

# COST OF LIVING

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Are concessions doing their job?



Council of Social Service  
of New South Wales



The Council of Social Service of New South Wales (NCOSS) is the peak body for the social and community services sector in New South Wales. NCOSS works with its membership on behalf of disadvantaged people and communities towards achieving social justice in New South Wales.

NCOSS was established in 1935 to promote cooperation in the provision of community services and influence social legislation. Today our constituents are:

- our members
- other peak community service agencies in NSW
- service providers
- other agencies working in the social policy and social services field
- individual members interested in social policy and social service issues
- disadvantaged and low income people and communities in NSW.

NCOSS provides an independent voice on welfare policy issues and social and economic reforms and

is the major co-ordinator for non-government social and community services in NSW.

We act as a channel for consultation with government and between parts of the non-government sector with common interests and diverse functions.

NCOSS is a membership organisation. Members range from the smallest community services to the largest major welfare agencies, state and regional level peak councils, churches, hospitals, local government and consumer groups.

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# Executive Summary

The rising cost of everyday essentials – electricity, petrol, groceries – has fuelled widespread community concern over the cost of living.

We know that changes to the cost-of-living affect different people differently, and that for many, recent price rises for everyday essentials have been offset by wage increases, or by falling prices across commodities such as cars, clothing, and insurance and financial services.

But we also know that some people are really struggling to make ends meet. More and more people are being cut-off from their energy supply because they cannot pay their bills. The number of people experiencing food insecurity because they have run out of money is on the rise, and evidence points to a significant increase in the number of households requiring financial assistance such as emergency relief.

As our March 2014 Cost-of-Living Report demonstrated, people on low-incomes have been hardest hit by increases in the cost of essential services.<sup>1</sup> For these people, spending on essential commodities consumes a much larger proportion of the weekly budget for people on very low incomes: housing alone accounts for 27% of expenditure for households who are renting. Food consumes 18.6% of weekly expenditure for low income earners, and nationally, 4.9% of weekly spending for households in the lowest income quintile goes towards electricity, gas and water bills,<sup>2</sup> with data from NSW suggesting that some low-income households spend more than 10% of their disposable income on energy bills alone.<sup>3</sup>

With the cost of essentials taking such a big chunk out of the weekly budget, low-income earners have very little flexibility to adapt their spending patterns in response to price rises.

In supporting low-income households to manage the fluctuating costs of essential goods and services, concessions can be an important tool. But in NSW our concessions system is seriously out-of-date.

The problem is not only that many rebates have not kept pace with the rising cost-of-living, although this is a major concern. The problem is also that we have lost sight of the concessions system's main objective: supporting people on low-incomes to make ends meet. Over the course of many years, as Governments at both the State and Commonwealth levels have tinkered with the system, resources have been spread more and more thinly: we are now at a point where financial assistance aimed at supporting people on low incomes to deal with cost-of-living pressures is largely missing its target.

This report presents a way forward for the provision of concessions in NSW. It begins the conversation we believe is needed if concessions are to remain effective in the face of rising living costs and shrinking Government Budgets. To assist this conversation, it provides a brief assessment of concessions for essential services against five key principles – Clarity, Accessibility, Equity, Adequacy and Adaptability. As outlined in our 2015 Election Platform, we are asking all political parties to commit to continuing this conversation by commissioning an independent review of the concessions system and incorporating the findings into a cost-of-living strategy for people on low incomes.

This report also identifies three priority actions;

- energy rebates based on actual bills;
- transport concessions for low-income earners;
- easily accessible information.

We are calling on all political parties to commit to these changes in the lead up to the NSW 2015 State Election.

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<sup>1</sup> NCSS (2014) *Cost of Living: Who's Really Hurting?* Available online at [ncoss.org.au/costofliving/cost-of-living-0101.pdf](http://ncoss.org.au/costofliving/cost-of-living-0101.pdf)

<sup>2</sup> ABS (2014) Household Expenditure Survey, Australia: Summary of Results, 2009-10. Cat no. 6530.0.

<sup>3</sup> IPART (2012). Submission to Strengthening the Foundation for Australia's Energy Future, p.19.

Accessed 20 November 2014 [www.ipart.nsw.gov.au/files/dc62cf24-a971-4131-85a1-a09700e842c5/](http://www.ipart.nsw.gov.au/files/dc62cf24-a971-4131-85a1-a09700e842c5/)

Coinciding as it does with a series of rapid changes to both Government funding arrangements and to the delivery of essential services, the 2015 State Election presents a unique opportunity for the community and its elected leaders to work together towards a fairer and more effective concessions system that better supports the most vulnerable members of our society.

## Summary of Recommendations

### Priority Actions

1. The Low-Income Household Rebate and the Family Energy Rebate should be combined into a new energy rebate calculated as a percentage of a household's bill.
2. Public transport concessions should be made available to all people on low-incomes.
3. The NSW Government should develop a central point of access for information about concessions.

### Next Steps

4. The social objectives, target group, and desired outcomes of all concessions should be clearly and publicly stated, with reporting structures designed to facilitate the transparent assessment of concession programs against these objectives.
5. The NSW Government should consider mechanisms, such as the establishment of a Concessions Unit, that would provide a more consistent approach to the provision of concessions across all essential services
6. The NSW Government should commission an independent review of the concessions system, and commit to incorporating the findings into a cost-of-living strategy for people on low incomes. This should:
  - a. Inform the development of a communications strategy to ensure all eligible recipients are aware of their entitlements;
  - b. Assess whether current assistance measures are appropriately targeted and identify the population groups receiving inadequate support;
  - c. Develop processes to ensure rebates and concessions are indexed in line with the cost of the commodity to which the concession is linked;
  - d. Introduce a regular system of reviews to ensure concessions remain appropriate to changing social and economic circumstances.

