Association of Independent Retirees (AIR) Limited
Queensland Division
ACN 102 164 385

Working for 'Australians in Retirement'

SUBMISSION

TO

QUEENSLAND GOVERNMENT TREASURER PRE-BUDGET SUBMISSION 2015 – 2016

March 2015

The Association of Independent Retirees (AIR) is a national not for profit, non-political organisation that works to advance and protect the interests and independent lifestyle of Australians in or approaching retirement.

ASSOCIATION OF INDEPENDENT RETIREES (AIR) LIMITED
ACN102 164 385
Queensland Division
Working for 'Australians in Retirement'

Deputy President:	**Paul Southgate**	**☎ 07 3351 4126**	**E psouth@gil.com.au**
Secretary:	**Helen Sava**	**☎ 07 5477 5481**	**E air_sunshinecoast@bigpond.com**

Hon. Curtis Pitt MP
Treasurer
GPO Box 611
BRISBANE QLD 4001

Dear Treasurer

2015 – 2016 Pre-Budget Submission

The Association of Independent Retirees (AIR) Limited has attached recommendations for the 2015 – 2016 Queensland Government Budget. In preparing this Submission, the Government's difficult fiscal circumstances have been acknowledged.

AIR represents fully and partly self-funded retirees (part pensioners) and people that are about to retire. The Government must understand that, with changing economic times and government policies, many retirees and particularly those on fixed incomes are experiencing very difficult times.

The issues detailed in this Submission have been developed in consultation with AIR members from across Queensland.

The principal matters are:

(i) Cost of domestic electricity;

(ii) Seniors Card parity with other Australian States;

(iii) Improved asset management by reducing transfer duty when retirees downsize their principal residence; and

(iv) Maintain Concession funding for retirees.

Other matters that could also be considered include:

- Including addresses on Adult Proof of Age Cards;
- Electronic voting for absentee voters;
- Standardisation of application of local rates concessions;
- Local Government Area planning for flood plain developments; and
- Home and contents insurance premiums.

By giving favourable consideration to these issues in your Budget deliberations, your Government would be providing much needed financial relief for retirees.

It is considered that the granting of these AIR requests should not have a major impact on the State Budget position.

In recent times, all retirees have suffered a diminished capacity to meet health, local government rates and utility costs due to these disproportionate cost of living increases when compared with income returns from investments whether superannuation or other forms such as shares. And, many formerly self-funded retirees are now part pensioners (partly self-funded retirees) due to diminishing assets and income.

Retirees in Queensland have definitely “fallen behind the eight ball” when the assistance granted to retirees in other States is compared.

In advancing the above mentioned issues, AIR is not only representing Queensland members of AIR but all full and part self-funded retirees in Queensland.

According to Australian Electoral Commission (AEC) statistics as at 31 December 2014, there were over 619,000 Queenslanders in the 65 and over age category and a further 485,000 in the 55 to 64 age cohort including 233,000 in the 60 to 64 age group. A large number of retires are included in these groups.

It is acknowledged that the State Government does provide some concessions that assist retirees. However, the majority of AIR members are doing it “tough” in the current economic climate and there appears to be little good news on the horizon.

But, as stated earlier, it is recognised that the Queensland Government also has fiscal responsibilities. In recognition of this, AIR is purposely not targeting an extensive list of areas where changes could be made to Government policies and procedures.

The listed matters are discussed in the body of this Submission.

Should you require any further details in relation to the recommendations contained herein or other matters, please do not hesitate to contact me.

I thank you for considering this Submission.

PAUL SOUTHGATE
Deputy President
Queensland Division
Association of Independent Retirees (AIR) Limited
24 March 2015

Please address correspondence to: Helen Sava
Secretary, Queensland Division
Association of Independent Retirees
PO Box 1317
BUDDINA QLD 4575

Discussion of Issues

Reiterating, the four issues identified as of very high importance to retirees in Queensland relate to:

1. Cost of domestic electricity;
2. Seniors Card parity with other Australian States;
3. Improved asset management by reducing transfer duty when retirees downsize their principal residence; and
4. Maintain Concession funding for retirees.

