Association of Independent Retirees (A.I.R.) Limited

ACN 102 164 385

New South Wales Division

PO Box 459, Brighton-Le-Sands, N.S.W. 2216

SUBMISSION

TO

THE NSW STATE GOVERNMENT

DECEMBER 2011

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EXECUTIVE SUMMARY

The Association

Formed in 1990 by a small band of people the Association of Independent Retirees (A.I.R.) Limited is now a national, non-party political, not-for-profit, education and advocacy volunteer organization whose goals are:

- To work for the benefit and welfare of all self-funded retirees.
- To seek a fair and just economic, taxation and social environment that recognises and compensates for the special problems of fully or partly self-funded retirees.
- To provide information on all matters pertaining to retirees.
- To conduct research to further the objects of the Company.
- To seek recognition as a body speaking for retirees at Local, State and Federal Government levels, and by the community at large and by the media.
- To foster membership of the Company throughout Australia.

A.I.R., which has 70 Branches throughout Australia, including 18 Branches within NSW, is also affiliated with other organisations with similar objectives. The organisational structure provides for Branches and State Divisions, with the overall governance (National) being undertaken by a Board of Directors. As stated in the goals, the principal work of the organisation is for the benefit and welfare of all fully and partly self-funded retirees, seeking a fair and just economic and social environment that recognizes and compensates for their specific needs.

Regular Branch meetings provide a forum for education and discussion of the many issues relevant to fully and partly self-funded retirees. All members have the opportunity of raising issues of interest or concern and have input into advocacy and policy development.

Environment – Economic, Community, Social

It is well known that the number of people entering into retirement is growing and will continue to grow over coming years. Retirees seek a quality lifestyle by being active, healthy, interested, involved in community affairs and also make a significant contribution to the National economy, especially as taxpayers, volunteers and in extended family support.

Our members believe it is very much in the interests of the NSW State Government to continually review or introduce policies that provide incentives which assist fully and partly self-funded retirees to maintain a reasonable level of retirement income, thereby enabling their ongoing contribution to the economic health of New South Wales.

Many retirees continue to suffer the consequences of the Global Financial Crisis. Rapidly rising prices for commodities and utilities such as water and electricity continue to be of very real concern along with what might be the future impact of the carbon tax now passed by Federal Parliament. All of these increasing day to day living costs are greatly adding to the budget problems of self-funded retirees, adversely affecting their capacity to remain financially independent.

As the Association supports the principle that it should be possible for all future retirees to fund the whole period of their retirement, the NSW Division is seeking to work with the State Government to develop policies that are fair, non-discriminatory, maximize life opportunities and provide incentives for independence. We believe it is in the interest of all parties to minimize the necessity of full Government support for the ever increasing number of retirees.

It is estimated there are approximately 1.2 million persons in NSW aged 65 and over of which a half are fully or partly self-funded retirees, with approximately a further three quarters of a million persons aged between 55 and 65, who will progressively become retirees. It is recognised that self-funded retirees generate substantial overall savings to all Governments, including the estimation that they save Governments approximately $7 billion per annum by not requiring the payment of an aged pension.

We cannot emphasize too strongly that the current climate of relatively low returns on reduced investments and escalating costs is having an adverse impact on the viability of many fully and partly self-funded retirees to remain financially independent. As an example, the already very large price increases in recent years have impacted upon retirees incomes causing them great difficulty in meeting all their financial obligations. Also of concern is the expected further significant price increases across a wide range of goods and services upon the implementation of carbon tax now passed by Federal Parliament.

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SUMMARY - 2011 RECOMMENDATIONS

The NSW Division Executive has been delegated the responsibility of making representations on behalf of members to the NSW Government. The recommendations contained in this Submission are a selection from the many issue papers originating from fully and partly self-funded retirees of this State. Any opportunity to work with the Government in the consideration of these recommendations will be most welcome.