# Introduction

Poverty affects nearly 900,000 people in New South Wales – more than in any other state or territory.<sup>4</sup> The rate of poverty in NSW is also among the highest in Australia, with our cost of living – particularly the high cost of housing in our major cities – contributing to these statistics.<sup>5</sup>

For people living on or close to the margins, small increases in the cost of essential services can be enough to tip them over the edge. And we know that low-income households are hurting; with energy disconnections on the rise,<sup>6</sup> more households running out of food,<sup>7</sup> and a growing need for emergency financial assistance.<sup>8</sup>

Focused attention on the very real and acute cost of living pressures affecting low-income households, however, has been missing. Indeed, widespread alarm in response to rising living costs across all sectors of the community has drawn attention away from those who most need assistance in the face of escalating bills.

For many people, however, price increases for some commodities have been balanced by price decreases for others, or by salary price rises above CPI. But for people on low-incomes – for whom essentials consume a much larger proportion of their weekly budget – this is not the case.

This report – the second in our bi-annual cost-of-living series – begins by summarising why the rising cost of essential services hits low-income households the hardest, with particular attention given to the cost of energy and transport.

Section 2 then focuses on the concessions system – a system that should be supporting low-income households with particular living costs. As it currently operates however, the support flowing through the system is not reaching many of those on the lowest incomes who have been hardest hit by increases in the cost of essential services. This section focuses on three cohorts of people currently missing out on adequate support from our concessions system.

Section 3 then examines the existing concessions system in relation to five key principles: Clarity, Accessibility, Equity, Adequacy and Adaptability. It concludes that large-scale systemic change is needed to deliver a fairer and more equitable system, and recommends this be progressed through an independent review of the system.

But although further discussion and analysis is required, there are also immediate steps the NSW Government could take towards addressing acute shortcomings in the system. Section 4 of this report outlines three priority actions: energy rebates based on actual bills; transport concessions for low-income earners; and easily accessible information.

It is our intention that this Report will be used by the community sector and the broader public to support a more informed understanding of concessions and the way in which they might assist low-income earners with cost-of-living pressures.

We also hope it will be of value to the NSW Government as it considers how best to shape the concessions system from July 2015 onward, and to all political parties as they consider their policy positions in the lead up to the March 2015 State election.

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<sup>4</sup> NCOSS (2014) *Poverty in NSW*. Available online at [ncoss.org.au/images/stories/ncoss\\_antipoverty\\_final\\_2.pdf](http://ncoss.org.au/images/stories/ncoss_antipoverty_final_2.pdf)

<sup>5</sup> ACOSS (2014) *Poverty in Australia 2014*. Available online at [acoss.org.au/images/uploads/ACOSS\\_Poverty\\_in\\_Australia\\_2014.pdf](http://acoss.org.au/images/uploads/ACOSS_Poverty_in_Australia_2014.pdf)

<sup>6</sup> AER (2014) *Annual Report on the Performance of the Retail Energy Market, 2013-14*.

<sup>7</sup> Health Statistics NSW (2013) *Food insecurity, persons aged 16 years and over, NSW 2002 to 2012*. Data from NSW Population Health Survey (SAPHaRI). Centre for Epidemiology and Evidence, NSW Ministry of Health.

<sup>8</sup> See for example ACOSS (2013) *Australian Community Sector Survey 2013, National Report*. ACOSS Paper 202 and Homel and Ryan (2012) *Welfare agencies and the provision of emergency relief in Australia*. Social Policy Evaluation, Analysis, and Research Centre, Research School of Economics, Australian National University.



## Preparing this report

This report has been informed by extensive consultations with the community sector in NSW.

In September 2014, NCOSS released a *Concessions Discussion Paper*<sup>9</sup> as a resource to inform debate and discussion about how to improve the concessions system in NSW. We also invited people on low incomes to participate and tell their story via social media and through our networks and those of our members. In addition, between September and November we facilitated discussions about concessions with community sector organisations and the clients they represent at forums and workshops involving people and organisations from across NSW.

Our *Concessions Discussion Paper* formed the basis for an in depth discussion at our Community Sector Concessions Roundtable, held on 24 September 2014 and attended by 14 sector peaks and community service delivery organisations. Those organisations represented at the roundtable are listed in Appendix 1.

The NCOSS Cost-of-Living Reference Group, which includes sector peaks, organisations delivering financial assistance and research bodies, guided both the development of this report and the consultation process. Members of the Cost-of-Living Reference Group are also listed in Appendix 1.

The analysis in this report draws on a number of datasets to assess changes in living costs over time and to examine how these changes impact people experiencing poverty and disadvantage. Changes in the cost of various commodities over time are tracked using the ABS's Consumer Price Index (CPI). Disaggregated data is taken from the Capital City Index for Sydney (there is no index for all NSW) to enable consideration of State-specific price trends. The ABS's Selected Living Cost Indexes are used to highlight how changes in the cost of commodities impact different households in different ways, while the ABS's Household Expenditure Survey (HES) provides further insights into the relationship between income levels and expenditure on essential goods and services.

We have also drawn on data from a range of sources to highlight the relationship between the cost of various essential services and the relevant concessions, particularly where there are geographic differences between metropolitan and regional NSW.

