



**SACOSS Submission on the An Affordable Place to Live
Consultation Paper**

June 2013

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47 King William
Road Unley, SA,
5061 Australia
Ph (08) 3054222
Fax (08) 8272 9500
Email: sacoss@sacoss.org.au
Website: www.sacoss.org.au

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Contents

Contents	3
Introduction	4
Housing	4
Household Expenses	6
Life Changing Events	7
Concessions	8
Concessions General:.....	9
Transport Concessions:	9
Utilities Concessions:	9
‘Other’:	11
Legal costs:.....	11
Taxation Reform	11
References	13

Introduction

SACOSS welcomes the opportunity to provide a submission to the 'An Affordable Place to Live' (Affordability) consultation paper. As the peak non-government representative body for the health and community services sector in South Australia, SACOSS believes in justice, opportunity and shared wealth for all South Australians, and has a strong membership base representing a broad range of interests in the social services arena. Our core activities include analysing social policy and advocating on behalf of vulnerable and disadvantaged South Australians; providing independent information and commentary; and assisting the ongoing development of the health and community services sector.

SACOSS has a key interest in affordability and in ensuring that a decent quality of life is accessible to all South Australians. Over the last 4 years the regular SACOSS *Cost of Living Updates* have tracked pressures on the budgets of disadvantaged households in the areas of housing, utilities, food, health, transport and most recently, insurance. These reports have consistently shown that the cost of these essential expenditures has increased more quickly than the generic CPI. This is important because these expenditures account for a greater proportion of low income households than for the average household, meaning that increasing prices of these basic goods and services impacts disproportionately on low income households. Additionally, the incomes of many low income South Australians are pegged to CPI (or do not increase regularly at all) so that incomes are not keeping track with the rising prices of household essentials.

SACOSS is enthusiastic about the Department of Treasury and Finance highlighting affordability as one of the government's Seven Strategic Priorities and initiating this consultation process. In response we engaged our member organisations, primarily through our Policy Council, to reflect on the priority areas identified in the Affordability consultation paper: housing; household expenses; life changing events; concessions and other. In examining the priority areas identified in the consultation paper we also revisit recommendations raised from recent SACOSS analysis produced in the 2013/2014 Budget Submission and the 2012 Cost of Living Summit revising them as appropriate.

Below is a summary of SACOSS asks set out thematically under the priority areas identified in the Affordability consultation paper.¹ The final section includes a range of tax reform proposals that could fund the recommendations put forward in this submission.

Housing

Housing continues to be a major expense for most South Australians. For the average South Australian household, current housing and utilities account for 20.7% of all household expenditure on goods and services. However, for those in the lowest income quintile, this

¹ Consultation and development of the asks included here was undertaken prior to the release of the State Budget in June this year. Some of the asks that appear in the submission were addressed in the Budget and where this is so it has been noted.

rises to 25%. For those renting with private landlords, the figure is 27.6%.² All these figures are averages, so they hide many households for which housing and utilities costs are an even greater share of the household budget.

Ensuring affordable housing with ample and appropriate stock of private, public, and community housing is a priority issue for SACOSS and is fundamental to ensuring that South Australia remains an affordable place to live. Growing housing stock is important, and so too is ensuring that the kind of housing stock developed is appropriate to and affordable for all members of the community. Ideally, public housing stock should be adequate to ensure that any South Australian who wanted to access secure, affordable, and low-cost housing could do so. Given reductions in public housing stock over recent years, the public housing system has become dominated by tenants who have high levels of vulnerability and extensive support needs. SACOSS believes that the success of a good social housing system relies on a mix of tenants with a range of needs. Ensuring that adequate and affordable housing is made available to all South Australians also means providing a range of housing designs that accommodate different family types and different individual situations.

SACOSS also recognises the need to ensure diversity in housing stock in order to reflect the diversity of our South Australian community.

ASKS:

1. Public and community housing stocks are dramatically increased to ensure adequate access for all South Australians;
2. No further reduction in public housing stock;
3. 10,000 new houses to be built over the next 5 years, managed either by SA Housing Trust or community housing. A particular issue of concern here is ensuring that community housing associations can leverage off housing transfers to access equity and invest this capital to increase housing stock;
4. Create a community sector home loan product that not-for-profit organisations can utilise to grow community housing stock and make residential properties available to the not-for-profit sector;
5. Reinstate a capital growth fund to support the not-for-profit housing sector established as a funds matching scheme;
6. Support Shelter SA's efforts to develop a Protocol for Homeless People in Public Spaces.

While efforts to create an affordable housing system should be aimed at preventing homelessness it is important that we do not overlook the situation of those who are currently homeless. Though the Protocol for Homeless People in Public Spaces will not directly contribute to affordability of housing, it will impact on challenges associated with affordability issues for people who are homeless. Finding ways to improve services to people who are homeless is a measure by which to assist people back into an affordable housing system.