RECOMMENDATION 1:

- **The Fire Service Levy (FSL) and State Emergency Services Levy (SESL) on home insurers be abolished.**

- **The Fire Service Levy to be collected by a property based levy.**

- **Concessions be provided for holders of Health Care Cards, Department of Veterans Affairs Gold Card holders, Pensioner Concession Card holders and holders of Commonwealth Seniors Health Cards.**

- **The levy on motor vehicles to be continued unchanged from the current practice.**

RECOMMENDATION 2:

- **Financial relief be given to low and fixed income older people to offset electricity price rises that were applied from the 1st July 2011 in NSW which average 17.3%, thus increasing bills by $216 to $316 per year.**

- **Holders of the Commonwealth Seniors Health Card to be included in the Low Income Household rebate scheme.**

- **Introduction of a heating/cooling concession for the colder/hotter parts of NSW during winter/summer months.**

RECOMMENDATION 3:

- **That the NSW Government review and introduce a formula for calculating an annual increase in the rebate currently paid to full and part pensioners in the form of an allowance on their annual council rates.**

- **That the initial increase be such that it restores the rebate to a level more consummate with the percentage it was of the rates when first introduced in 1974.**

- **That the formula for calculating subsequent annual rebates fully protects full and part pensioners from cost of living increases by being linked to the annual CPI.**

RECOMMENDATION 4:

- **That the duration of Daylight Saving in NSW each year be reduced from the present Six (6) months to Four (4) months – i.e. the first Sunday in November to the last Sunday in February.**

- **Further, that the NSW Government liaise with other Eastern State Governments with a view to reaching common agreement on this issue.**

RECOMMENDATION 5:

- **That the Government policy be relaxed to allow a greater spread of accredited driving instructors in rural and regional areas to facilitate reasonable access to drivers who need the one hour refresher course prior to undertaking their mandatory driving test at age 85 years.**

RECOMMENDATION 6:

- **That the NSW Government:**

  a) exempt residential property purchased by a Self Managed Superannuation Fund (SMSF) for rental from purchase stamp duty if its valuation is lower than the present land tax limit of $401K;

  b) determine multiple properties in the one ownership, where the value of each falls within the land tax limit, will not have their values aggregated for compliance with the land tax limit.

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2011–DETAIL OF ISSUES, RECOMMENDATIONS, AND RATIONALES

ISSUE 1: NSW FIRE SERVICE LEVY AND STATE EMERGENCY SERVICES LEVY UNFAIRLY PLACED.

RECOMMENDATION 1:

- **Abolition of the Fire Service Levy (FSL) and State Emergency Services Levy (SESL) on home insurers.**
- **The Fire Service Levy to be collected by a property based levy.**
- **Concessions be provided for holders of Health Care Cards, Department of Veterans Affairs Gold Card holders, Pensioner Concession Card holders and holders of Commonwealth Seniors Health Cards**
- **The levy on motor vehicles to be continued unchanged from the current practice.**

RATIONALE:

- Over a period of many years there have been a number of recommendations made to Government to bring about a change to the present system by which the FSL and now the more recently introduced SESL are placed unfairly on only a portion of the community while the whole community receives the benefit of these very valuable emergency services.
- From the 1st July 2012 Victoria will change their insurance based levy to a property based levy, a move which will be consistent with reforms in other States and territories. The ACT (2007), Western Australia (2003), South Australia (1999), and Queensland (1985) have introduced funding systems for fire services that require property owners to contribute via a levy on property. Tasmania levies residential property owners, while retaining an insurance based levy on businesses. The Northern Territory funds fire services via their consolidated revenue.
- In May 2010, the *Australia's Future Tax System* review was released. It recommended that all specific taxes on insurance products, including the FSL imposed by insurance companies, should be abolished, advising that insurance products should be treated like most other services consumed within Australia and be subject to only one broad-based tax on consumption.
- The Victorian Royal Commission, in July 2010 made a recommendation (the outcome of which is stated above), that the current insurance based funding model be replaced, on the grounds that it:
  - is inequitable since the community-wide benefits provided by the fire services are funded by insured property owners only; and
  - lacks transparency, as there is no direct or well understood link between insurance company contributions to the fire brigades and the FSL paid by insured property owners."

