



Association of Independent Retirees (A.I.R.) Limited
ACN 102 164 385

A project of the Southern Cross Victorian Division

State Pre-Budget Submission 2012/ 2013

Contents

Introduction	2
Association Of Independent Retirees	3
Executive Summary of Recommendations	4 - 5
Preamble	6
Concessions	8
Recommendations with Rationale	9 -11

INTRODUCTION

The Southern Cross Victorian Division [SCVD] of the Association of Independent Retirees [A.I.R.] Limited thanks the Victorian Government for the increased concessions related to power costs and stamp duty, associated with the purchase of a residence, that were granted in the last budget.

We are also pleased that holders of the Commonwealth Seniors Health Card [CSHC] were recognised as worthy beneficiaries of the stamp duty concession.

Retirees, most of them on fixed incomes, are still suffering from the aftermath of the global financial crisis and the current volatility of the share market.

In the following preamble, we present the case for making concessions available to holders of the Low Income Health Care Card [LIHCC] and to some holders of the Commonwealth Seniors Health Card [CSHC].

We applaud the Government initiative to establish the Inquiry into Opportunities for Participation of Victorian Seniors to which our Immediate Past President, Patsy Haywood, made a significant submission. One of our requests in this Submission relates to participation of seniors.

Members of A.I.R. have been involved in meetings related to the Fire Services Property Levy Options Paper. We look forward to the introduction of a system which produces a much more equitable scheme.

In preparing your forthcoming budget, we request that you look favourably on the requests made in this document for further assistance to retirees who are struggling financially.

We would welcome the opportunity to discuss personally some of the issues we have raised in this submission.

Rod Carter,
President, Southern Cross Victorian Division
rmc1@hotmail.net.au
03 55658548

**Association of Independent Retirees,
Southern Cross Victorian Division,
P.O. Box 4120, East Burwood, 3151.
Phone - 03 98865021**

THE ASSOCIATION OF INDEPENDENT RETIREES (A.I.R.)

Ltd

A.I.R. is -

- The peak body representing the views of fully and partly self-funded retirees
- A not-for-profit, non party political, community service based organization, mainly relying financially on its membership fees.

A.I.R. covers every State and Territory, and has 13 Branches incorporating 2 Divisions in Victoria. Southern Cross Victorian Division includes the Branches of Ballarat, Goulburn Valley, Melbourne Eastern, Melbourne Peninsula, Melbourne South East, Swan Hill and Warrnambool. Members have a wide range of views. However, they all expect Government policies affecting their retirement incomes and quality of life to be fair and non-discriminatory, and to provide incentives for independence.

A self-funded retiree is someone who has put aside part of their income whilst in the workforce or when running their own business to provide for their retirement. Against this background of prudent financial management, it is considered that the modest concessions sought by A.I.R. are well justified.

We should point out that ‘self funded retiree’ does not mean someone who is wealthy. The vast majority of our members have only moderate income and assets. Many do not have, or have only limited superannuation benefits, due to their age profile, and limited opportunities to place income earning assets into a superannuation fund.

It is in the interests of both Federal and State Governments to adopt policies that provide incentives for all retirees to maintain a reasonable level of retirement income, to retain their independence, to continue to contribute to the economic development of the nation and to avoid becoming a drain on the public purse.

Escalating costs, the global financial crisis which began in 2008 and the more recent downturn in the “Stock Market” have impacted disastrously on retirees, who generally have limited or no opportunities to increase their income. Notwithstanding these factors over which retirees have no control, retirees continue to make a significant contribution to the nation as taxpayers, volunteers, family supporters and interstate tourists.

A.I.R. believes that it is essential for Governments to develop timely policies to cope with the economic impact of the demographic changes occurring in Australia. Statistics show that the percentages of older people in the total population are gradually increasing.