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<sup>9</sup> NCOSS (2014) *Concessions Discussion Paper*. Available online at [ncoss.org.au/resources/140904-NCOSS-Concessions-Discussion-Paper.pdf](http://ncoss.org.au/resources/140904-NCOSS-Concessions-Discussion-Paper.pdf)



# Section 1

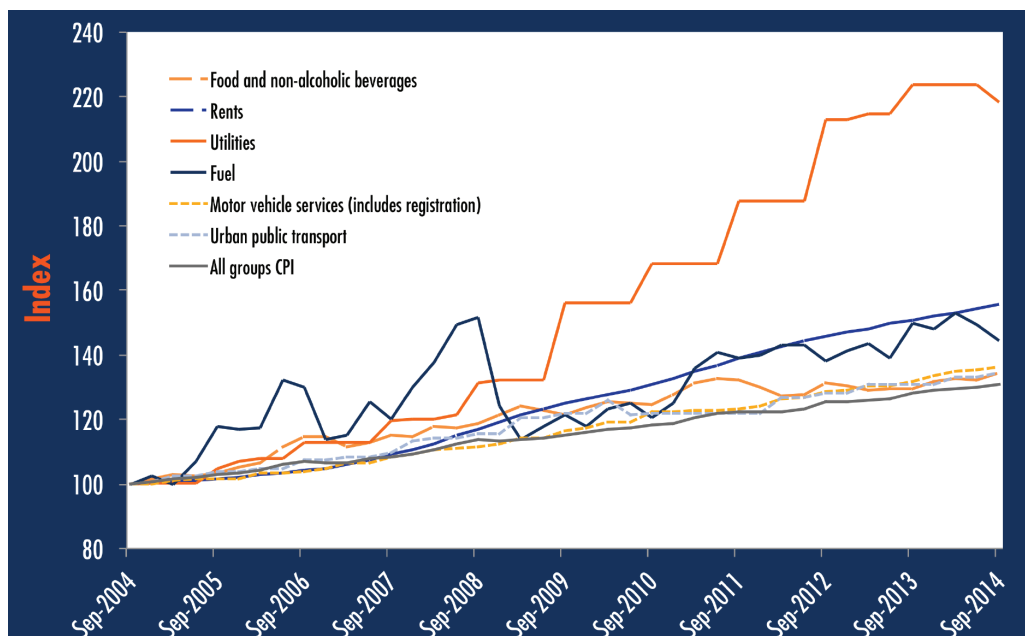
## The cost-of-living for people on low incomes

Skyrocketing electricity bills, escalating house prices and fuel price hikes: phrases such as these have become part of our daily media diet. And indeed, the rising cost of everyday essentials has resulted in widespread community concern about the rising cost of living.

As shown in Figure 1, it is true that the cost of many of the commodities that form an essential part of our day-to-day lives have increased in relation to CPI.

Numerous analyses, however, suggest that for the most part, these increases have been more than offset by falling prices for other commodities – including clothing and footwear, recreation and culture, and insurance and financial services – and by wage increases above CPI. The NSW Parliamentary Library’s recent e-brief on the cost-of-living, for example, concludes that at an aggregated level, the concept of a rising real cost of living in Australia is a myth.<sup>10</sup> Similarly, NATSEM describes annual changes in the cost of living as ‘benign’, with household incomes continuing to outpace changes in the cost of living.<sup>11</sup>

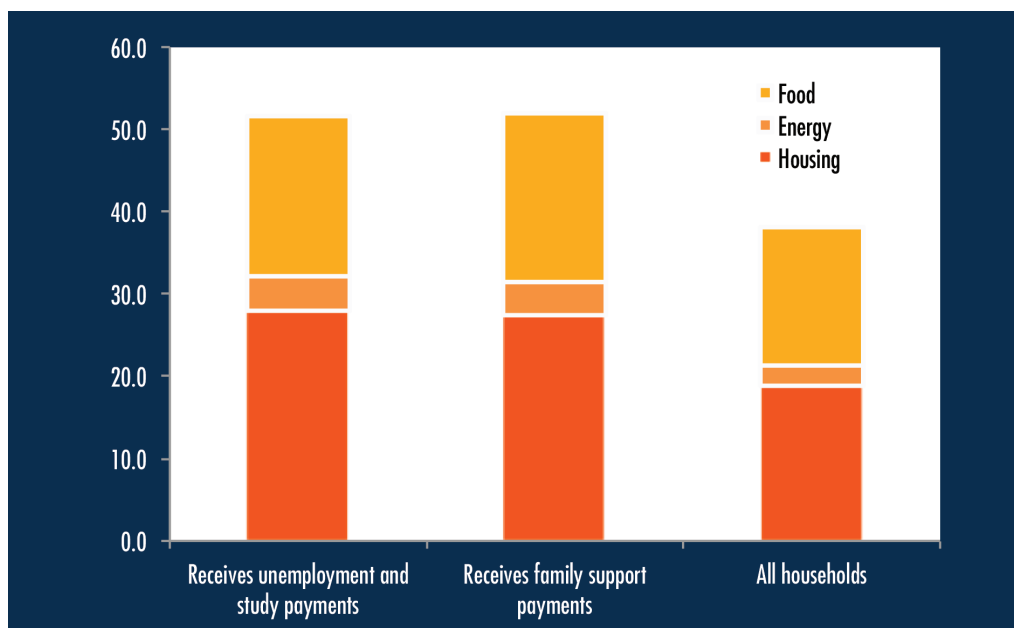
But for people on low-incomes, it’s a very different story.



**Figure 1:** Increases in the cost of selected commodities compared with CPI All Groups, Sydney. (Source: ABS 2014)

<sup>10</sup> The NSW Parliamentary Library’s brief also acknowledges that the issue is complex, with different segments of Australian society affected differently. NSW Parliamentary Research Service (2014) *Rising cost of living: myth or reality?* Downloaded 22 November from [parliament.nsw.gov.au/Prod/parlment/publications.nsf/0/4F4AF3E8DABA1245CA257D940001A3B0/\\$File/101114+-+Rising+cost+of+living.pdf](http://parliament.nsw.gov.au/Prod/parlment/publications.nsf/0/4F4AF3E8DABA1245CA257D940001A3B0/$File/101114+-+Rising+cost+of+living.pdf)

<sup>11</sup> Phillips, B. (2013) *NATSEM Household Budget Report: Cost of Living and Standard of Living Indexes for Australia*, June quarter 2013.