- The Victorian Fire Services Property Levy Options Paper issued in June includes the following commentary upon their insurance based FSL. It is most likely that the same or a very similar position exists in NSW:-

- **“Over-collection”**

  The 2003 review highlighted concerns that insurance companies were collecting more FSL than the amount they were required to contribute to the MFESB and CFA.

  It is estimated that from 1998-99 to 2001-02 the FSL revenue collected by the insurance industry was $47 million greater than the statutory contribution the insurance industry was required to make to fund Victoria’s fire services.

  While these excess amounts were retained by the insurance industry at that time, the Government introduced improved reporting measures to increase transparency in the insurance industry’s collection of the FSL. Insurers must now report the contributions made to the fire services and the amount of the FSL collected each year. ***(AIR is unaware if similar legislation applies in NSW).***

  From July 2006 to June 2009, the insurance industry collected $17 million less in FSL than the required statutory contribution to the CFA and $12 million more than the required statutory contribution to the MFESB. These discrepancies are likely to be the result of estimating premium income in advance of revenue collections.”

- **Under-insurance**

  Insurance taxes are among the most inefficient taxes levied in Australia and there is significant potential for reform. The combination of State and Commonwealth taxes on insurance reduces transparency and increases the cost of insurance.

  One of the primary concerns with the insurance-based model is that non-insured property owners do not contribute to funding the fire services. As a result, owners of insured buildings and contents are over-contributing to funding the fire services and cross subsidising the non-insured.

  Another concern is the incidence of under-insurance, where property owners insure their property for less than its value and therefore pay lower premiums and a reduced FSL.

- **Owners of similar assets can make significantly different contributions**

  Insurance premiums for similar properties can vary significantly. The price of insurance varies due to deductibles and differential products, such as new-for-old replacement and reimbursement if building costs exceed the sum insured. This contributes to owners of similar assets paying considerably different premiums and therefore different FSL contributions.

  A 2010 analysis of online insurance premium calculators found that a residential property with a sum insured of $200,000 and a deductible of $500 could pay an insurance premium of between $296 and $544. When the ICA advisory rates are applied to these premiums, the FSL payable varies from $53.28 to $130.56 per annum.

- **Some asset owners pay too much for fire services**.

  The Victorian study found that those with contents insurance significantly over-contribute to funding for their fire services. In 2008-09, this over-contribution from insured contents owners in Victoria was estimated to be between $46 and $54 million, and the over-contribution is retained by the insurance companies.

- It should also be recognised that fire services undertake a wide range of roles, not limited to fire prevention and suppression, including car accidents, industrial accidents and medical emergencies, which benefit the community at large; not restricted to those with insurance policies. It is recognised that fire services are a 'composite good' providing benefits to the community generally but also to individuals and entities.

- A further 'equity' issue is relevant – namely that the current insurance based scheme results in an imposition on policyholders of effectively three levels of taxation – the FSL (recovery of the statutory contribution), GST and Stamp Duty on general insurance. Because the levy is not technically a government tax, GST and Stamp Duty are applied to the premium amount inclusive of the levy.

- The HIH Royal Commission (in its final report to the Commonwealth Government) said that because stamp duties are levied on the whole premium, including both fire services levies and GST, they could be described as a **'tax on a tax on a tax'**. The Commission said that **'this treatment lacks transparency, is inequitable and is contrary to good tax policy'**. The cascading tax effect will be avoided if the FSL is abolished.

- The Australian government included in their submission to the 2009 Victorian Bushfire Royal Commission that the insurance based levy was inequitable and should be rejected.

- After Victoria moves to a property based FSL levy in July 2012, NSW will be the only state still retaining the insurance based levy.

- The proposal is significant in terms of fairness, equity, and responsibility.

- Introduction of the proposal would spread the cost burden across the whole community, would lessen the costs for those persons and businesses who already insure (subject to the gross amount collected maintaining polarity with that collected at present), and would reduce GST and Stamp Duty on premiums.