EXECUTIVE SUMMARY OF RECOMMENDATIONS

Recommendation	Issue	Page
1.1	That the concessions for municipal rates and water & sewerage charges be maintained at a 50% discount but to a maximum of \$500.00 per annum, and that these concessions be made available to all PCC, LIHCC holders and those CSHCC holders whose average single income is less than 65% of the MTAWWE and to couples with a combined average weekly income less than the MTAWWE.	9
2.1	That the concessions available to PCC holders in relation to Motor Registration and TAC Insurance be made available to holders of the LIHCC and to those CSHCC holders whose average single income is less than 65% of the MTAWWE and to couples with a combined average weekly income less than the MTAWWE.	9
3.1	That the holders of the LIHCC and those CSHCC holders whose average single income is less than 65% of the MTAWWE and couples with a combined average weekly income less than the MTAWWE should be able to use the VPTAS scheme free of charge.	10
3.2	The travel subsidy should be increased to the rate as used by the Australian Tax Office and the accommodation subsidy should be increased to \$70.00.	10
4.1	That the energy subsidy available to PCC holders be extended to LIHCC and CSHC holders whose average single income is less than 65% of the MTAWWE and couples with a combined income less than the MTAWWE.	10
5.1	That the concessions for the Fire Services Levy be made available to holders of the LIHCC and to those CSHCC holders whose average single income is less than 65% of the MTAWWE and to couples with a combined average weekly income less than the MTAWWE.	11
5.2	That if Local Government is chosen to collect the Levy then the Municipalities must be fairly compensated for the additional cost involved.	11

6.1	That additional funding should be made available to U3A in order to increase its ability to widen participation rates of older Victorians, particularly those in country Victoria.	11
6.2	That funds be made available to increase access for older Victorians to computers and training in their use thereof.	11

PCC- Pensioner Concession Card

LIHCC- Low Income Health Care Card

CSHCC- Commonwealth Seniors Health Care Card

MTAWE- Male Total Average Weekly Earnings

PREAMBLE

There seems to be a misconception in the minds of Governments, the public and much of the media that all self funded retirees are financially “well off” and that holders of the Commonwealth Seniors Health Care Card [CSHCC] are wealthy.

Even the Department of Treasury and Finance in their Options Paper “Victorian Fire Services Levy 30 June 2011” quote in Section 6.8.1, “It is considered that Commonwealth Seniors Health Care Card and Victorian Seniors cardholders should not be entitled to a fire services property levy concession. This is due to the eligibility requirements for these cards allowing individuals not generally considered low income to be eligible”.

We have no problems with disallowing concessions to Seniors Card holders since there is no eligibility requirement other than age in order to qualify. However we do not agree with the statement in its relation to CSHCC holders.

Retirees on the CSHCC cut-off, \$50,000 for single and \$80,000 for a couple, have difficulty maintaining their life style consistent with what they had while working – from their perspective they are not wealthy. They suffer badly from market variations because they carry the investment and longevity risk. To maintain their income they must draw down their assets, steadily reducing their income generating ability and moving them to the part age pension. However, because they have perceived high levels of assets they are viewed as being wealthy.

It is difficult to find up to date figures for the income spread of CSHCC holders. The best data found to date comes from a paper by Peter M. Siminski [Siminski,P,M.{2009}, A welfare analysis of the Commonwealth Seniors Health Card. Economic Record. 85{269}, 164-180.]

From Table 3, in his paper, the figures calculated from the Household Expenditure Survey [HES] of 2003-2004, quote a mean equivalised income for CSHCC holders of \$493.07 per week. Remember that these figures represent mean income. From the same table it can be seen that the income of 57.2% of CSHCC holders lie in the lowest 5 deciles i.e. \$493.07 or less per week. The Male Total Average Weekly Earnings [MTAWE] for 2004 was \$756.30. That is, in 2004, 57.25% of CSHCC holders were earning less than 65% of the MTAWE.

Whilst Siminski’s data is several years old, and incomes have increased since then, it is likely that the number of CSHCC holders in the lower deciles may also have increased due to skewing as a result of the GFC.

However, if we ignore the possibility of skewing, and project the previous figures to 2011 when the MTAWE was \$1213.00, then we get a mean income for CSHCC holders of about \$790.00 per week. That is 57.2% of CSHCC holders were living on less than \$41,000 per year in 2011 - hardly wealthy.

