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Dear Minister

National VVFA response to the Final Productivity Commission's Report
A Better Way to Support Veterans of 27 June 2019

Introduction

This submission concerns the final Productivity Commission Report "A Better Way to Support Veterans" (the Report) released on 27 June 2019. It follows our written response to the Draft Report, the subsequent presentation we made to members of the Commission at their office in Canberra and later at the public hearings in Canberra.

The Federation is concerned that the final report takes an economic rationalist approach. This approach is both a strength and a weakness of the report. ADF personnel, veterans, and their families, are people first, and their wellbeing is paramount. The report unfortunately appears to discount this important fact. The impact of either physical or psychological injury cannot be measured simply in economic terms, as you will be aware from your many contacts with veterans.

While the report acknowledges the unique nature of ADF employment it then looks to civilian models solely, as the foundation for rehabilitation and compensation. It effectively ignores the historical foundation of the military repatriation and compensation system and the promises of governments of both political persuasion over the years since WW1.

Unfortunately, the report's consideration of the impact on the families of veterans is shallow, at best. It fails to address those submissions that recommended the need for proactive, not reactive policy, and it simply supports more of the same. The Federation argues that the focus here must be on suicide prevention, and that innovative action and early intervention is critical in suicide prevention.

With respect to the Gold Card, the report appears to accept that it is a significant element of a so-called "entitlement culture", and that it is "a prize to be won". Such a simplistic and crass approach does the Productivity Commission no credit. It would be more than reasonable to expect the Productivity Commission to have:

- acknowledged the genesis of the Gold card as a cost-effective outcome of the decision to disband the network of repatriation hospitals;
- systematically analysed whether the Gold Card has met its original aims, and whether it continues to meet those aims;
- considered the possibility that the holding of a Gold Card may have prevented suicide for some veterans; and
- considered, or raised the prospect of, the cost-effectiveness of issuing the Gold Card to all veterans with warlike service;

Moreover, the unfortunate recommendation to remove eligibility from all dependants, among others, and to blandly say that the Government provide financial compensation to dependants who lose eligibility for the Card is grossly unfair and creates collateral damage for the entire family. The VVFA endorses strongly the submission by the Partners of Veterans Association of Australia detailing the harm and suffering relating to this PC recommendation.

We made it quite clear in writing and verbally that some of the Draft Recommendations were supported but many were not and would, if implemented, reduce the holistic support of both current and future veterans.

Some of our major concerns include the following:

- Given that the report arose out of recommendations from the Senate committee report on suicide, it is a reasonable expectation for the report to have focussed more obviously on that issue.
- We believe that the long waiting time for PI compensation for MRCA clients may have been a contributing factor in some veteran suicides)
- The report claims to understand and accept the unique nature of military service and hence that the current military compensation acts form part of the conditions of service for ADF personnel on enlistment.
- We do not support recommendations about the Gold Card entitlements, the Veterans' Review Board (VRB), the Veteran Services Commission and some parts of the recommendation re a review of fee-setting arrangements (i.e. the introduction of co-payments).

We have reviewed the Commission's Recommendations in detail and provide comments on those that either support or don't support. Other recommendations are noted.

PC Recommendations

Recommendation 7.3 Trial a Veteran Education Allowance

Supported for those without operational service. Those with operational service should be automatically eligible for a Commonwealth funded university education or a TAFE education in the same way that the USA has with their GI Bill. The administration of both the allowance and the University/TAFE system should not have any constraints which would allow DVA to interfere with the free choice of the veteran. The only eligibility tests would be those used by the relevant University/TAFE.

Recommendation 8.1 Harmonise the Initial Liability Process

Supported, subject to a non-detriment provision. However, it should be realised that the initial liability is not the only issue in relation to harmonising the current three acts. We strongly recommend that a panel of experienced Level 4 advocates be included in the appropriate working party during the harmonisation process.

Recommendation 8.3 Abolish the Specialist Medical Review Council

Not supported. The SMRC already includes external medical specialists.

Recommendation 8.4 Move MRCA to a single standard of proof

Supported. However, the VEA 1986 should also be amended to include the same 'Reasonable Hypothesis' SOP. We support folding DRCA into MRCA.

Recommendation 10.2 Single Review Pathway

Currently, the VRB is DVA's de facto internal reconsideration centre. The method of internal review needs to be spelled out clearly in the amended legislation.