- If insurance policies were made cheaper it would encourage more people to take out cover, and therefore reduce the need for Government assistance in times of crisis.

- While this proposal was included in A.I.R.'s 2008 and 2010 submissions to Government, and rejected, it is submitted again because A.I.R. and many others consider it to be a far better way to finance the State's fire and other emergency services. This clearly remains our number 1 Issue and Recommendation this year.

ISSUE 2: ENERGY PRICES: ELECTRICITY PRICES HAVE INCREASED AT APPROXIMATELY 4 TIMES THE INFLATION RATE WHICH HAS PLACED CONSIDERABLE HARDSHIP ON BUDGETS OF LOW AND FIXED INCOME OLDER PEOPLE.

RECOMMENDATION 2:

- **Financial relief be given to low and fixed income older people to offset electricity price rises that were applied from the 1st July 2011 in NSW which average 17.3%, thus increasing bills by $216 to $316 per year.**

- **Holders of the Commonwealth Seniors Health Card to be included in the Low Income Household rebate scheme.**

- **Introduction of a heating/cooling concession for the colder/hotter parts of NSW during winter/summer months.**

RATIONALE:

- The rapid increase in electricity prices has placed a huge financial burden on all low and fixed income older retirees. Retirees are not able to increase their incomes readily to offset these increases and have had to cut food and health budgets to meet their power bills. The recent global financial crisis and uncertain current markets have seriously eroded their financial position and an ever increasing number are now qualifying for government pensions, thus placing pressure on government budgets. We therefore submit it is in the government's interest to assist retirees to remain self-sufficient for as long as possible.

- We are grateful for the recognition of the hardships being faced by low and fixed incomes of older people by the introduction of the Low Income Household Rebate scheme from the 1st July 2011 which provides $200 per year, and rising to $235 by 2014. This replaced the Energy Rebate which provided $145 per year.

- However the price increases implemented on the 1st July 2011 will more than offset the new Household Low Income scheme, leaving people who qualify to receive it worse off than the previous scheme prior to the 1st July 2011 price rise. The latest price rise is estimated to increase annual bills by $216 to $316 depending upon which supplier is the provider.
- Even prior to the latest price rise (1st July 2011), retail prices for electricity have risen by 4 times the inflation rate. Using the prices from Integral Energy's regulated rates as an illustration, their price history for the year 2005 compared to 2010 is:

Prices – cents per kWh (includes GST)	1 July 2005	1July 2010	**Increase (5 years)**
Energy rate up to 1750kWh/qtr.	12.8073	20.4050	**59.3%**
Energy rate over 1750 kWh/qtr.	13.3378	22.5940	**69.4%**
Off-peak energy rate	7.4129	10.80	**45.7%**
System access charge (cents / day)	20.9000	56.0560	**168.2%**
Off-peak system access charge (cents / day)	2.2000	4.3120	**96.0%**

- Western Australia, Tasmania and Victoria have recognised the need for older people to avoid the extremes of winter / summer by granting an energy rebate to qualifying older people. Health issues are magnified during these extreme months and these state governments have recognised this by the granting of rebates to qualifying older people for the period during the winter/summer months. The Victorian Government's rebate is for gas (17.5% off the bill) and also has introduced a one off payment of $700 for conversion from electricity to an efficient gas heater.

- The effects of the new Federal Government's carbon tax when introduced will place further upward pressures on energy prices. It remains to be seen if any compensation package will offset these price increases, especially in the years following its introduction.