Obviously these CSHCC holders have an annual income below that allowed for receipt of a part aged pension which is currently \$42,822 per annum for a single person and \$65,572 for a couple. Many of them will not be eligible for the part pension because of the asset test but it is these assets which are producing the income from which the holder lives and which are decreasing because they are being used in order to maintain a reasonable standard of living.

Many of these holders would qualify for the Low Income Health Care Card [LIHCC] which has a maximum gross income eligibility for a single person of \$3840 over an 8 week period [\$24960 annually] and to retain the card this figure increases to \$4800 [\$31,200 annually] over an 8 week period. Few of our members seem to have taken advantage of this card, either through lack of knowledge of its existence [which we hope to overcome] or because of pride in their desire to remain self funded.

The figures quoted show that not all CSHCC holders are “well off” and we maintain that many are worthy of gaining concessions similar to those available to part pension card holders.

In Chapter5, page182, of the Victorian Budget Paper 5: Statement of Finances 2011-12, Table 5.5 classifies the major concessions provided by the government by category. The estimated total value of major concessions for 2011-12 was quoted as \$1,536,000,000. In Chapter 3 of the same document which relates to Departmental Output Statements, the Department of Human Services’ target for households receiving mains electricity concessions in 2011-12 was 844,000.

According to Commonwealth electoral data for 2011, there are approximately 71,000 CSHCC holders in Victoria which probably equates to about 50,000 households i.e. about 6% of those households which are eligible for mains electricity concessions. However if we continue with the assumption from 2003 that 57.2% of CSHCC holders have an income less than the mean, then if we were to limit concessions to those holders the number would drop to approximately 28,500. This is about 3.4% of the mains electricity concession target.

As a very rough approximation, the total cost for all the concessions available to these 28,500 CSHCC holders would be 3.4% of the estimated total value which is approximately \$52,200,000. This is a significant sum but in the context of the State Budget represents a small percentage of the total outlay.

We do not propose, as we have in the past, that all CSHCC holders should be eligible for the concessions but will restrict our request to CSHCC holders with an average weekly income that is equal to or less than 65% of the MTAW for a single person or the MTAW for a couple which in 2011 would be \$790.00. The annual figures of \$41,000 and \$63,000 are still less than that required for eligibility for a part Aged Pension.

CONCESSIONS

There have been several Government reports related to concessions to low income groups.

One Commonwealth Government report, “A decent quality of life: Inquiry into the cost of living pressures on older Australians” was presented on 20 March 2008.

The importance of concessions to low income groups was noted in Section 4.1 of the report: *”Although the pillars of Australia's retirement income system have predominantly involved the age pension, compulsory superannuation and private savings, the committee notes the importance of concessions and rebates to the capacity of older people to finance the costs of living. In particular, the Commonwealth Government provides substantial funding for subsidies and concessions - including for healthcare and pharmaceutical discounts - which also contribute to reducing expenses for older people, thereby increasing their disposable incomes. Many concessions are also provided by state and local governments”*

However they also noted in section 4.31. *”The evidence presented to the inquiry raised the committee's concerns about the appropriateness of concessions and their erosion as a result of inadequate indexation. For instance, some submissions suggested that some of the state governments have not increased or indexed council rate subsidies for fifteen years, despite inflationary effects and the increase in council rates that resulted from the property boom. There were limited contributions from state and local governments to the inquiry to shed further light on the apparent problem of the adequacy of rebates and concessions. But it appears as though the ageing of the population and resulting increase in the number of people eligible for concessions has led to an increase in expenditure on some of these benefits, even though concessions to individuals have not been increased. The failure to index any concession payment will invariably result in an increasing widening of the gap between its value and the cost incurred by the recipient. This particularly impacts on those on low, fixed incomes such as pensioners, and unless addressed will contribute substantively to their financial stress, exacerbate the deterioration in their financial well-being and have implications for their physical and psychological health.”*

We would argue that the concessions related to energy, municipal rates, water and sewerage charges, motor registration and third party insurance should be made available to holders of the LIHCC and low income holders of the CSHCC.