Recommendation 10.3 Veterans' Review Board as a Review and Resolution Body

Not supported. The VRB is working well with the recently introduced ADR process. Veterans should always have access to a three person full Board hearing. We note that the Veterans' Advocacy and Support

Services Scoping Study (the Carnall Report) investigated the Veterans' Review Board (VRB) in detail, including attending VRB Hearings. The report said that the VRB is working well and should not be changed.

Recommendation 10.4 Review of Ongoing Role of Veterans' Review Board

Not supported. See comments for Recommendation 10.3.

Recommendation 11.1 Establish a Veteran Services Commission

Not supported. We note that the PC originally recommended that membership of the VSC could include those drawn from the banking and insurance industry.

Veterans are understandably likely to respond adversely to this recommendation. The recent Royal Commission into banking and insurance indicated that significant cultural change is necessary in these industries. Additionally, workers' compensation issues are frequently before the courts, indicating that beneficial legislation is not a core tenet of civilian workers' compensation models.

Recommendation 13.3 Replace Invalidity Pensions with Incapacity Payments

Not supported. Incapacity payments cease at age pension age. Invalidity pensions are for life.

Recommendation 13.4 Rehabilitation for invalidity payment recipients

Not supported. The MSB Act 1991 was part of the conditions of service that veterans were entitled to on enlistment. It is too late to change the rules after the game has started.

Strangely, in the paragraph under this recommendation, the PC notes that "removing or improving these provisions is unlikely to have substantial effect on the compensation received by veterans."

Recommendation 14.1 A single rate of permanent impairment compensation

Supported, if Table 23.1 Warlike and Non-Warlike service is used.

Elsewhere in the report, the PC recommend using the Reasonable Hypothesis SOP, which is for Warlike and Non-Warlike Service to simplify the process. Using Table 23.1 would be recognition that similar injuries should be compensated in the same way.

Finding 14.1

We do not agree that the requirement for a condition to be permanent and stable is necessary. It is in fact a civilian compensation requirement and the PC has conceded that the nature of military service is unique. The VEA 1986 does not have such a requirement.

Recommendation 14.2 Interim compensation to be taken as a periodic payment

Not supported. The requirement that a condition be permanent and stable is a civilian compensation convention. It came into MRCA because SRCA had this requirement. The VEA does not have this requirement.

Recommendation 14.3 Interim compensation to be finalised after two years.

Not supported. Why should a veteran have to wait that long? We recommend that any claims unfinished after 6 months be deemed to be finalised.

Recommendation 14.4 Eligible young person permanent impairment payment

Not supported. This entitlement was introduced in 2004, with MRCA, along with lump sum compensation for widows. It was the government's response to the public outcry over the paucity of compensation available

after the Blackhawk disaster over Townsville in 1996. To strip away this entitlement from children is unconscionable.

Recommendation 14.5 Improve lifestyle ratings

Not supported. The current system works well, there is no need to fiddle with it.

Recommendation 14.6 Target incapacity payments at economic loss

First dot point not supported. We understand the remuneration loading captures the allowances paid to ADF personnel e.g. field allowance, hard lying allowance etc. The actual dollar amount on which incapacity payments are based is the sum of remuneration loading plus normal earnings. Hence this recommendation would reduce the incapacity payments for injured veterans.

Second dot point is supported sans the last dash point.

Recommendation 14.7 Remove the MRCA Special Rate Disability Pension

Not supported. Rather, the Government should remove the offset against the SRDP by the Commonwealth contribution for ADF superannuation schemes.

Recommendation 14.8 Remove Automatic Eligibility for MRCA Dependant Benefits

Not supported. Targeting the families of deceased veterans or those with severe injuries, is not acceptable. We also note that the PC recommended deleting the MRCA SRDP at recommendation 14.7 above.

Recommendation 14.9 Combine MRCA dependant benefits into one payment

Not supported. Instead, the amendment should give the eligible dependant the option of a lump sum or an equivalent weekly payment

We suggest that any reduction in current entitlements will affect veterans, their partners, parents, children and grandchildren, and would be politically unacceptable.

Recommendation 14.10 Harmonise the funeral allowance

Supported, on the provision that all those currently eligible for the VEA funeral benefit remain eligible for the MRCA rate of funeral allowance.

