-up, assuming people make on average one or two trips a week. You could say, 'Let's assume people make four or five trips a week, and this is what the value of that would be'. The danger I see there is that if people had unlimited use of their concession payments they may elect to pay all their Aurora bill, so will they go to Service Tasmania and say, 'Please take off whatever out of there and I'll pay the balance'?

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Mr MORRIS - No, they wouldn't be able to draw credit as such for concessions.

Ms HASELGROVE - So it would still be limited to -

Mr MORRIS - It's just that they could choose to spend it on eligible things that Service Tasmania offers.

Ms HASELGROVE - But at what level? It depends on the rules.

Mr MORRIS - There has been a serious community objection to anyone being able to cash-out pensions or concessions and spend it on booze and cigarettes. There is nothing that Service Tasmania sells that fits into that category. Is it administratively relatively easy for the card to have money withdrawn from it via Service Tasmania outlets? You'd just put another reader in Service Tasmania, like you have on a bus?

Ms HASELGROVE - You put money on the cards and Service Tasmania is set up with a reader and you can take the money off. It is starting to look as though it's a credit card.

Mr MORRIS - It is not a credit card.

Ms HASELGROVE - No, a debit card.

Mr MORRIS - A stored-value card.

Ms HASELGROVE - Yes, and then we would have to check what the rules and regulations are around that type of card.

Mr MORRIS - So you're thinking regulatory rules?

Ms HASELGROVE - There may be. It is not a credit card, but it is a type of debit card. At the moment one of the attractions for parents is they put \$20 on their child's Greencard and they know they can only use it on the bus. They can't call into the local IGA and buy a Coke and a bag of lollies.

Mr MORRIS - That's right, and I'm interested in seeing where that principle may be extended to within the concessions area. Issuing a new card is just giving people another new card.

Ms HASELGROVE - The card is not the issue, it is at the back end. Do we need to have a separate purse for the non-transport side of it. We'd have to explore that.

Mr MORRIS - I would have thought not.

CHAIR - Or whether it not even be a purse that's held by Metro, instead it could be held by Treasury so the money is sitting in the reservoir in Treasury, say.

Ms HASELGROVE - No, we would want the interest.

Laughter.

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CHAIR - Say, for instance, I am entitled to a concession on my fishing licence, but it is pretend money in a way, isn't it? It's never sitting with you, it is always sitting with Treasury and Service Tasmania is just the conduit. We are talking about a concession on government services anyway because they are the only concessions that the government provides.

Mr MORRIS - Except for the heating allowance.

CHAIR - It would sit with Treasury and be transferred directly to the agency where a concession transaction is made.

Mr MORRIS - It is actually the concessions where the government makes a payment to the person; like the heating allowance - DHHS sends people two payments a year. They can do whatever they will with that; they can take it down to the pub and blow it if they feel like it. Whereas one of the things is that if it were then to be put onto a green card they cannot actually take it down the pub and blow it.

Ms HASELGROVE - It is an Aurora payment and that is all they can use it for.

Ms PETRUSMA - It can be used for wood or whatever form of heating you have.

Mr MORRIS - Yes, at the moment it can be used for any form of heating.

Ms HASELGROVE - We would not be want to deal with every wood dealer.

Mr MORRIS - It would not actually be used in the future for paying for wood it would just mean that it is an offset that you can apply, but at the moment you can go and spend it on beer.

Ms HASELGROVE - One of the issues that I have is that if you tried to quantify what the value of the transport concession is, and then people could elect to spend that transport concession on, say, their power bill. You then run the risk of increasing social exclusion, because eligible people all have this bundle of money, concession fares disappear. Either adult or student, once they have then spent it then they will not be able to afford to go to the shop or whatever. Increasing social exclusion would be the last thing that we would want to do.

Mr MORRIS - This is not proposing in any way to cash-out concessions. It is a trip-by-trip concession. Yes, you could average out the amount of dollars and the number of people and allocate that out, but that is not the thinking at all.

Ms HASELGROVE - If it was just Service Tasmania and it was like a shadow purse, the money is not really there, but the balance is still recorded on the card, we could talk to the ticketing provider about what would be needed to set this up. It would have to be a separate purse because if it were the transport purse they would start using it.