- **By allowing retirees to remain fully or partly self-funding their retirement for a longer period as possible, they are a reduced burden on NSW Government's budgets.**

<u>ISSUE 3: RATE ASSISTANCE INCREASE</u>

RECOMMENDATION 3:

- **That the NSW Government review and introduce a formula for calculating an annual increase in the rebate currently paid to full and part pensioners in the form of an allowance on their annual council rates.**

- **That the initial increase be such that it restores the rebate to a level commensur-able with the percentage it was of the rates when first introduced in 1974.**

- **That the formula for calculating subsequent annual rebates fully protects full and part pensioners from cost of living increases by being linked to the CPI.**

RATIONALE:

- It has been ascertained that in 1974 (perhaps when it started) the NSW government gave rate assistance to pensioners and part pensioners, equivalent to 50% of the annual rates. By 2011 this has reduced substantially and in the Camden district it is now 20% or less depending on the rateable value of the property. This substantial reduction would be state wide and the following should be noted:

  - Jan 1974 to Dec 1980 – Annual Rate Rebate was $120 but limited to 50% of the pensioners annual rate charge.
  - After 7 years Rebate was increased to $150.
  - Jan 1981 to Dec 1988 – Annual rate was $150.
  - After 8 years Rebate was increased to $250.
  - Jan 1989 to date – Annual rate was/is $250

- This means that there has been no increase in the past 22 years. This is an appalling position and on behalf of our part pensioner members (over 50% of membership) that a regular annual increase should be introduced.

- The Rate Assistance amount of $250 P.A. is made up 55% by the NSW State Government and 45% by the local council. Some Council's have increased their contribution by $10 or $20 thus increasing the assistance but only marginally.

- In our view it is very difficult to understand this freezing of rate assistance and even more difficult to justify.

- Retirees on the whole are on limited and quite often fixed incomes and the annual increase in rates causes additional financial hardship and should be offset by a corresponding increase in the rebate amount.

- The percentage of part pensioners is increasing due to the GFC and other financial stresses, hence more and more retirees are in need of assistance with their annual council rates.

- A detailed record of a rate payer in Camden NSW who has lived in the same property since 1971 is detailed below. It fully details this deplorable situation and is indisputable as evidence and rationale for this submission.

SAMPLE OF PENSIONER RATE REBATES

PENSIONER RATING YEAR SUMMARY	**REBATE**							
1974 - 1980	$120		Pegged at 50% of	Rate Bill				
Jan 1981 - Dec 1988	$150							
Jan 1989 - Current	$250							
RATING YEAR	**RATEABLE VALUE**		**GROSS ANNUAL RATES**	**PENSIONER REBATE**	**NET ANNUAL RATES**	**REBATE AS PERCENTAGE OF GROSS**		
1/07/2010 - 30/06/2011	$193,000		$1,262.71	$250.00	$1,012.71	19.80%		
1/07/2009 -	$193,000		$1,175.89	$250.00	$925.89	21.26%		