The issues and rationale behind each are discussed in turn below.

ISSUES OF HIGH IMPORTANCE

ISSUE 1 — Cost of domestic electricity

Electricity costs need to be brought under control and reduced to manageable levels for home owners. Increases in the cost of domestic electricity over recent years have been identified as a significant concern to retirees — particularly those on fixed incomes.

Rationale

Large increases in domestic electricity charges are having an impact on AIR members that has never been seen before.

Electricity is an essential item for a person's comfort and health. Significant increases in tariff and supply charges over the last couple of years means that people are having to make impacting sacrifices to be able to meet the increased charges or do without the likes of air-conditioning during periods of extreme hot weather — thus putting themselves at high risk of associated health problems.

Many of our members were not able to afford the upfront cost and most did not understand the consequences of not installing solar cells (PV) under the former Bligh Labor Government's program that was part of the electricity generation carbon / environmental pollution reduction. The high $0.44/kwh offset tariff applied to those early PV installations is proving to be another cost burden impacting electricity tariffs.

While distributors have announced that near future price increases will be less than inflation, this is of little benefit to consumers as the existing base network costs are very high due to double digit percentage increases over a number of years.

In view of the severe impact of the excessive increases in domestic tariff and supply costs, the entire generation, distribution and supply system is overdue for a major restructuring that is focused on lowering consumer costs and removing inefficiencies, "gold plating" and "price gouging" that has reportedly been occurring.

<u>ISSUE 2</u> — Seniors Card parity with other States

The State Government should lower the age for eligibility for the Queensland Seniors Card from 65 years to 60 years making the eligibility consistent with the current conditions applying in all other States of Australia.

Rationale

The Seniors Card is *"a State Government Initiative in partnership with the private sector to encourage people who have retired, or who are working part time, to continue to engage with the community"*. The service exists in all States and Territories of Australia. The card allows retirees to access discounts from a wide range of businesses and State Government services.

But, the eligibility criteria for the Seniors Card in Queensland are different to all other States and Territories.

Simply put, retirees in all States and Territories apart from Queensland are able to apply for the Seniors Card at age 60, and gain access to business and State government service discounts and / or concessions. However, in Queensland, retirees can apply for a "Seniors Business Discount Card" only at age 60. Queenslanders are not able to apply for the "Seniors Card" until they reach the age of 65, unless they also hold a Commonwealth concession card from Centrelink or the Department of Veterans Affairs.

This denies many Queensland retirees under the age of 65 years access to any State Government concessions.

Retirees in other states and territories can access their respective State Government concessions at age 60 as well as the Queensland Government concessions. The absurd situation arises where a retiree from another state (say New South Wales) who is aged 63 can gain concessional entry to say the Brisbane Royal National Show or an Art Gallery special exhibit but a Queensland retiree of the same age has to pay the full price.

Furthermore, because Queensland resident retirees (60 – 64 years) don't hold a Seniors Card, they are denied access to the reciprocal concession privileges when visiting interstate.

As stated earlier, there are only 233,000 (AEC statistics) Queensland residents in the 60 – 64 age group that this proposal affects. The number of retirees would be small. Therefore, the budgetary impact would be very minor.

There is no logical argument to justify the current eligibility restrictions. Lowering the qualifying age to 60 years will remove the blatant discrimination imposed on this group of Queensland retirees.

<u>ISSUE 3</u> — Improved asset management by reducing transfer duty when retirees downsize their principal residence

Allow a reduction in the rate of transfer duty for retirees over 65 who are downsizing accommodation for health, financial hardship or other reasons.

Rationale

Transfer duty is paid when a property is purchased. The Queensland Government does offer some concessions when the residence being transferred is the principal residence. Even more generous concessions are offered to first home buyers.