² ABS, 6530.0DO001_200910 Household Expenditure Survey, Australia: Summary of Results, 2009–10, South Australia, Tables 3 & 15.

Household Expenses

Household expenses, particularly those relating to utilities, continue to place significant financial pressures on South Australian citizens and SACOSS is undertaking ongoing research in this priority area. SACOSS is particularly concerned with ensuring that South Australian citizens have appropriate concessions and hardship provisions available to them in dealing with utility services and are not made vulnerable to unnecessary consumer debt. We recognise that Government also has a commitment to realising these goals. For SACOSS a key way of ensuring these goals are met is by ensuring that there is widespread awareness of hardship provisions and concessions among the community. Our proposals on this important priority area are informed by these considerations.

We also understand that the Essential Services Commission of South Australian (ESCOSA) is currently reviewing arrangements around shared water meters, for Housing SA tenants and in private rental properties. We support this review and await ESCOSA's analysis of the issue. SACOSS acknowledges that shared water meters are an issue of concern and sometimes conflict in the community. Though ending shared meters would not directly impact the cost of water for consumers, it would relieve the stress associated with cost of living pressures for individuals who are attempting to manage limited incomes. Shared water meters make it impossible to predict water costs and this can directly contribute to people falling short on other bills and expenses if, due to the water usage of a neighbour, their water account is higher than what they have anticipated and budgeted for.

In response to the issue of concessions below we reference the idea of 'timebanking'. Timebanking is a concept which refers to a system of exchange organised around time deposits or time transfers in contrast to the cash transfers of the marketplace. Timebanking is a way for individuals and organisations to engage in the receipt and delivery of services without a cash outlay. There are obvious limitations to the application of 'timebanks' and they cannot and should not serve as an alternative to the mainstream consumer system. Nor should they be implemented in a manner which allows individuals who could otherwise afford to transact in the market economy avoid consumer-related taxes. However, timebanks may be an innovative way of supplementing mainstream consumer systems and the delivery of essential services for those whose access to the market economy is limited. In this submission we recommend investigating their potential to act as a supplement service in a range of areas.

ASKS:

1. Put "food security" into the new public health plans that must be developed under the Public Health Act 2011;
2. Extend the development of food cooperatives across the supply chain;
3. Introduce a percentage based energy concession where concession card holders are provided with a percentage discount off household electricity and gas bills, to better align concessions policy with market and regulatory developments;
4. Conduct a feasibility study into building codes setting a standard for air conditioning, whereby air conditioning systems with significant energy capacity would be required to meet minimum solar system requirements as part of new building design;

5. Evaluate existing and proposed schemes for people in private rentals to gain access to the benefits of existing solar connections (which ensure that the rebate is split between the landlord and the tenant);
6. Fund the not-for-profit the sector to investigate innovative, cost-effective approaches by which the community can minimise house-hold expenses through 'timebank' style initiatives;
7. DECD to widen eligibility for Families SA financial counselling services to all the clients of the Department;
8. Increased awareness of hardship provisions for all energy and utility consumers by including on individual utility accounts a statement that hardship provisions exist and where to obtain further information on them if it is needed;
9. Create an 'energy rating' system for private rental properties so that potential tenants can make informed choices about their home energy costs;
10. Explore options for further promotion of the Department of Manufacturing, Industry, Trade, Resources and Energy's (DMITRE) Energy Information Service;
11. Maintain South Australian solar hot water rebate to enable replacement of hot water systems for low income households;
12. Adjust the Residential Energy Efficiency Scheme (REES) to increase the focus of activities to more than just audits and expand to water. In terms of the objectives of the scheme, SACOSS proposes placing emphasis on improving system load factor and consequent provision of incentives for energy efficiency activities which would impact positively on system load factor. SACOSS believes that these activities should be accessible by both the priority group households and general households. SACOSS supports current activity by the Commonwealth Energy Saving Initiative Secretariat to consider incentives for energy efficiency measures based on their impact on the utility's load factor and strongly proposes that the DMITRE Department incorporate these findings in to their current review of the REES.

Life Changing Events

SACOSS commends the government in recognising that life changing events often require special supports. Life-changing events such as personal illness and environmental disasters are typically unpredictable, making them impossible to plan for in the general course of life, and bringing with them unexpected expenses and unexpected consequences.

However SACOSS maintains that, as well as providing emergency and specialist supports to people at the time of life changing events, ensuring affordability in all spheres of life is important to assist people to cope with unpredictable life changing events. In a context where people are unable to purchase insurance, accumulate savings or have respite from everyday stress, support at the time of a life changing event may not in itself be sufficient to ensure that people are resilient in the face of crisis of a serious or on-going nature.