All of these concessions apply to a cost per household. If we assume about 71,000 CSHCC holders in Victoria [calculated from Centrelink electorate data as at March 2011] that probably equates to about 50,000 additional households who could claim rebates if the Victorian government made these concessions available to all CSHCC holders as is done in Western Australia. However in our submission we are limiting the claim to holders of the LIHCC to those single CSHCC holders with an average weekly income of less than 65% of the MTAW and to couples with a combined average weekly income less than the MTAW.

Given that some of these CSHCC holders would not own their home and /or a vehicle, the number of concessions likely to be claimed would represent a small percentage of the overall expenditure on concessions.

RECOMMENDATIONS WITH RATIONALE

Issue 1: Municipal Rates and Water and Sewerage Charges

A considerable number of PCC and CSHCC holders have lived in their present home for many years. Suburbs and towns that were once relatively undesirable, and where house prices historically were low, have become gentrified and prices have risen far faster than the consumer price index would predict. This is particularly so in inner suburbs and coastal regions.

Anna Whitelaw, in the Melbourne "Age" on 19 June 2011, tabulated the Melbourne suburban municipal rates for a property worth \$500,000. The rates ranged from \$768 to \$1984 with the highest rate applicable to Melton Shire. The spread of country municipal rates, in a 2010 report, was from \$714 to \$1322 on a much lower average residential valuation.

When one considers that the present concession for PCC holders is a 50% discount but to a maximum of **\$193.40 for 2011-2012** it is obvious that the increase in general rates has far outstripped any indexation arrangements for concessions on rates.

The arguments above also apply to the concession for the cost of water and sewerage since they, apart from water consumption which only contributes the minor portion of total bills, are based on the capital value of the property.

Recommendation

1.1: That the concessions for municipal rates and water and sewerage charges be maintained at a 50% discount but to a maximum of \$500.00 per annum, and that these concessions be made available to all holders of PCC, HCC, LIHCC and to CSHCC holders whose average single weekly income is less than 65% of the MTAWWE and to couples whose combined average weekly income is less than the MTAWWE.

Issue 2: Motor Vehicle Registration and TAC insurance

Those retirees owning a car and still able to drive, value their independence. This independence contributes greatly to their wellbeing and consequently helps to maintain their good health with little impact on the overloaded health system. In many instances retirees, on an annual basis, only cover few kilometres. The cost per kilometre driven therefore becomes very high.

A major contributing cost under these circumstances is Motor Vehicle Registration and Transport Accident Commission [TAC] insurance.

Recommendation

2.1: That the concession available to PCC holders in relation to Motor Registration and TAC Insurance, that is a 50% rebate on each, be made available to HCC, LIHCC holders and CSHCC holders whose average single weekly income is less than 65% of the MTAWWE and to couples whose combined average weekly income is less than the MTAWWE.

Issue 3: Victorian Patient Transfer Assistance Scheme

Unfortunately, with the continuing development of medical treatment and the provision of very expensive diagnostic tools, many country people are forced to travel long distances for investigation and treatment.

The Victorian Patient Transport Assistance Scheme (VPTAS) subsidises the travel and accommodation costs incurred by rural Victorians and an approved escort, who have no option but to travel a long distance to receive approved medical specialist services. Our concerns with this scheme relate to the eligibility of claimants and the level of reimbursement provided.

Patients who are not the primary card holder of an approved Pensioner Concession Card or Health Care Card have to pay the first \$100 each treatment year. Once the \$100 payment has been made, patients receive full VPTAS assistance for the remainder of that treatment year. We would argue that holders of the LIHCC and CSHCC holders with a single income less than 65% of the MTAW and to couples whose combined average weekly income is less than the MTAW should be able to use the scheme free of charge.