30/06/2010								
1/07/2008 - 30/06/2009	$193,000		$1,130.05	$250.00	$880.05	22.12%		
1/07/2007 - 30/06/2008	$237,000		$1,163.04	$250.00	$913.04	21.50%		
1/07/2006 - 30/06/2007	$237,000		$1,124.86	$250.00	$874.86	22.22%		
1/07/2005 - 30/06/2006	$237,000		$1,086.75	$250.00	$836.75	23.00%		
1/07/2004 - 30/06/2005	$140,000		$1,134.96	$250.00	$884.96	22.03%		
1/07/2003 - 30/06/2004	$140,000		$1,091.94	$250.00	$841.94	22.90%		
1/07/2002 - 30/06/2003	$140,000		$1,064.57	$250.00	$814.57	23.48%		
1/07/2001 - 30/06/2002	$96,300		$1,226.69	$250.00	$976.69	20.38%		
1/07/2000 - 30/06/2001	$96,300		$961.27	$250.00	$711.27	26.01%		
1/07/1999 - 31/06/2000	$96,300		$990.04	$250.00	$740.04	25.25%		
1/07/1998 - 30/06/1999	$85,900		$966.21	$250.00	$716.21	25.87%		
1/07/1997 - 30/06/1998	$85,900		$953.00	$250.00	$703.00	26.23%		
1/07/1996 - 30/06/1997	$85,900		$893.65	$250.00	$643.65	27.98%		
1/07/1995 - 30/06/1996	$65,000		$705.00	$250.00	$455.00	35.46%		
1/07/1994 - 30/06/1995	$65,000		$672.83	$250.00	$422.83	37.16%		
1/01/1994 - 30/06/1994	$68,500		$336.30	$125.00	$211.30	37.17%	Change of Period	
1/01/1993 - 31/12/1993	$68,500		$629.14	$250.00	$379.14	39.74%		
1/01/1992 - 31/12/1992	$68,500		$615.56	$250.00	$365.56	40.61%		
1/01/1991 - 31/12/1991	$25,000		$633.60	$250.00	$383.60	39.46%		
1/01/1990 - 31/12/1990	$25,000		$590.53	$250.00	$340.53	42.33%		
1/01/1989 - 31/12/1989	$25,000		$543.87	$250.00	$293.87	45.97%		
							Rebate Increased to $250	
1/01/1988 - 31/12/1988	$17,000		$559.42	$150.00	$409.42	26.81%		
1/01/1987 - 31/12/1987	$17,000		$525.28	$150.00	$375.28	28.56%		
1/01/1986 - 31/12/1986	$17,000		$490.95	$150.00	$340.95	30.55%		
1/01/1985 - 31/12/1985	$17,000		$454.61	$150.00	$304.61	33.00%		
1/01/1984 - 31/12/1984	$17,000		$421.63	$150.00	$271.63	35.58%		
1/01/1983 - 31/12/1983	$17,000		$382.98	$150.00	$232.98	39.17%		
1/01/1982 - 31/12/1982	$14,000		$348.10	$150.00	$198.10	43.09%		
1/01/1981 - 31/12/1981	$11,000		$301.24	$150.00	$151.24	49.79%		
							Rebate Increased to $150	
1/01/1980 - 31/12/1980	$11,000		$273.20	$120.00	$153.20	43.92%		
1/01/1979 - 31/12/1979	$11,000		$246.40	$120.00	$126.40	48.70%		
1/01/1978 - 31/12/1978	$11,000		$235.54	$117.77	$117.77	50.00%	Rebate capped at 50%	
1/01/1977 - 31/12/1977	$11,000		$212.16	$106.08	$106.08	50.00%	Rebate capped at 50%	
1/01/1976 -	$11,000		$203.66	$101.83	$101.83	50.00%	Rebate capped at	

31/12/1976						50%
1/01/1975 - 31/12/1975	$11,000	$175.52	$87.76	$87.76	50.00%	Rebate capped at 50%
1/01/1974 - 31/12/1974	$6,750	$112.69	$56.35	$56.35	50.00%	Rebate capped at 50%

ISSUE 4: DURATION OF DAYLIGHT SAVING IN NSW

RECOMMENDATION 4:

- **That the duration of Daylight Saving in NSW each year be reduced from the present Six (6) months to Four (4) months – i.e. the first Sunday in November to the last Sunday in February.**

- **Further, that the NSW Government liaise with other Eastern State Governments with a view to reaching common agreement on this issue.**

RATIONALE:

- At a time when utility prices are rising and Australians are endeavouring to economise on power usage, the first and last month of the current daylight saving period necessitates the use of **extra lighting** (country areas are pitch black in the mornings as there is no glow from city lights where it is never completely dark) and extra **heating** in the morning – particularly in the cooler regions!

- Although the issues surrounding children would only affect a small number of our members (those who are grandparents and yet have parental roles), we believe there is a community concern at stake here, in that the effective loss of an hour sleeping time in the morning means that country children in outlying towns, hamlets, etc. have to leave home **very** early to catch the **one and only daily bus service** to take them to the larger schools (because smaller schools have dwindled over the last 10-15 years). Some of these children leave home at 6.30 am (5.30 am EST) which is **FAR** too early for the younger children) because they don't have the luxury of catching a later bus - as do most city children**.**

- These children then have to catch the return bus after school at 3.30 pm and some don't get off the quite often non air-conditioned bus for two (2) hours (during the hottest part of the day) and arrive home tired and sweaty.