Price rises tracked in recent SACOSS *Cost of Living Updates* show that over the last few years insurance prices have gone up by 190% nationally and by 100% in South Australia since 1998, while CPI only increased by 50%. This translates to average South Australian households paying \$20 a week or over \$1000 a year more now than if prices simply followed the inflation rate. The average South Australian household spends more on insurance than

on electricity and water, so rising insurance price increases matter – both to those who have to pay the higher prices, and to those who are increasingly excluded from the market and left more vulnerable to crisis. Data demonstrates that expenditure on insurance is a larger proportion of total household expenditure for those in the lowest income quintile than for those on higher incomes. This is often pensioners with relatively higher levels of insurance, but it means that insurance prices impact on some who can least afford it and can least afford to live without insurance as they do not have the resources to rebuild or ride out a crisis (for further discussion see SACOSS 2013).

ASKS:

1. More financial counsellors to help households experiencing hardship, including funding a program to deliver financial counselling in hospital wards and rehabilitation centres for patients and families experiencing major illness or disability.

The purpose of financial counsellors in hospitals as proposed here is not to provide advice on how to manage hospital-related fees, as such services already exist. Rather, the purpose is to provide more wide-ranging financial advice as relevant to changes in circumstances arising from chronic illness and/or disability.

We are delighted to note that the SA Budget 2013-2014 delivered funding increase which will amount to 10-12 new financial counsellor positions. These funds will go some way towards addressing the need for more financial counselling services. However, SACOSS (2011) has previously identified the widespread and urgent need for additional funding in this area and continues to recommend additional investments in this area be made.

2. Increase the Patient Assisted Travel Scheme (PATS) to assist with transport for regional people to obtain health services.

SACOSS acknowledges that SA Health has made improvements to the PATS and that ongoing efforts continue to be made in this regard. Additional to those efforts SACOSS proposes increasing the travel subsidy available to regional and remote patients accessing health services.

3. Conduct an independent review on the impact of the new Utilities Literacy Program in order to evaluate its usefulness in assisting customers to access better energy market deals and manage existing challenges around utility bills.

Concessions

SACOSS applauds the government's ongoing commitment to a concession scheme and the suggestions included in the Affordability consultation paper of reviewing, simplifying, and potentially increasing the concession system. SACOSS contends that it is necessary to undertake a thorough-going review of the concession system with a view to reformulating the concession system to better reflect contemporary need as experienced in the community. The existing concession system was designed to reflect a difference between the anticipated long-term support needs of South Australian's living on an age pension and the presumed

short-term support needs of individuals living on job-seeking and study allowances. While this distinction may have been relevant at the time of the development of the concession system it no longer reflects the need of individuals in receipt of government income support. It is well documented that individuals in receipt of job-seeking allowances are frequently in receipt of benefits over a longer period of time than the distinction between short-term need and long-term need built into the system acknowledges (ACOSS 2012: 15-16; Brotherhood of St Laurence 2012). Additionally, it is well documented that many job seekers who move off income support move into casual and low-paid employment that sees them remain on low, frequently insecure, wages and/or results in them 'churning' from low paid work to periods of unemployment (Perkins and Scutella 2008). 'Churning' from low-paid insecure work in the labour market to welfare seems to be particularly common for single parents (Baxter and Renda 2011: 1-2). SACOSS thus asks the government to review the concession scheme to reflect the existing nature of short-term and long-term support needs as experienced in the South Australian community. As well as an overall review of the concession system SACOSS makes the following asks:

ASKS:

Concessions General:

1. Simplify concessions across the board and establish comparable rates to reflect the changed nature of support needs in the community with the possibility of introducing a graduated concession scheme dependent on income;
2. Review the existing concession system and ensure all concessions are designed so that they are properly indexed and increase in line with real price increases;
3. Ensure that energy and water concessions are excluded from private income calculations on which Housing SA rental costs are determined;

Transport Concessions:

4. Free Public Transport between 9am and 3pm;
5. Free Public Transport for people with disabilities on International Day for People with Disabilities (3 December);
6. Evaluate the shift to an electronic card system and the phasing out of paper tickets for individuals on low incomes;
7. Ensure that single-trip paper tickets continue to be available to community service organisations that provide them, free of charge, to clients in need;
8. Establish a community taxi scheme as a new way of making short-distance and cross-corridor travel affordable and accessible to elderly and/or financially disadvantaged members of the community;
9. Investigate the feasibility and the practicality of creating a member-based community transport service that operates on a 'timebank' service exchange model rather than a cash-based model.

Utilities Concessions:

10. Extend the one-off water security rebate;

We are delighted to note that the SA Budget 2013-2014 delivered an increase in the water concession of \$30 per annum. This additional money will help offset major cost increases that follow cessation of the water security rebate. SACOSS continues to argue that all concessions need to be designed so they are properly indexed and increase in line with real price increases.