State stamp duty (or transfer duty in this case) was to be progressively removed following implementation of the Goods and Services Tax (GST). This has generally not occurred.

With increases in local government rates, utility services and other costs of living, many retirees on fixed incomes cannot continue to afford the cost of living in the family home. They have little choice but to downsize from the traditional family home and move to smaller domiciles often in the form of home units or retirement villages.

Health considerations and physical capacity are also factors that influence retirees to downsize.

A major detractor to making the decision to downsize is the amount of transfer duty that they will have to pay to secure an alternate property. Potentially reducing the financial benefits of moving.

Transfer duty can amount to a considerable sum when a retiree is buying into a retirement village or a smaller residence. If transfer duty was reduced (or preferably eliminated completely) for retirees downsizing, it would make the financial considerations of relocating somewhat easier. It is likely then that more retirees would make the final decision to downsize.

While at first glance, this proposal appears to have a negative cost to Government, there are really financial benefits to be gained.

Firstly, it would likely stimulate the building of more retirement villages and similar group title properties that are suitable for retirees. The Government would get its return from taxes, fees etc associated with the building of the properties. Not to mention the stimulation of the economy as a whole from the increased building activity for the housing sector.

Many of the homes occupied by retirees were purchased probably 30 to 40 years ago and are in prime positions more suitable to working families. Also, many of the homes have four and five bedrooms and are totally underutilised by singles and retiree couples who no longer have dependents living at home. The cost differential of space that is used to space that is actually required could easily run into millions of dollars in asset value across the state.

By facilitating the easier transition of retirees into downsized accommodation, a turnover of existing family homes would be available to younger families. This would ease the shortfall in housing availability and provide housing in established areas which are well serviced by existing infrastructure and therefore deferring the need to construct infrastructure in new areas. This would result in considerable savings to Government.

In addition, the renovation of "older" homes by the new, younger owners, which normally occurs, would also stimulate the building industry.

ISSUE 4 — Maintain Concession funding for retirees

Of major concern is the fact that there was no commitment made during the recent election for the State Government to continue funding retiree concessions for the next three years.

Rationale

The Federal Government withdrew the $50 million in concession funding that it paid to the States for distribution to retirees in its 2014 May Budget. At this stage, there has been no mention of the Federal Government reinstating this payment. The former State Government made up the deficit so that retirees would not suffer and experience a shortfall in meeting cost of living expenses as a result of the forgone money.

Cost of living increases have been so high in recent times that retirees on fixed incomes are in no position to absorb these increases and still maintain a reasonable lifestyle. Without the concessions, many more will struggle to pay utility bills such as rates, water and electricity on time. The fallout is that the State Government will have to step in with some form of assistance.

OTHER ISSUES

Other issues are:

5. Including addresses on Adult Proof of Age Cards;
6. Electronic voting for absentee voters;
7. Standardisation of application of local rates concessions;
8. Local Government Area planning for flood plain developments; and
9. Home and contents insurance premiums.

ISSUE 5 — Including Addresses on Adult Proof of Age Cards

Adult Proof of Age Cards should have the address indicated on the Card.

Rationale

Adult Proof of Age Cards currently issued by the Department of Transport do not include the person's address on the card.

People who are ineligible to hold a driver's licence (severely vision impaired people) use the Card as a form of photo identification. However, in some cases, the Card provides insufficient identification as it does not record the holder's residential address.

Adding the address to the Card would greatly increase the convenience of use of the Card.

Address information is already captured on the application form. It is only a matter of recording it on the Card.

Currently, if a person changes their address, a driver's licence is amended by applying a sticker to the reverse side. A similar process could be adopted for existing Adult Proof of Age Cards and therefore minimising cost.

A very simple initiative that would benefit many people and at minor cost.

ISSUE 6 — Electronic Voting for Absentee Voters

Electronic voting should be introduced for absentee voters for State and later, local government elections.