- This 'change in body-clock' after a month of 'earlier rising" also leaves people tired – and by the end of February THIS is quite noticeable in a majority of residents (especially retail employees)….as most people don't go to bed that hour earlier.

- Under EST zoning, if people choose to rise early and participate in exercise, gardening, employment, etc., that's a personal choice; but Governments should not commit the rest of society to the same fate with a compulsory extended time change.

- The many time zones in Australia during Daylight Saving are confusing and detrimental to business operation (e.g. SE Queensland in relation to NSW). Also confusing, is the time differences between Australia and overseas countries – making it very difficult for families to communicate (not every household has a computer and so still has to rely on the telephone to communicate with family members living abroad); and there are business operational issues.

- This recommendation is revenue neutral to the NSW State Government budget.

- **In our view, while opinions may vary on the issue of Daylight Saving generally, there would be little doubt the majority opinion would support the shorter period; and if Government/s is/are not willing to make the change recommended, there should be a referendum on the issue at the earliest opportunity.**

ISSUE 5: ACCREDITED DRIVING INSTRUCTORS IN NSW RURAL AND REGIONAL AREAS

RECOMMENDATION 5:

- **That the Government policy be relaxed to allow a greater spread of accredited driving instructors in rural and regional areas to facilitate reasonable access to drivers who need the one hour refresher course prior to undertaking their mandatory driving test at age 85 years.**

RATIONALE:

- In remote regional areas there is little or no public transport as an available alternative for older persons who are precluded from driving due to their inability to undertake a refresher course and who as a result fail to reach the standard set by the RTA to retain their licence.

- Older drivers regularly need to access medical facilities either for themselves of for those who they are carer's for, often some distance from their residence and for which a driver's license is essential.

- The more liberal spread of instructors would enable older drivers to undertake a refresher course in their local area and therefore be better prepared for their driving examination when it becomes necessary.

- If follow up instruction is necessary to enable an older driver to reach a standard required by the RTA to maintain their license then such instruction lessons can more easily be arranged with an accredited instructor in their local area.

- By enabling older drivers to more easily retain their driver's license would preserve their independence and therefore they would not be a burden on Government services.

- The restriction of accredited instructors to a mere handful in regional areas is discriminatory in that it created a closed shop for those who are accredited and precludes a fair spread across the pool of instructors.

- **This issue too, in our view, would be revenue neutral to the NSW State Government budget.**

ISSUE 6: INVESTMENT IN LOWER-END RENTAL PROPERTIES – ENCOURAGEMENT FOR ACQUISITION BY SELF MANAGED SUPERANNUATION FUNDS (SMSFs)

RECOMMENDATION 6:

- **That the NSW Government:**

  a) exempt residential property purchased by a Self Managed Superannuation Fund (SMSF) for rental from purchase stamp duty if its valuation is lower than the present land tax limit of $401K; and

  b) determine multiple properties in the one ownership, where the value of each falls within the land tax limit, will not have their values aggregated for compliance with the land tax limit.

RATIONALE:

- The shortage of rental properties is reported as being of concern to the Government and it should be receptive to this proposition.

- The availability of NSW rental properties at the lower end of the market needs to be increased.

- With the growth in SMSFs and the funds under their Trustees' control for investment and with many trustees disillusioned with shares/funds the time is right to attract them into 'bricks and mortar'.

- The acquisition cost of investment properties is high and is a deterrent to SMSFs trustees considering same; and therefore

- the adoption of (a) and (b) would provide an incentive for rental property acquisition through an initial saving of around $13.5K, and on each of the 2nd and subsequent properties purchased up to the Premium Land Tax threshold, $6,500 annually.

- The proposal would increase the stock of lower priced housing thereby easing the pressure presently being experienced by the rental market.

- Increased investment in existing property would, through flow-on to new construction, create development and employment opportunities in the construction and associated industries.

- The normal incentive for investing in property is the negative gearing available to those with taxable incomes. This is not significant, even nil, as SMSFs only pay 15% tax during their accumulation phase and nil once a pension is paid, i.e. a member of the SMSF has retired. The proposed incentives should encourage them to invest in property.