Whilst the present subsidy of 17 cents per km is the current running cost of a small car [for comparison medium car cost is 18.92] according to the RACV, it is well below the average cost of about 62cents per km to own and run a small car. We would suggest that the subsidy should be increased to the rate used by the Australian Tax Office.

Unless you are able to access facilities provided by the hospital, accommodation in Melbourne is not cheap. The subsidy of \$35.00 per night should be increased to \$70.00.

Recommendation:

3.1 .That holders of the LIHCC and those CSHCC holders whose average single income is less than 65% of the MTAW and to couples whose combined average weekly income is less than the MTAW should be able to use the VPTAS scheme free of charge.

3.2. The travel subsidy should be increased to the rate used by the Australian Tax Office and the accommodation subsidy should be increased to \$70.00 per night.

Issue 4: Energy Costs

We have already thankfully acknowledged the increased subsidy now applied to power costs but we maintain that this subsidy should be available to LIHCC holders and to holders of the CSHCC whose taxable income is less than 65% of the MTAW and to couples whose average weekly income is less than the MTAW.

Australia and the world are moving towards a low emissions future which will significantly increase the cost of energy. In the aftermath of the GFC many households are finding it difficult to cope with ever increasing energy costs.

It is also clear that proposed changes to the way energy costs are to be monitored and charged for, will adversely impact more on pensioners and retirees than many other households. This is due to the fact that pensioners and retirees spend much of their day time at home and will have very little scope to reduce energy use, particularly during peak usage times.

We are still opposed to the introduction of Smart Meters and their subsequent additional cost but recognise that it may-be too late to reverse the installation program.

Recommendation4.1: *That the energy subsidy available to PCC holders should be extended to LIHCC and those CSHCC holders whose average single income is less than 65% of the MTAW and to couples whose combined average weekly income is less than the MTAW.*

Issue 5: Fire Services Levy

A.I.R. has advocated over several years for a more equitable Fire Services Levy. We congratulate the Government on the decision to adopt a property based model.

We recognise that consultations are still being conducted with the public on the Levy Options Paper, and it is possible that the current proposed arrangements may be altered

In the preamble to this submission we objected to the Government stance that concessions should only be available to holders of the PCC.

We maintain that concessions related to the Fire Services Levy should also be available to holders of the LIHCC and to the low income holders of the CSHCC.

We note that there seems to be some resistance from Local Government to act as collectors of the proposed Levy on the grounds that they may not be fully compensated. With the amount of “cost shifting” that has occurred in the past it is easy to understand their attitude.

It would seem obvious to us that ratepayers will ultimately pay the collection cost, unless the Government fairly recompenses Local Government for any additional costs they incur in collecting the levy.

Recommendations:

5.1: That the concessions for the Fire Services Levy be available to holders of the LIHCC and to those CSHCC holders whose average single income is less than 65% of the MTAWWE and to couples whose combined average weekly income is less than the MTAWWE.

5.2: That if Local Government is chosen to collect the Levy then the Municipalities must be fairly compensated for the additional cost involved.

Issue 6: “Opportunities for Participation of Older Victorians”

We await with interest for the Report that will arise from the “Inquiry into Opportunities for Participation of Older Victorians”. Our concern for the outcomes from this Report can be gauged by the length and quality of the written submission presented by our representative Patsy Haywood on 15/08/2011.

There were many issues covered in that paper. In this pre-budget submission we will limit ourselves to one aspect only. It is well known that if older residents can continue to stimulate their brain, then the deterioration of their mental and physical health may be delayed.

There are many activities that can be employed but only two will be commented on here. University of the Third Age [U3A] gives many older Victorians the opportunity to listen, learn and participate in activities that stimulate the brain. Increased funding and publicity would enable more people to become involved in U3A activities.

The other activity in which many older residents would like to participate, if they knew how and had the opportunity, is computing. Access to computers, the internet and computer training courses is limited in many areas.

Recommendations

6.1: That additional funding should be made available to U3A in order to increase its ability to widen participation rates of older Victorians, particularly those in country Victoria.

6.2: That funds be made available to increase access for older Victorians to computers and training in their use thereof.