**Figure 2:** Proportion of the weekly budget consumed by housing, food and energy costs. (Source: ABS 2011)

“Essential goods and services such as housing, food and energy consume a much larger proportion of the weekly budget for people on low incomes than for those earning higher wages, and the cost of many of these items has risen much faster than CPI.”

This is partly because essential goods and services such as housing, food and energy consume a much larger proportion of the weekly budget for people on low incomes than for those earning higher wages, and the cost of many of these items has risen much faster than CPI. Figure 2 compares the proportion of the weekly budget allocated to housing, food and energy for people on unemployment and study benefits, and on family support payments, with the average household. Because so much of their spending is non-discretionary, low-income households are much less able to adapt their spending patterns in response to price increases.

Another important factor is that while average earnings have increased at a faster rate than CPI – compensating many households for increases in the cost of essential services – this is not the case for people on very low incomes whose wages or benefits are often indexed to CPI.

## 1.1 The rising cost of essential services

This section of the report examines the rising costs of two commodities – energy and transport – and their impact on people on low-incomes in greater detail.

### 1.1.1 Energy

Energy costs have escalated in recent years, with electricity prices rising by more than four times the rate of CPI over the ten years to September 2014 and gas prices more than tripling CPI (Figure 3).

These price increases have a bigger impact on the low-income households for whom bills for essential services consume a larger proportion of their weekly budget. Analysis by the Independent Pricing and Regulatory Tribunal suggests that lower income households spend on average slightly more than 6% of their disposable income on electricity, with some households spending more than 10%.<sup>12</sup>

<sup>12</sup> IPART (2012). *Submission to Strengthening the Foundation for Australia’s Energy Future*, p.19. Accessed 20 November 2014 [www.ipart.nsw.gov.au/files/dc62cf24-a971-4131-85a1-a09700e842c5/](http://www.ipart.nsw.gov.au/files/dc62cf24-a971-4131-85a1-a09700e842c5/)

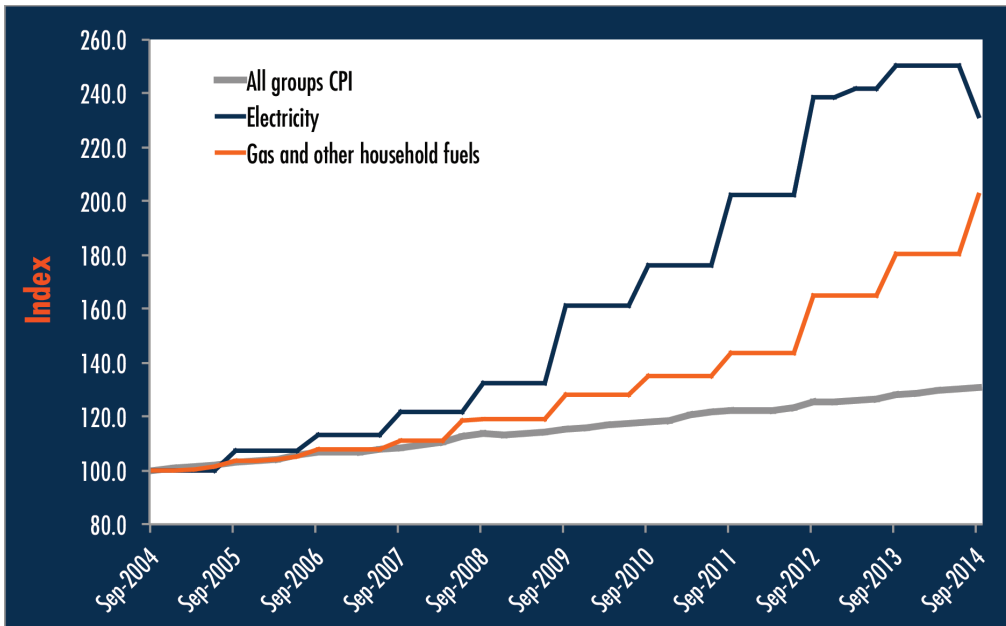


Figure 3: The cost of energy vs CPI All Groups, Sydney (Source: ABS 2014)

Correlating to escalating prices, there has been an alarming increase in the number of people being disconnected from their electricity supply. In just 5 years the number of electricity disconnections has more than doubled: a clear indication that more and more people simply cannot afford to pay their energy bills (Figure 4).

Energy is an essential service. Without access to affordable energy, people’s health and well-being are at risk. Indeed, University of Sydney research into the impact of rising energy bills on low-income households has revealed that households are not only experiencing financial strain, but are also suffering physical discomfort, reduced physical and mental well-being, loneliness and social isolation, strains within household

