

## AUSTRALIAN GOVERNMENT PRODUCTIVITY COMMISSION

### Compensation & Rehabilitation for Veterans - Submission

#### Subject – Compensation

The Veterans Entitlement Act 1986 provides for two levels of compensation for military service related illness, injury or disability, they are:

- The General Rate provides for disability payment to compensate for pain and suffering from 10% to 100%. The amount paid is linked to the severity of the medical condition, it is not income or asset tested and the recipient can continue full time employment. A person receiving disability payment from 10% to 60% is issued a White specific condition health card and those receiving 70% and above are issued a Gold all conditions health card. At 100% the disability payment is currently be \$495 per fortnight or \$12888 per annum.
- The Special Rate provides for those who are assessed as being no longer able to work due to their medical condition. A person in this category receives 100% of the General Rate for pain and suffering. They are also compensated for being unable to work, this is referred to as the “economic loss” component and currently is \$898.50 per fortnight or \$23,361 per annum, this submission is targeting this component.

#### Submission

Since the cessation of the basic wage benchmark the ‘economic loss’ compensation for the Nation’s most disabled Veterans has fallen from just on 75% of the Average Weekly Earnings in the early 1960s to current level of 43%.

An increase in the ‘Economic Loss’ component of the Special Rate, up to the effective tax-free equivalent of the minimum wage, around 55% or \$32005 as at July 2017. This action would restore the financial compensation to a level commensurate with the Parliament’s original intent. This increase would amount to \$332.46 per fortnight or \$8644 per annum.

Unlike civil compensation the Veterans Entitlement Act does not provide for a lump sum payment, in fact the payment stops once the veteran passes on. Hence it is not possible to plan or ensure the financial future of their dependants, which under normal circumstances would be the expected arrangement.

Many of those who receive the Special Rate compensation do so long before retirement. Sadly this often happens at an age when the veteran is maximizing earning potential. It is reasonable to say that the downgrading of income has a dramatic effect on the veteran and family.

Some of the reasons that the Department of Veterans Affairs (DVA) may use to refute this submission are:

- *The cost of servicing the Gold health card should be factored into the total cost benefits provided to a person receiving Special Rate compensation - this is not a valid argument because the card is clearly linked to the disability component, not the economic loss component.*

- *The recipient may also be eligible for a service pension prior to age 65 – once again this is clearly a welfare issue, not an economic loss component.*
- *It will cost too much to adopt – the total cost to fund this for 27,000 veterans in receipt of the Special Rate compensation has been calculated at between \$240 - \$270 million per annum (the Parliamentary Budget Office has confirmed this figure).*
- *It will have detrimental effect on the DVA budget – the reality is that the DVA budget has been reducing consistently by \$1.4 billion each year for sometime; this has come about as a result of natural attrition and is expected to continue into the future.*

### Conclusion

By any reasonable standard the amount of the compensation component currently being paid to those in receipt of the Special Rate is way below community expectation, in fact it currently stands at about 43% of average weekly earnings.

These people did not plan to be in this financial position; they came to it as a result of their military service for the country. If you think this is a logical statement then you would agree that the Government has a clear obligation to ensure that they are financially compensated in a responsible manner that will offer them a decent lifestyle.

Forwarded for your consideration.

### Attachments:

1. Benchmark Graph
2. Erosion Graph
3. DVA Budget Outlay