Concessions available for people living with disability and/or medical conditions:

11. Change the eligibility for medical heating and cooling concessions;
Current eligibility requirements are dependent upon an applicant meeting two stringent criteria: that they have a medical condition of which there is a research base establishing that temperature variation causes deterioration and that the individual applicant has a history of deterioration when exposed to temperature variation. We consider this to be too stringent a test and ask that eligibility be reformulated around the following criteria as sufficient for eligibility:

The applicant has a history of deterioration due to temperature variation associated with a medical condition, OR

The applicant has a medical condition of which there is a research base establishing that temperature variation causes deterioration and a medical specialist providing care to the applicant considers that they are at risk of long term deterioration if they are exposed to temperature variation.

12. Review the concession eligibility process for individuals living with disability with no cost to the individual making the application;
13. Simplify concessions for people living with a disability so that a single medical assessment can be utilised for all concession applications – at no cost to the individual;
14. Ensure that concessions associated with disability costs remain available regardless of personal income;
15. Create a state-based concession system that taps into the Pharmaceutical Benefits Scheme (PBS) safety net and is responsive to individual conditions rather than calendar time-frames and that picks up the increasing costs of health care for low income earners who are not eligible for concessions;

Currently the PBS safety net is \$354 for an individual who is a health care card concession holder and \$13960 for an individual who is not entitled to a health care card. Upon reaching this threshold in any single calendar year individual's become entitled to a PBS Safety Net card through which they are eligible to receive discounted rates for any additional pharmaceuticals purchased in what remains of the calendar year with some exceptions and conditions.

For individuals who are in receipt of a concession health care card, receipt of the PBS Safety Net card entitles them to free medications for the remainder of the calendar year. While these are reasonable and fair provisions in many circumstances, basing these provisions on pharmaceutical expenses incurred within a calendar year means that they do not take into account the ongoing pharmaceutical costs of people with chronic conditions.

This is of particular concern for low income earners whose fortnightly income may nonetheless exceed the austere eligibility threshold of the low income health care card, currently set at \$497.00 a week or \$3,976 in a eight week period (single, no children).

‘Other’:

As well as the priority areas addressed above, the Affordability consultation paper invites comments on additional areas of importance identified as relevant to the community. In the document several issues are suggested as impacting cost of living and affordability, they are: mortgage stress for homeowners; school fees and childcare; health care costs; legal fees. SACOSS formulates the following asks in this broader category.

ASKS:

Legal costs:

1. Funding for a Consumer Credit Legal Centre and strengthening of existing consumer credit legal services to assist South Australian’s manage legal costs associated with debt;

SACOSS notes that the SA Budget 2013-2014 delivered an investment in funding for a Consumer Credit Legal Centre which will go some way towards addressing this issue. However, it may be relevant for a greater investment to be available in years to come. SACOSS recommends monitoring the impact of the new funding.

2. Funding for bail accommodation services: for young people involved with the justice system, and prisoners on remand in the adult population.

Taxation Reform

In its recent submission to the SA Parliament Economic and Finance Committee Taxation Review, SACOSS argued the need for a fairer tax system and identified four areas that stood out as relevant for further study to determine whether there was scope for reform that would result in a fairer tax system and increased revenue base for government services. These recommendations, subject to additional detailed modelling, are reproduced below.

Payroll Tax

SACOSS suggests that the South Australian government should undertake a study of how the level of taxation of employers’ payrolls in South Australia, broadly defined, compares with functionally equivalent arrangements in comparable economies.

Currently the payroll tax rate in South Australia is 4.95% for employers with a payroll over \$600,000 p.a. Under a revised system payroll tax could be 3% if set for all (non-concession) employers (i.e. removing the threshold). Early estimates suggest that if calculated at 4% and no threshold there could be an increase to revenue.

Property Tax

Conveyance stamp duties are relatively high when considered against comparable countries. They are also economically inefficient and an unstable revenue base. Land tax is not applied to principal place of residence (revenue cost \$253m p.a.). Under this system land tax effectively exempts those more able to pay – landlords as property owners –

and falls on those with generally lower income and wealth – tenants. A more equitable alternative would be to consider stamp duty with broader base land tax.

Disused Building Tax

While SACOSS has not been able to research and consult fully on this area of tax, it is objectionable that there is homelessness and unaffordable housing in our community while housing property sits empty. What is more, community development is sometimes held back by unused commercial buildings. SACOSS proposes that there be an escalating rate of land tax and council rates on buildings that are not being utilised after a set period (perhaps two years). In theory this would create a disincentive for leaving productive resources idle and create extra revenue for both state government and local councils.

Gift and Estate Taxes

Australia is one of only four member countries of the OECD not to levy taxes on transfers of wealth by bequest or gift. If levied in South Australia at the OECD average rate a bequest tax would raise approximately \$150m p.a. SACOSS proposes a “bequest trust” model.

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