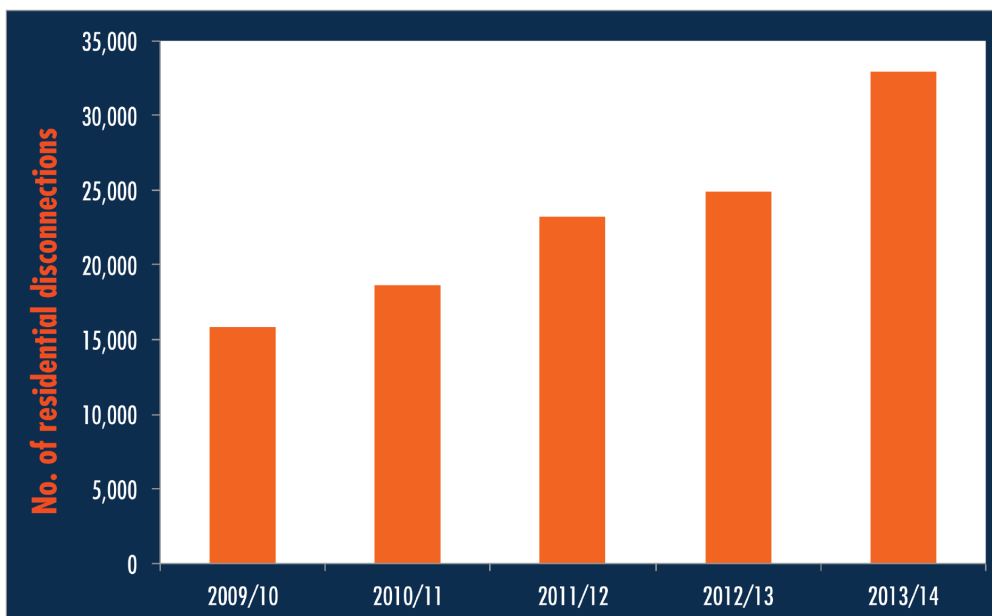


Figure 4: Residential customers disconnected from their electricity supply for non-payment (Source: AER 2014)

relationships, and distress about the social and emotional well-being of children as they struggle to cope with rising bills.<sup>13</sup>

Being disconnected from an electricity supply can also trigger a downward spiral of debt, with additional costs involved in being reconnected, accessing credit, and replacing perishables such as food.

While steep increases in the cost of energy in recent years have caused widespread frustration, it is clear that for people on low incomes – who struggle to cover their basic living expenses – the consequences have been many magnitudes greater. Despite indications that electricity prices will now stabilise, the high base costs now in place will continue to impact vulnerable consumers for years to come.

### 1.1.2 Transport

Over the last ten years the overall cost of transport has increased at slightly below CPI (Figure 5), but a closer look shows that some transport costs – including petrol and motor vehicle registration – have increased at a greater rate than CPI, while others – such as the cost of buying a new vehicle have decreased. Thus it is becoming relatively less expensive to buy a car, but increasingly expensive to run it. Increases in the cost of urban public transport fares (which includes taxi fares) have also increased at above the rate of CPI.

It is clear that the cost of transport is an issue of major – and growing – concern for many people on low incomes. Data from the NSW No Interest Loans Scheme intake line, for example, indicates that there has been a significant increase in both the number and proportion of requests from clients seeking assistance with motor vehicle related expenses (Figure 6), while Good Shepherd Microfinance report that in the first half of 2014, 11.7% of all loans purposes for their No Interest Loan Scheme in NSW were to assist with motor vehicle registration.<sup>14</sup>

The affordability of transport is important to everyone, but for people who are struggling to make ends meet, transport costs can have a major impact on their capacity to function effectively in our society.

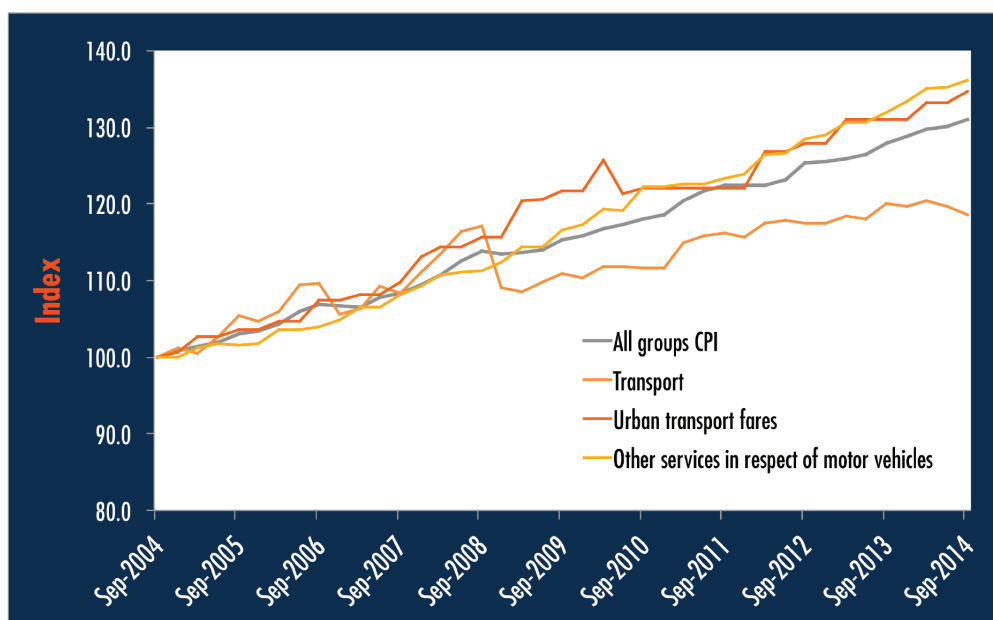
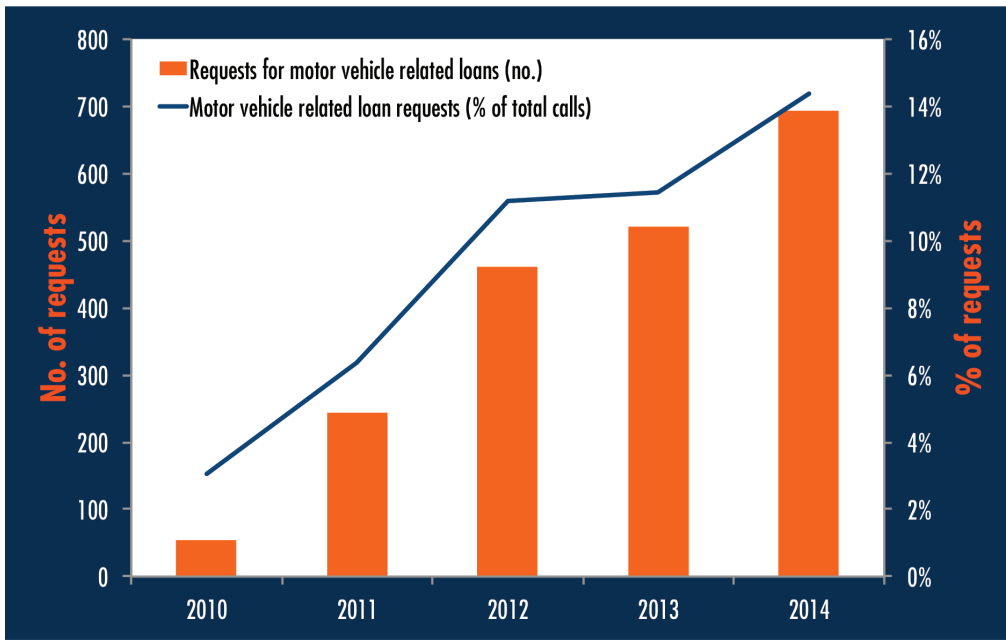