Rationale

Many in the community find difficulty in attending a polling booth on voting day. The fact that so many do pre-poll voting reflects that to some extent. Besides physical disabilities and the lack of helpers to get voters to booths, there are the real constraints of distance — eg graziers and fishermen in remote places and people overseas for pleasure or work and so on.

There is no reason why electronic voting cannot be used with, or in place of, current postal voting processes. The Electoral Commission is capable of enforcing security. Banks, betting agencies and many other institutions have secure on line transactions operating without any problems.

Systems have already been used in many other places (including NSW on a limited scale at the last State election). It is believed that there are economies of scale and efficiencies involved, as well as allowing many others the opportunity to have a vote.

ISSUE 7 — Standardisation of Application of Local Rates Concessions

Standardize the policy used by councils to grant rate and other concessions to pensioners.

Rationale

The State government subsidizes some rate reductions direct to local councils.

However, different councils offer different concessions to eligible retirees for land rates. Similarly, water and sewerage concessions from public utilities are often different. It should be the same across the board irrespective of which local government area a person resides in.

ISSUE 8 —Local Government Area planning for flood plain development

Standardize the policy used by councils in relation to allowable developments on flood plains.

Rationale

In addition to early settlement flooding in the 1800's, Queensland towns and cities have suffered significant flooding of residential areas in 1974, 2010 – 11 and 2013. Most of the properties inundated were built on flood plains following new estate development approvals from local governments.

While there has been some tightening up of approvals following the two most recent flooding episodes, there is still building construction being allowed in flood prone areas that would be subject to severe damage if another major flood event occurred. This results in both emotional and financial hardship for the residents (even those fully insured) as well as significant disaster recovery costs for governments.

Much analysis of flood impacts has been undertaken. This needs to be translated into practical conditions that cover material types, floor heights, location of utility services etc and should apply for all constructions on land prone to inundation in all council areas.

ISSUE 9 — Home and contents insurance premiums

Home and contents insurance premiums (particularly in Central and Northern Queensland) are, in some cases, excessive and exorbitant and require investigation.

Rationale

In the 2010 to 2013 period, the State was hit with a number of natural disasters that resulted in wide spread property damage and losses. As a consequence, insurance premiums for home and contents insurance escalated with the highest increases being in the Central and Northern Queensland regions. In some cases, insurance cover is not offered.

It is likely that the damage caused by Cyclones Marcia and Nathan will again be used as an excuse to increase premiums.

These type of costs hit retirees particularly hard as the majority are on fixed incomes.

General advice is to "shop around". But, many of our members have tried this without much benefit being received. When it is understood that a small number of parent companies own most of the insurance companies, it is easy to see why there is little competition in the market.

The insurance companies cite flooding, storm and cyclone claims over the past years as the reason for the increases. However, this is very hard to accept when insurance companies continue to make significant profits. It seems that the premiums have been inflated excessively using the floods and cyclone damage as an excuse as many policy holders that are not in flood or cyclone areas are also caught in the cost increase spiral.

It is getting to the point where AIR members (as well as other community members) cannot afford the insurance. In these instances, governments are left to pick up the bill.

CONCLUSION

Queensland Division of the Association of Independent Retirees acknowledges that the issues raised will have some fiscal impact on Government.

However, there are also counter impacts that lead to Government savings in the longer term.

In the case of a transfer duty reduction, it would seem at first glance as a loss of revenue. However, the bigger picture is a stimulation of the building industry to provide the necessary accommodation as well as savings in new infrastructure costs as younger families move into inner suburban areas that are well serviced with transport and other amenities.

Due to no fault of their own, full and part self-funded retirees are suffering financially. Most of the blame for this is directed to tightening fiscal markets. But, the Queensland and local Governments have also directly attributed with service costs for everything from transport to utilities and rates escalating at much greater that the CPI at a time when investment returns are not keeping pace.

Full and part self-funded retirees need assistance in the current economic climate.

Accordingly, the Association of Independent Retirees requests that these issues are given favourable consideration when Government prepares and costs the 2015-2016 State Budget.

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