Mr MORRIS - You do not get value of concessions added to it now. You do not get the concession on it now? You just happen to be in the category and that means that you get a reduced amount taken from your purse.

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Ms HASELGROVE - That is right. The transport purse is kept separate, and that will continue to operate; they put their \$20 on whenever they want. The reader shows how much you have left in your purse so it is going to have to be a separate purse on the same card. We have to explore whether we would need to reissue all the cards so that they have got the two purses or is the type of chip that we currently have of sufficient standard that you could put the two purses on.

Ms PETRUSMA - There are not a lot of concessions for which people get paid the cash, so I do not know if you need to have the money loaded up on the card, you just need a record of the items that they are eligible for. So if they go into Service Tasmania it is automatically taken off the bill they have to pay. As with fishing licences; if you know that a customer is entitled to the concession they just pay \$30 instead of the \$42.

CHAIR - I agree. Then the agency submits a form and Treasury compensates them.

Ms PETRUSMA - That is it. We do not actually need cash on the card.

Mr MORRIS - You could have other uses in that regard.

Mr BYFIELD - The card has to recognise that there is an amount of money.

Ms HASELGROVE - Unless you has more passes on them.

Mr BYFIELD - Possibly at a value.

Ms HASELGROVE - What is the difference between that and just taking it off the bill?

Ms PETRUSMA - It just needs to come straight off the bill, you do not need money for that.

Mr MORRIS - That does not happen with the heating allowance.

CHAIR - That is its own beast, so do not worry about that one.

Mr MORRIS - The reason that I am using it as an example is that we have just had that discussion. We think that the heating allowance actually costs possibly as much as twice what is given out in terms of the money that is handed out to people, so it costs twice as much, or as much again, to actually administer. It's seriously expensive to administer. What I'm looking for is: is there a more efficient way of administering this by utilising the Greencard to reduce those costs?

Ms HASELGROVE - If you want to, just put the value into the transport purse -

Mr MORRIS - That's right.

Ms HASELGROVE - We'd love you.

Laughter.

PRIVATE

Mr MORRIS - So basically the answer is yes, you can start exploring concession by concession and if people opt to go, 'You pay my heating allowance into my Greencard and I will use it for transport'. It's no problem to you whatsoever.

CHAIR - In terms of logistics around this, say Service Tasmania were the provider - they had a card reader at their desk - that would mean people would have to physically go in and have their card swiped. Is there any way to conduct a transaction over the internet or over the phone?

Mr BYFIELD - No. That card holds the identity and the details on it.

Ms HASELGROVE - You probably could though, couldn't you, because they all have a unique number.

Mr BYFIELD - No, there's no reference because the card holds the most recent transaction information. That's the idea of those smart cards.

Ms HASELGROVE - Without having access to the back end.

Mr BYFIELD - That's right, because the card always knows where it's at. That's why it's different from a credit card.

CHAIR - Yes, okay.

Mr BYFIELD - A credit card has to interact with the back-end system in order to know where it's at. A credit card only keeps basic information - what is called 'track to data'. The chip, on the other hand, keeps the smart information about what transactions that card has actually taken.

Ms HASELGROVE - And that basic data is kept in our database.

Mr BYFIELD - It will once the BCU updates but until that BCU updates - the terminal unit - our back-end system doesn't know what the card has done.

Ms HASELGROVE - But if there were some number that linked - can we take that one on notice and we'll have a discussion about it?

CHAIR - Yes, because I think that would be a really critical point because people don't all pay in person.

Ms HASELGROVE - Surely there must be some way.

Mr BYFIELD - It's one of the ways that they've made the difference between a credit card and a smart card, and it's one of the reasons why you don't come under the payment card industry standards because you can't transact with it online or over the phone.

Ms HASELGROVE - You can top it up online.

Mr BYFIELD - That's right, but that's interacting with our system, not the card.

PRIVATE

Mr MORRIS - So next time you take the card to swipe it, it loads the information on the card.

Mr BYFIELD - That's right, the card gets updated.

CHAIR - Is there any way then, in terms of interacting with that back end - because, as you said, you can go online and check your usage and top the card up - can you make decisions online about where you want your funds directed?