Figure 5: The cost of transport vs CPI All Groups, Sydney (Source: ABS 2014)

<sup>13</sup> Chester (2013) *The impact and consequences for low-income Australian households of rising energy prices.*

<sup>14</sup> Personal correspondence.



**Figure 6:** Requests for assistance with motor vehicle related assistance received through the No-Interest Loans Scheme intake line. (Source: Personal correspondence)

Jobseekers, for example, require access to transport in order to look for a job or to access opportunities for education, while people receiving parenting payments require transport in order to properly care for their children.

People who cannot afford to travel to the places they need are likely to become socially isolated, and can also suffer further financial and other penalties. During our consultations, for example, we heard anecdotal evidence from service providers that some clients feel they have no choice but to engage in risky travel behavior – travelling without a ticket, for example, in order to meet crucial family obligations, or continuing to drive an unregistered vehicle in an attempt to find work. Problems with transport affordability can thus play into a cycle of further disadvantage for people who are already doing it tough.



## Section 2

# The role of concessions: Who's missing out?

For people whose incomes have not kept pace with increases in the cost of the goods and services required to maintain social living standards, concessions can play a vital role in improving the affordability of essential services. The financial assistance provided through the concessions scheme can not only ease the cost-of-living pressures experienced by households on low incomes, but can also help circumvent vicious cycles of debt and further disadvantage.

The existing concessions system, however, is not working as it should. Over time, the purpose of the system has blurred as successive Governments at both the State and Federal level have introduced new measures and made copious adjustments in the absence of a clear policy framework. There is evidence to suggest that many of those hardest hit by increases in the cost of living are now receiving the least support.

This section of the report looks at three cohorts of people who have experienced significant increases in the cost of living relative to income, but who are receiving less benefit through the concessions system than others on similar or higher incomes. These cohorts include recipients of Government allowances, low-income renters, and low-income households in regional NSW.

### 2.1 Recipients of Government Allowances

The ABS's Selected Living Cost indexes show that over the last ten years, households whose principal source of income is a government pension or benefit other than the age pension or veterans affairs pension have experienced the largest increase in living costs, with living costs increasing at 23.5% above CPI.

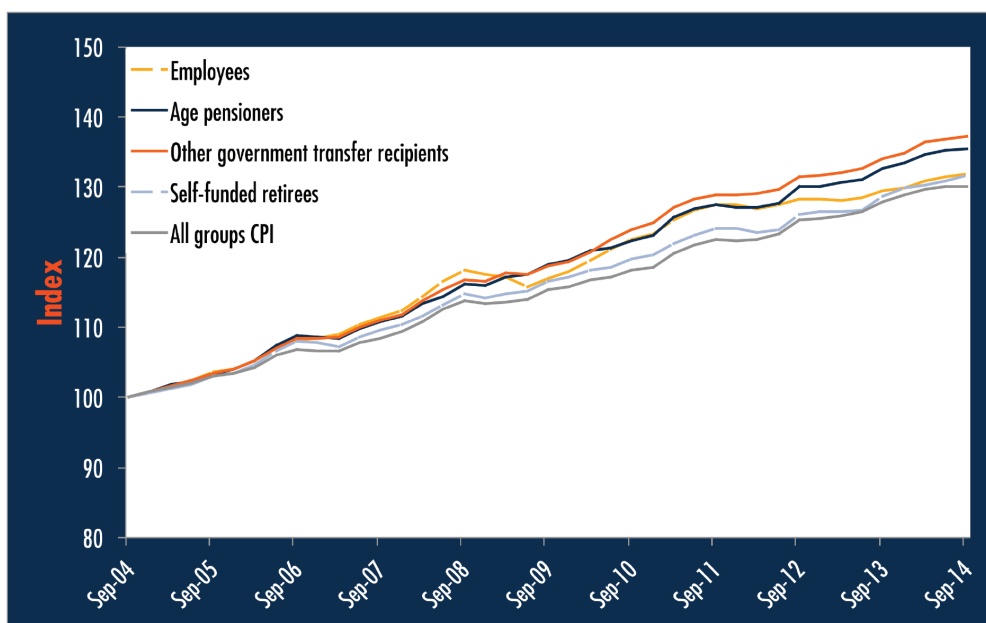


Figure 7: ABS's Selected Living Cost Indexes over the ten years to September 2014 (Source: ABS 2014b)



**Table 1:** Increases in Living Cost Indexes vs increases in incomes for the ten years to September 2014 (Source: ABS 2014b, ABS 2014c, Aust Govt 2014)

	Living Cost Index (% change)	Income/Index (% change)
Employees	31.9	40.6
Age pensioners	35.4	71.2
Other government transfer recipient	37.3	30.7
All groups CPI	30.9	

“Recipients of Government Allowances have also experienced below average increases in incomes that have failed to keep pace with increases in their cost of living that vastly exceed other groups.”

Recipients of Government Allowances have also experienced below average increases in incomes that have failed to keep pace with increases in their cost of living that vastly exceed other groups (Table 1).