Recommendation 15.1 Simplify DFISA

Not supported. Veterans should receive their payments from the DVA because the unique nature of military service sets them apart from other welfare recipients.

Recommendation 15.2 Simplify and harmonise education payments

Not supported. This will remove hard won entitlements.

Recommendation 15.3 Consolidate supplements into underlying payments

Supported. For the DRCA, MRCA and Veterans' supplement.

Not supported. For the Energy Supplement.

Recommendation 15.4 Remove and pay out smaller payments

Not supported. These entitlements only affect a small number of veterans. Many are elderly and should not be subjected to unwarranted change.

Recommendation 15.5 Harmonise attendant and household services

Supported. A sensible recommendation.

Recommendation 15.6 Harmonise vehicle assistance

Supported. However, the VEA scheme is superior to the MRCA scheme in that vehicles can be replaced every two years whereas the MRCA scheme replacement period is five years. The MRCA has a dollar amount specified whilst the MRCA scheme does not.

Recommendation 16.3 Independent Review of Fee-setting Arrangements

Supported. Should ensure medical and allied health practitioners are adequately remunerated.

The suggestion of co-payments for medical services is strongly opposed. DVA should be pro-active in reminding health practitioners that this process is not acceptable.

In this vein, the current co-payment for prescriptions used to treat accepted condition should be abolished.

Recommendation 16.4 Better Targeted Eligibility for the Gold Card

Not supported.

We remind you that the Gold Card was introduced to compensate for the closure of the Repatriation Hospitals with their highly trained medical staff. The Budget gained a significant drop in expenditure then and the Government should not seek to double dip.

Recommendation 16.5 No Further Extensions of Gold Card Eligibility

Not supported. Comment as for Recommendation 16.4 above.

If recommendations 16.4 and 16.5 are accepted, injured veterans would be forced to take out private health insurance, to cover their non accepted conditions. The PC report indirectly acknowledges this fact (p20).

Recommendation 16.3 Independent review of fee-setting arrangements

Not Supported. Military service compensation is not the same as civilian compensation because of the unique nature of military service.

Recommendations 17.1 – 17.2 – 17.3 -17.4 – 18.1 – 18.2 – 18.3 -18.4 - 19.1 and 19.2

Supported

Conclusion

The report overall recommends many changes that reduce entitlements for future ADF members. While the PC accepts that 'defence service is unique' many recommendations revert to a civilian model of rehabilitation and compensation that are not grounded in beneficial legislation, and that do not reflect the unique nature of ADF service.

We note and query the proposals regarding new advisory and consultative bodies and question their standing alongside all the other existing consultative bodies, including the very recent initiative entitled the 'ADF/DVA/ESO Design Champions' facilitated by KPMG. Indeed, what impact will these groups have on the implementation of the Government's responses to the PC report?

The National VVFA endorses completely the response of the combined ESOs of South Australia to the PC's report. The Federation agrees in principle and substance with the submission's conclusion that:

We cannot help but observe that the aim of the Productivity Commission Report is to cut costs. That is a justifiable, responsible objective. However, such change must be carefully evaluated against the impact the proposed changes will have on those who offer their lives in the service of our nation and their families. As attractive as it may seem, the attempt to mould our existing veteran's support system into a civilian scheme of workers' compensation is fraught with practical and moral risk.

The Federation notes your joint media release with the Treasurer that includes the statement:

"The Government will finalise its response to the report in conjunction with the recent Joint Standing Committee on Foreign Affairs, Defence and Trade Inquiry into transition from the Australian Defence Force and the Veterans' Advocacy and Support Scoping Study, which have also considered in detail the best ways of supporting veterans and their families."

While a comprehensive and complicated task, there is no indication of who will be considering or indeed deciding the response. Understandably, DVA staff would be excluded on the grounds of conflict of interest. We request your advice as to the composition of the intended review group, any further consultations, and the timing of their conclusions and the Government's acceptance of same.

The Federation requests that both you and the Treasurer take cognisance of the issues we have raised, and I seek early and detailed advice regarding the process by which the Productivity Commission's recommendations will be considered and decided upon.

We look forward to the Government's response to the report and the resulting policy and legislative changes that redress the many anomalies existing in veteran legislation, administration and support. We will continue to agitate constructively for positive change and anticipate the opportunity for active participation in on-going consultation.

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August 2019

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