Ms HASELGROVE - No, once you put the money on the card, it stays on the card. We don't do refunds except in exceptional cases, say if someone dies or someone moves interstate.

Mr MORRIS - Yes, so the card is cancelled.

Ms HASELGROVE - In fact when someone died he bequested his money to a friend.

Mr MORRIS - Fair enough.

Ms HASELGROVE - His Greencard - he wanted to give it to so-and-so so we had to transfer the money to his card.

CHAIR - Any type of card operating in the concession space would need to have this flexibility for people to be able to pay over the phone, online or in person. So perhaps that rules out the Greencard as an option.

Ms HASELGROVE - Yes, so someone couldn't ring up and say, 'I have a Greencard', and take the money off that - I don't think so.

CHAIR - No.

Mr BYFIELD - You could have a BPAY gateway on the internet that could transact with our wallet information. You could have something like that but you can't do it via the card itself. You'd have to use our online portal and then set up a BPAY system.

CHAIR - How would you manage that over the phone then?

Mr BYFIELD - You wouldn't be able to do it over the phone.

Mr MORRIS - No, it would be on the internet.

Mr BYFIELD - Yes.

Ms PETRUSMA - Most people don't have access to the internet. You don't really need it, I think. If you go into Service Tasmania and you know you're automatically getting \$12 off that one because it's only the heating one that you get direct cash for.

CHAIR - But how many people pay their bills in person?

Ms PETRUSMA - If you get the fishing allowance -

PRIVATE

CHAIR - No, I'm talking about your Aurora bill.

Ms PETRUSMA - Yes, your Aurora bill, that's automatically on your Aurora bill - it has automatically been taken off. You ring them up once a year and it's automatically done for your future bill.

CHAIR - So maybe we need to figure out what transactions occur over the phone, face-to-face and via the internet for concessions.

Ms HASELGROVE - I think you'll find there's a lot.

Ms PETRUSMA - Yes, you're going to find it's heaps so if you're getting the fishing one, when you go to pay your bill at Service Tasmania, you flash your pensioner card up and you automatically get it. It's applied at the time for paying the bill.

Ms HASELGROVE - What if they pay over the phone or online?

Mr MORRIS - I think you actually have to get yourself registered; you actually have to apply to become an eligible person -

Ms HASELGROVE - I don't fish; you can tell that.

Laughter.

Mr MORRIS - Once you're an eligible person, I believe the system retains your record so you just have to - for most of these concessions, you actually have to apply for them at the time you become eligible or when you choose -

Ms PETRUSMA - It's like with a pensioner card, for rates, you go in to your council once, show them that you're now an old-age pensioner and it is automatically applied every year.

Mr MORRIS - Then it becomes automatic but you actually have to apply for it.

While we've got you, can I get an update on where you're at with the process you're undertaking now for bringing the other bus companies on because the last conversation I think we had was that you actually needed some money to undertake that work. So if you're undertaking it, you presumably found the resources necessary to do that, or partly thereof.

Ms HASELGROVE - Is this relevant to this committee?

Mr MORRIS - Oh, only -

Ms HASELGROVE - We've got the scrutiny committee coming up and we'll definitely -

Mr MORRIS - Only insofar as it will potentially change the way in which people receive their transport concessions for the private bus companies.

PRIVATE

Ms HASELGROVE - It won't change anything.

Mr MORRIS - Okay, so it won't change the payment system for the -

Ms HASELGROVE - It won't change anything at all.

Mr MORRIS - Okay.

Ms HASELGROVE - They will still have a contract and they will still have to make their claims back to the department. Nothing will change as far as that. It's just that the customer who will have a change in their experience.

Mr MORRIS - Right; the improved experience.

Ms HASELGROVE - Yes. We're just hoping that people, if they have a purse, the transport purse is on a Green card and it just makes it a no-brainer; they don't have to think about anything much so long as they have money on their card.

Mr MORRIS - Right.

Ms PETRUSMA - Heather, have you ever looked at ideas like giving seniors free travel between 9 a.m. and 3 p.m. or something like that?