- It is expected the cost to NSW Government would be minimal in the overall scheme of things but the benefits to individual retirees' significant.

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PRIORITY RECOMMENDATIONS INCLUDED IN PREVIOUS SUBMISSIONS TO THE NSW GOVERNMENT

The following recommendations of our previous Submissions of 2010, 2009, 2008 and 2007 respectively, remain strongly commended for continued consideration:

2010 RECOMMENDATIONS:

- "*That the NSW Home Builder's Bonus Scheme be amended respecting retirees to include the first $600,000.00 to be exempt from stamp duty irrespective of the total cost of the downsized premises.*"

It is very pleasing to know that this matter has been addressed by Government in their Bill -Duties Amendment (Senior's Principal Place of Residence Duty Exemption) Bill 2011 - introduced by Mr Mike Baird MP on 9 May 2011 with Agreement in Principle.

It is the request of AIR NSW Division that the NSW Government consider extending this concession beyond the proposed date of June 2012.

- *"That the New South Wales Government review and change the formula for determination of annual Registration costs for Trailers/Caravans,*

- *That this review be so designed as to bring about a reduction in such costs to more accord with those levied in other Australian States."*

The former NSW Government removed the initial Stamp Duty on Recreational Vehicles, and it is seen that the lowering of Registration costs on Trailers/Caravans, through formulating a separate classification for these vehicles as distinct from trailers/caravans used for commercial purposes would be most appropriate.

2009 RECOMMENDATIONS:

- *"That the NSW Government develop and pilot a program to encourage development currently approved by local government under the "Over 55's Development" codes to include Dual Key Access Apartments and Villas."*

This issue is presently being considered by the Department of Planning.

2008 RECOMMENDATIONS:

- *"That the NSW State Government in liaison with the Federal Government increase the rebate on the installation of domestic solar panels for solar generation; match the buy-back rate for solar generated electricity to that offered by other States";* and that Government *"commit to the installation of gross metering of solar generated power"*.

While steps have been taken in regard to these issues, A.I.R. believes there is still more to be done.

2007 RECOMMENDATIONS:

- *"That the Government's policy should be changed to include all frail older seniors who are living alone to receive a daily telephone call to keep them in touch with their community, irrespective of income, assets or housing situation.*

- *That the State and Commonwealth Governments work together in developing a national rail strategy, with adequate funding, to build and operate an efficient network which will ensure regional communities are not denied passenger services to capital cities."*

While the previous State Government has not seen this as a priority, A.I.R. remains of the view much could be achieved if this recommendation was adopted.

- *"The introduction of a primary basic fee and secondary charge for domestic water usage to maintain equality and overcome discrimination"*; and *"A feasibility study for the conversion of unwanted domestic swimming pools with an associated rebate".*

Irrespective of recent changes, we would again request the adoption of these recommendations.

It is recognised that the 2 tier pricing was introduced on 1 July 2008 by Sydney Water and was due to the drought and low storage levels, but was a short term measure to meet the circumstances at that time. A follow up with Sydney Water in September 2010 has confirmed that a 2 tier pricing system no longer exists and all metered usage is charged at a flat rate, and there is no excess water charge.

A resident in the Dubbo District has brought to our attention the following situation regarding the structure of water charges in that area in 2010. When Dubbo City Council recently proposed an overall 60% increase in water charges over 5 years, they "consulted" with the rate payers putting forward alternative financing methods, one a two tier system (which very much favoured the conservative user), the other a single tier system, and both with a considerable increase in the Supply Charge.

On the basis of the same amount of water usage in the 12 months commencing 1 July 2010 as in the previous 12 months, under the two tier system the water costs would have increased by 40.6%, and for another property 144% respectively. As it transpired, Council chose the single tier system, and the total water costs for the year, based on the same consumption as last year, will show an increase of 55% and 166.5% respectively.

There is absolutely no doubt a one tier pricing structure works against the prudent user of water, the people who are conscious of preserving our natural resources.

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