



Office of the Hon Dan Tehan MP

Minister for Veterans' Affairs
Minister for Defence Personnel
Minister Assisting the Prime Minister for Cyber Security
Minister Assisting the Prime Minister for the Centenary of ANZAC

Parliament House
CANBERRA ACT 2600

Telephone: 02 6277 7820

MC16-002880

09 NOV 2016

Mr Trevor Benneworth
24 Whittaker Street
WEST CHERMSIDE QLD 4032

Dear Mr Benneworth

Thank you for your letter of 1 October 2016 to the Minister for Veterans' Affairs, the Hon Dan Tehan MP, on behalf of the Royal Australian Air Force (RAAF) Radschool Association about the Special Rate Disability Pension (TPI). The Minister has asked that I respond on his behalf. I have addressed each of the concerns in your letter as follows and hope these responses will provide the information you seek.

Indexation of pensions

In the 2015-16 Budget, the Government decided to not proceed with this measure. This means that many Department of Veterans' Affairs (DVA) payments, including veterans' disability pensions, will continue to be indexed with reference to the Consumer Price Index, the Pensioner and Beneficiary Living Cost Index and Male Total Average Weekly Earnings.

Economic loss component of the Special Rate Disability Pension

There is no distinction in the *Veterans' Entitlements Act 1986* (VEA) between an economic and a non-economic loss component of the Special Rate Disability Pension. The view that there are two components stems from the Clarke Review (2003) which proposed a model of disability pension based on that distinction. The government of the day rejected the proposed model. The only distinction between the General and above General Rate components is for the purpose of indexing the above General Rate Disability Pensions. This dates back to a time when these components were indexed differently. However, they are now indexed in the same way and have been since 20 March 2008.

Erosion of disability compensation

There have been a number of claims circulating recently in the veteran community that the TPI has lost value in comparison to wages, including the statement that the economic loss component of the Special Rate is now only 65 per cent of the minimum wage whereas it was once much higher.

The Special Rate was originally introduced in the *Australian Soldiers Repatriation Act 1920*. As with the VEA today, the legislation in 1920 did not make a distinction between economic loss and non-economic loss components of the Special Rate.

The split between the General Rate and above General Rate components has shifted. In total, a Special Rate recipient now receives a higher proportion of the minimum wage than what was received in 1920. Overall the net value of the Special Rate has increased, which is demonstrated in the tables below, and compares the Special Rate to the 1920 Basic Wage and the current National Minimum Wage.

Table 1: Special Rate and Basic Wage – 1920 figures

	Per fortnight	Per annum	% of Basic Wage
Basic Wage	8 pounds 10 shillings	221 pounds	
Special Rate	8 pounds	208 pounds	94%
General Rate	4 pounds 4 shillings to 6 pounds		
Difference between Special Rate and General Rate	2 pounds to 3 pounds 16 shillings		23% to 45%

Table 2: Special Rate and National Minimum Wage - November 2016 figures

	Per fortnight	Per annum	% of National Minimum Wage
National Minimum Wage	\$1,345.40	\$34,980.40	
Special Rate	\$1,346.90	\$35,019.40	100%
General Rate	\$478.80		
Difference between Special Rate and General Rate	\$868.10		64%

As you can see from this information, the Special Rate has actually increased over time in comparison to the basic or minimum wage. Similarly, the difference between the General Rate and the Special Rate has also increased as a proportion of the basic or minimum wage.

Gold Card benefits

Minimum wage earners who are eligible for the Low Income Health Care Card are entitled to subsidised medicines under the Pharmaceutical Benefits Scheme and may also access concessions for dental services, optical services and ambulance cover. The Gold Card provides access to these concessions and subsidies, as well as private or public hospital treatment, theatre fees, intensive care, GP services, referred specialist services and allied health services. As such, the Gold Card offers a greater reduction to the financial demands of the cardholder.

I hope this information is of assistance.

Yours sincerely



Phil Connole
Chief of Staff