Despite the fact that people receiving Government allowances are experiencing acute cost-of-living pressures, they have largely been excluded from the concessions system.

People on social security payments such as the Newstart Allowance, a sickness allowance, or Parenting Payments, are entitled to a Commonwealth-issued Health Care Card. This card is also available to people who receive the maximum rate of Family Tax Benefit Part A, and to people with very low incomes including some students and apprentices. Yet while the Health Care Card is issued to a cross-section of very low-income earners, it has not been widely adopted as a basis for eligibility for concessions in NSW. In fact, the only State-based concession on essential services to which Health Care Card holders are automatically entitled is the Low-Income Household rebate for electricity.

Some Health Care Card holders may also receive public transport concessions some of the time, but in order to do so they must meet certain additional criteria and undertake a separate three-monthly application process for a NSW Government-issued Half Fare Entitlement Card for Jobseekers.

Table 2 presents a simplified summary of eligibility for concessions for Health Care Holders and Pensioners across five essential services in NSW, and provides information about eligibility for equivalent concessions by Health Care Card Holders in Victoria as a basis for comparison. It shows that many people on incomes equal to or lower than the maximum pension rate do not have access to the same range of concessions for essential services.

**Table 2:** Eligibility for concessions on essential services for Pension Card Holders and Health Care Card Holders in NSW compared with Victoria. (Source: NSW eligibility based on information provided on NSW Government departmental websites. Victorian eligibility based on information on the Victorian Department of Human Services concessions website.)

	Health Care Card Holder (e.g. Newstart recipient: max. fortnightly payment for singles = \$515.60)	Pensioner (e.g. Age Pensioner: max. fortnightly payment for singles = \$854.30)	Health Care Card Holder Victoria
Transport (public)	Half-fare tickets IF receiving maximum rate of allowance	Public transport costs capped at \$2.50 per day	Yes
Vehicle rego & licence fees	No	Free	Yes
Energy	Yes. \$225 low-income household rebate	Yes. \$225 low-income household rebate	Yes
Council Rates	No	Yes. \$250 discount	No
Water & Sewerage	No	Yes	Yes

As far back as 1996, James Cox, former CEO of IPART, theorised that people receiving Government allowances frequently missed out on concessions for a number of reasons – these being political rather than grounded in good social policy. “By comparison with unemployment beneficiaries, pensioners are well organised...” he wrote, and “... pensioners tend to attract more public sympathy than the unemployed”.<sup>15</sup>

Cox’s critique of the concessions system also refers to analysis conducted by King and Manning as part of a 1989 review of concessional expenditure by the NSW Government, which found that pensioner couples received an average benefit of \$13.55 per week if they were home-owners, and \$6.71 if they were not. The corresponding figures for unemployment and sickness beneficiaries were \$1.50 a week and 90 cents a week.<sup>16</sup> While this analysis is now well overdue for an update, we could safely assume that a similar study conducted today would find the system is still skewed against people receiving Government allowances.

## 2.2 Low-income Renters

While the rising cost of buying one’s home has occupied much public attention, it is low-income renters who have been most affected by increases in the cost of housing.

In the five years to September 2014 alone, rents increased at 1.8 times the rate of CPI (Figure 8). Across NSW, 47.6% of low-income households in NSW are now experiencing rental stress, while in Sydney this figure sits at 50.4%.<sup>17</sup>

Anglicare’s 2014 *Rental Affordability Snapshot* found that of the 11,397 properties available for private rental in Greater Sydney on the weekend of April 5-6, only 21 (or 0.2%) were affordable for households on income support, while 213 properties (1.9%) were appropriate and affordable for households on the minimum wage.<sup>18</sup>

Low-income renters not only have little choice but to spend a large proportion of their weekly budget on rent, they also have less control over how much they must allocate to other essential services such as transport and energy. Low-income renters, for example, can do little to reduce their energy bills if they cannot afford the up front costs of more efficient appliances or do not have their landlord’s agreement and

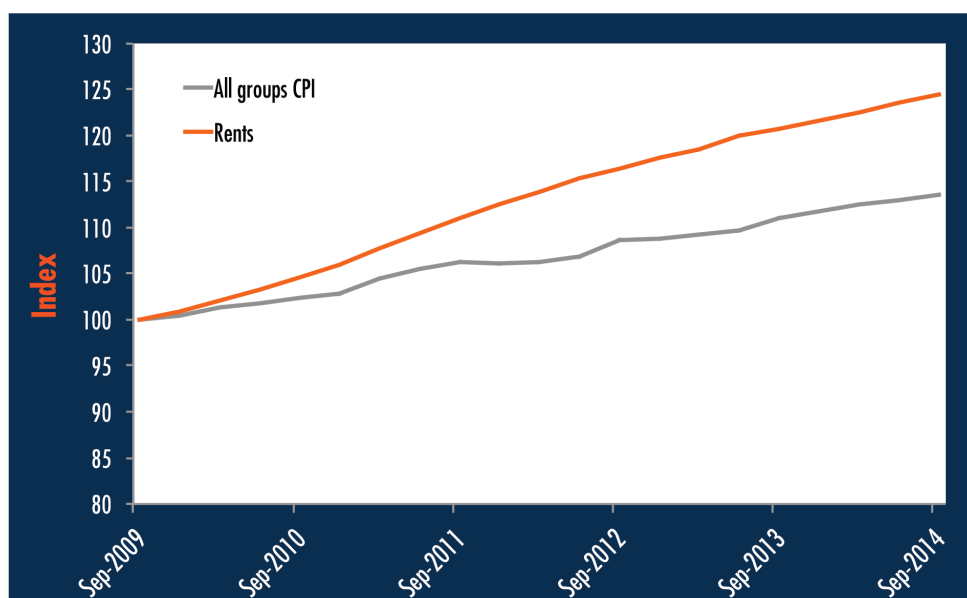


Figure 8: Rent vs CPI All Groups, Sydney (ABS 2014).