Ms HASELGROVE - No, we haven't done that. We do free travel during Seniors Week and we also have free-fare weekends from time to time such as when the Wooden Boat Festival is on. There are a lot of events happening in Hobart and for Festivale we did a free-fare weekend. We sometimes do a \$1 and \$2 fare but we haven't look at it. Metro doesn't set policies. We are a service provider just like Tassielink or Redline. We just happen to be owned by the government and we implement government policy. So if the government wanted to make a decision like that, they'd have to compensate us for loss of revenue. It's not up to us. We don't even propose policy to government.

Ms PETRUSMA - Is it true that a lot of buses sit idle between 9.30 a.m. to 2.30 p.m. during the day?

Ms HASELGROVE - Our peaks are in the morning and in the afternoon and we have a reduced usage of buses and bus drivers in the middle of the day, yes.

Ms PETRUSMA - So, is it good to try to increase that usage by doing things like offering seniors subsidised or even cheaper fares?

Ms HASELGROVE - Better utilisation of our asset is always good but we don't have the funds at this stage to do anything like that. It's government policy if they elect to do it. They have done it in some other states and perhaps it would be interesting to see what -

Ms PETRUSMA - It's something that I've been approached about; that's why I was interested to know if there is any way we can utilise these buses. Do you have any indication of how many seniors are actually using your bus service?

PRIVATE

Ms HASELGROVE - We can get you the numbers of Greencard holders. We can tell you how many - actually, I can tell you how many trips there were last year. Last financial year, we have had boardings and - when you first board a bus, we call it a first boarding and if you hop off that bus and make a transfer, that's a transfer. If people have a paper ticket, we can't actually tell whether they're concessions or not. Based on first boardings, last year there were 2.657 or 2.658 million trips by concession holders, which was about 33 per cent of our travel.

Mr MORRIS - Okay.

Ms PETRUSMA - If you could get us information on the number of seniors -

Ms HASELGROVE - We'll find out how many concession cards we have. There's about 100 000 cards out there but I'm not sure. Predominantly they'd be students because every student now has to have them. Do you have a feel for -

Mr JAMES - No, the problem we're going to have with the concession is that that also includes university students. We can't differentiate between a senior and a university student so whatever number we give you is going to include the combination of those.

Ms PETRUSMA - So you don't have it recorded whether they have applied using a pension card or healthcare card at all?

Ms HASELGROVE - We will have a look.

Ms PETRUSMA - Maybe if you just give us the ones that have applied using a pension card, for example.

Ms HASELGROVE - We would have to see if it is easily extracted from the database. Seniors get a transport concession on our buses, healthcare card holders, anyone with a government pension.

Mr BYFIELD - The DIER concessions as well.

Ms HASELGROVE - Yes and that is students.

Mr BYFIELD - Yes.

Mr MORRIS - What was the total value of the concession component?

Ms HASELGROVE - I haven't got that information here.

Mr MORRIS - Do you collect that?

Ms HASELGROVE - We collect how many concession fares are paid at \$1.90.

Mr MORRIS - I guess the difference between the fare paid and the full fare for every -

Ms HASELGROVE - In the urban area we don't do that.

PRIVATE

Mr MORRIS - Why not?

Ms HASELGROVE - Because it would be difficult to do. You have to make some assumptions because there is a flat fare in the urban area for concession holders.

Mr MORRIS - Right.

Ms HASELGROVE - Whereas if you are a full adult there is a short trip, a medium trip or a long trip so if someone is on a long trip they still only pay the \$1.90 if they are a concession card holder.

Mr MORRIS - But the CSO payment that you get from the government is made up of a couple of different components, is it?

Ms HASELGROVE - No. It's just a lump sum.

Mr MORRIS - It's a lump sum. That's an approximation.

Ms HASELGROVE - Yes. Well, no, back in 2008 the new contract came in and a contract sum was just put in the contract.

Mr MORRIS - Right, as a lump sum?

Ms HASELGROVE - There is nothing there that says this is for buses, this is for maintenance, this is for top-ups for your concessions.

CHAIR - So you have the autonomy to decide how you distribute that money? Which I suppose is a good thing for your organisation because you have some flexibility.

Ms HASELGROVE - Well, we are supposed to operate like any other bus company.

Mr MORRIS - But you could be providing an additional subsidy through the concession system to the payments you are receiving?

Ms HASELGROVE - What has happened over time is we have been carrying more concession holders than we have full fare-paying adults so yes, we could be wearing some of that. Last year our students went up.

