NationalSeniorsAustralia
Independent voice of the over 50s

SUBMISSION

FOR THE

2010-2011 NSW BUDGET

About National Seniors

National Seniors Australia (NSA) is the largest organisation representing Australians aged 50 and over with some 280,000 members (including 90,000 in New South Wales).

NSA members are from metropolitan, regional and rural areas across all states and territories, and are broadly representative of the three key ageing cohorts: those aged 50-65; those aged 65-75; and those aged 75 and over.

Key points

This submission is based on a survey of National Seniors members in New South Wales. They were asked about what affected them in their daily lives. The points raised and the recommendations made in this submission represent their view on what the NSW Budget for 2010-2011 can reasonably do to address their issues.

Our New South Wales members were very clear in their wish that the Government should address the lack of indexation or the inadequate indexation of utility rebates. Maintaining the value of these rebates in real terms is crucial to the continued financial survival of approximately half our New South Wales membership.

There is widespread frustration among our membership that thus far the New South Wales Government has failed to realize how stamp duty relief for downsizers is a win-win for the Government and seniors. The absence of stamp duty relief compels many of our members to continue living in inappropriate housing.

Utility rebates

Water and wastewater rebates

The value, structure, indexation and funding of water and wastewater rebates across New South Wales vary from water authority to water authority.

Sydney Water Corporation (SWC), which serves greater Sydney, the South Coast and the Blue Mountains provides generous rebates worth approximately $500 per annum. The water rebate equates to an exemption from the water service availability charge, while the sewerage service availability charge is rebated by 84 per cent. Pensioners pay full usage charges. Given that these rebates are set as percentages, their real and proportional value is maintained as long as the overall pricing structure is maintained.

Hunter Water Corporation (HWC) has recently increased the rebate it provides from $175 per year to $199 per year, rising to $239 by 2012. Pensioners in the Hunter are exempt from paying the environmental levy of $32 per year, which means that their combined benefit will rise from $207 per year to $271 per year by 2012. This rebate is approximately half the value of the Sydney Water rebates. While this rebate will progressively go up over the duration of HWC's current price path, there is no guarantee that it will continue beyond 2013.

Local government authorities (LGAs), which are the water authorities for the rest of New South Wales, provide a water and a wastewater rebate of a combined worth of $175 per year. These rebates are set as absolute maximum amounts in the Local Government Act. Some LGAs grant lower rebates. Wyong Shire Council, for example, ties the water rebate to water usage, so that the rebate goes up with water usage. This rebate is approximately 35 per cent of the value of the Sydney Water rebates. LGAs' rebates have not been increased since they were set some twenty years ago and are not subject to periodic indexation.

The Broken Hill area is served by Country Energy for its water and wastewater needs. Country Energy, which is owned by the NSW Government, does not provide any water or wastewater rebates to pensioners.

Water and wastewater prices are set to rise dramatically and it is a matter of concern to National Seniors to note the significant divergence in the value of rebates based on geography and the complete absence of rebates in the area served by Country Energy. It is also of concern to note that in most of New South Wales these rebates have not been indexed for two decades.

Energy rebate

The recent increase in the pensioner energy rebate from $112 to $130, which is to be indexed annually according to the CPI is a welcome development.

However, electricity prices are set to rise dramatically in real terms. In the September 2009 quarter, electricity prices rose 11.4 per cent and are set to continue to rise. It is of concern to National Seniors that indexation of the energy rebate takes place on the basis of the CPI, which as an overall index can be expected to track significantly below its domestic energy components for the foreseeable future.

LGA general rebate

National Seniors is aware of IPART's inquiry into the revenue framework for Local Government Authorities. In its submissions to IPART National Seniors has pointed out that, 1994/1995, a single pensioner spent 6.5 per cent of their budget on rates, but by 2005/2006 this had gone up to 8.7 per cent, i.e. by more than 2 per cent. In 1994/1995, a pensioner couple spent 3.9 per cent of their budget on rates, but in 2005/2006 this had gone up to 5.2 per cent, i.e. by more than 1 per cent.

It is of concern to National Seniors that the current rebate is set as an absolute amount in the Local Government Act and that that amount has not changed for twenty years or so, during which time council rates have steadily increased.

Utility rebates - Recommendations

In a survey of the NSW membership, 45 per cent of Age Pensioner households indicated that they would be unable to manage their finances without these rebates. This demonstrates that it is vital to maintain the value in real terms of these rebates and ensure that this occurs on the right basis.

National Seniors therefore makes the following recommendations in relation to utility rebates:

1. Water and wastewater rebates should be indexed annually on the basis of increases in water and wastewater service charges.
2. Water and wastewater rebates for pensioners in the Broken Hill area served by Country Energy should be introduced.
3. The energy rebate should be indexed on the basis of relevant energy components of the CPI.
4. The council general rebate should be a percentage of an LGA's general rates and levies.

Downsizing – stamp duty

A survey of National Seniors members in New South Wales showed that approximately 40 per cent of over-65s have considered or are considering downsizing from their owner-occupied home and that two-thirds of those are prevented by the fact that stamp duty would be payable on their new purchase. Extrapolating from this information, out of approximately 265,000 NSW pensioner households, approximately 175,000 would like to downsize but will not because of stamp duty.

A forthcoming research report on ageing-in-place by the Centre for Research on Ageing at Curtin University of Technology commissioned by National Seniors found that about half of Western Australian respondents from age 50 and up who said they would stay in their home may do so because of financial constraints.

Instituting stamp duty relief for downsizing seniors, particularly if this relief is targeted at pensioners downsizing to median-and-below priced housing is unlikely to have a tax expenditure effect. The 90,000 or so pensioner households who intend to downsize and for which stamp duty is not a stumbling block would in the main be likely to downsize to above-median-priced housing.

However, the indirect benefits of empowering 175,000 households unable to afford downsizing at present to move will not only be the freeing- up of housing stock, but also increased stamp duty revenue from the purchase of pensioners' homes.

Both Victoria and the ACT have recently introduced stamp duty relief for pensioners. In Victoria, the stamp duty concession provides a complete exemption from stamp duty for Pension Concession Card holders purchasing property up to $330,000 in value and partial exemption for property up to $440,000 in value. As a result, someone downsizing to a median-priced house of $347,000 (Australian Bureau of Statistics, House price indexes: Eight Capital Cities, September 2009), would pay just over $2,800 in stamp duty, rather than the regular $13,700, which represents an 80 per cent discount.

In the ACT, a scheme with upper and lower value thresholds operates, which are updated every six months to ensure that they remain current. Downsizing to a median-priced house in the ACT will cost a pensioner a mere $20.

By comparison, downsizing to a median-priced house in New South Wales costs $15,600 in stamp duty.

Stamp duty - recommendation:

5. Pensioner Concession Card holders should be provided with an exemption from property transfer duty when downsizing their homes (with the exemption threshold indexed to median house & unit prices).