Mr MORRIS - Every time you get a bigger percentage of students or concession holders.

Ms HASELGROVE - The gap we are making up is, yes.

CHAIR - You mentioned that about 30 per cent of your passengers are concession card holders. What percentage are students then?

Ms HASELGROVE - 45 per cent.

CHAIR - Your full fare-paying adults are about 25 per cent?

Ms HASELGROVE - There is 22, 33 and 45 per cent.

PRIVATE

CHAIR - Right.

Ms HASELGROVE - The 45 per cent of students includes students and the free students.

CHAIR - Going back to the smart card, one of the considerations we have to think about is the costs if we were to implement our own system, which is why we have called you because we thought it would be easier to piggyback if we were to go down this path. Are you able to reveal the costs of your smart card system - what it cost to put into place?

Ms HASELGROVE - We will have to get that for you.

CHAIR - Just to give us an idea.

Ms HASELGROVE - It went in in 2008-09.

Mr MORRIS - It is probably in the annual report.

Ms HASELGROVE - We can easily get it but I would hate to guess.

CHAIR - That's okay. It would be good to know the setup costs and then I guess the year-on-year administration cost.

Ms HASELGROVE - That might be difficult because we don't actually track that separately.

CHAIR - Okay.

Ms HASELGROVE - What we can give you is what it costs us to purchase, the costs of the cards because the cards will cost us.

CHAIR - Yes, that's a good point. Managing that database, are there are costs there?

Ms HASELGROVE - We don't go down to that. We have an ICT department, we have a customer service department and it is sort of spread everywhere.

Mr BYFIELD - It is part of their staff duties.

Ms HASELGROVE - Issuing a Greencard or handling a query because they have lost their card versus they might be dealing with 'I need some time table information'.

Mr BYFIELD - Or fixing a BCU.

CHAIR - Okay.

Ms HASELGROVE - That would be very difficult but what we might be able to do after we have done it is, when we are looking at the rollout of the Greencards to the other companies, we might get a better idea of what our costs are there because we will want to recoup some of those things.

Mr MORRIS - Cost recovery, yes.

PRIVATE

CHAIR - Anything that you can provide will be very useful, thank you.

Mr MORRIS - We should keep our ears out for any announcements around the rolling-out of further services, by the sound of this conversation?

Ms HASELGROVE - The rollout of the Greencard. If we can do it on a cost-effective basis then it will be up to the individual bus companies to make the decision whether they want to come on board or not.

Mr MORRIS - But you are getting towards having the capability?

Ms HASELGROVE - I think that the capability is there; I have to satisfy my board that these are the costs associated and this is how we are going to recoup those costs on a fee-for-service basis, and then it will be up to the individual companies to say yes that makes good commercial sense.

CHAIR - Have you had preliminary discussions with most of those companies to gauge their interest?

Ms HASELGROVE - The companies are required to have a functioning ticketing system. There are several companies where the ticketing system is almost at end of life if not beyond end of life. They are very anxious and keen to participate and talk to us. It may not be that Redline may not do it; they may already have a - but they are long haul. The ones that we are interested in engaging with are companies like Tassielink, O'Driscoll's, Phoenix, Merseylink; they would be good to get on board.

CHAIR - Redline would be good for the southern beaches though. The passengers there would be very appreciative.

Ms HASELGROVE - Yes.

Mr MORRIS - That's right, they have two parts to their service.

Ms HASELGROVE - They may be prepared to do it for their short-haul runs.

CHAIR - I hope so.

Ms HASELGROVE - You might have to visit them.

CHAIR - Thank you. Is there anything that you wanted to conclude with?

Ms HASELGROVE - No. Will you write to me and let me know what I promised to provide please? I have not taken any notes.

CHAIR - We can do that.

Ms HASELGROVE - That would be good and then I will make sure that I do it in a timely fashion. If you have any further questions I am happy to visit again or you can write to me and we will follow up.

PRIVATE

Mr MORRIS - That advances us a bit, which is terrific.

Ms HASELGROVE - We really like the idea of putting the heating concession on the cards.
We'd go with that one.

Laughter.

CHAIR - Would you thank Anthony for us as well, please. We appreciate your time.

THE WITNESSES WITHDREW.