<sup>15</sup> Cox, J (1996) ‘Redistributing Income through Pricing Policy.’ *Agenda*, Vol. 3, No. 1, pp. 31-44.

<sup>16</sup> King, A and Manning, I (1989) *The incidence of state concessions in NSW*. A Report to the Cabinet Office of New South Wales, National Institute of Industry and Economic Research, Melbourne. Cited in Cox, J (1996) ‘Redistributing Income through Pricing Policy.’ *Agenda*, Vol. 3, No. 1, pp. 31-44.

<sup>17</sup> COAG Reform Council (2012) *Affordable Housing 2010-11: Comparing performance across Australia*, National Affordable Housing Agreement

<sup>18</sup> Anglicare Australia (2014) *Anglicare Australia Rental Affordability Snapshot*, Canberra.

“We have become increasingly concerned at the number of low income families accessing our services who are experiencing significant rental stress compounded by inability to meet utility costs and food insecurity. An accessible, appropriately targeted concessions scheme is critical in meeting the needs of low income and vulnerable households.”

Sue King  
Director of Advocacy,  
Anglicare Sydney

support to improve the energy efficiency of their homes. Anglicare research on food insecurity<sup>19</sup> has highlighted the competing priorities of rental stress and food insecurity for low income households which is further exacerbated by rising electricity and utility prices:

‘Low income households are also vulnerable to rental stress – leaving them little discretionary income for food and payment of utility bills... rental stress was very common among renting households with food insecure adults’.<sup>20</sup>

Victorian research has found that electricity and gas bills are indeed the greatest cause of rental arrears.<sup>21</sup> And housing that is more affordable is often further from jobs and services – thus the cost of essential travel is higher.

Although low-income renters are clearly struggling to make ends meet, the support they receive through the concessions system is far more limited than that available to owner-occupiers.

Renters receive no benefit, for example, from the \$250 concession on council rates available to eligible homeowners. Nor do they receive a concession on water bills, even though landlords whose properties

meet required water efficiency standards can now pass water usage charges on to the tenant. The consequences of failing to pay a water bill can also be much more severe for renters – potentially threatening their tenancy – than they are for homeowners, who also have access to a wider range of complementary assistance measures such as the Water Payment Assistance Scheme.

Table 3 presents compares the benefits available through the concessions system to which a renting and home-owning pensioner would be entitled. It is clear that people who have been able to buy their own homes receive more support through the concessions system than those who live in rental properties.

**Table 3:** Benefits available through the concessions system to eligible renters vs owner-occupiers (Source: Based on information available on NSW Government departmental websites)

	Renter (receiving age pension)	Home owner (receiving age pension)
Public Transport	Public transport costs capped at \$2.50 per day	Public transport costs capped at \$2.50 per day
Vehicle rego & licence fees	Free	Free
Energy	Yes. \$225 low-income household rebate	Yes. \$225 low-income household rebate
Council Rates	No	Yes. \$250 discount
Water & Sewerage	No	Yes

<sup>19</sup> King, S.E, et al (2012) *When There’s Not Enough to Eat*, Anglicare Australia, State of the Family Report, Vol2, www.anglicare.org.au.

<sup>20</sup> Ibid, p54

<sup>21</sup> Sharam, Andrea (2007) "What the gas and electricity arrears of private low-income tenants can tell us about financial stress," *Journal of Economic and Social Policy*: Vol. 11: Iss. 2, Article 2.

<sup>22</sup> For more information visit the Department of Fair Trading’s website: fairtrading.nsw.gov.au/ftw/Tenants\_and\_home\_owners/Being\_a\_landlord/During\_a\_tenancy/Passing\_on\_water\_charges.page

## 2.3 Low-income households in Regional NSW

It is often assumed that people living in regional NSW experience fewer living cost pressures than those in metropolitan Sydney. While some essential commodities may cost less in country areas – most notably housing – other essential goods and services can be much more expensive.

The cost of transport, for example, is significantly higher in regional and rural NSW. Table 4 shows bus fares for equivalent distances in Metropolitan Sydney vs rural and regional NSW.

**Table 4:** Bus fares for metropolitan buses vs fares for rural and regional buses.  
(Source: Metropolitan fares - Transport for NSW 2014, Rural and Regional fares - IPART 2014)

Sections	Metropolitan Sydney (2014 fares)	Rural and Regional NSW (2014 fares)
1-2 sections	\$2.30	\$2.30-\$3.40
3-5 sections	\$3.70	\$4.20-\$5.60
6 sections	\$4.60	\$6.20
10 sections	\$4.60	\$8.20
20 sections	\$4.60	\$12.10
30 sections	\$4.60	\$15.10

Not only do people living in rural and regional NSW pay more to travel the same distance, but they must often also travel longer distances in order to access services. The higher overall cost of transport in regional areas can severely curtail low-income earner's capacity to take up opportunities for education and employment. The 2013 Sustain Northern Rivers Transport Survey, for example, found that 24.2% of respondents identified cost as a barrier to using public transport.<sup>23</sup>

The lack of public transport in rural and regional NSW also means that many people are more reliant on private transport in order to get where they need to go but as described above, concessions on vehicle registration and on driver's licences are not universally available to people on low-income.

**Table 5:** Transitional Standing Tariffs in the supply zones for the three NSW Electricity Networks (Source: Energy Australia 2014 & Origin Energy 2014)

Component of the bill	Cents per kWh (Cents per day)
<b>Ausgrid distribution zone (Sydney, Central Coast and Hunter regions) (Energy Australia)</b>	
Consumption (first 1,000 qtr)	24.04
Daily Supply Charge	(77.00)
<b>Endeavour energy distribution zone (Sydney's Greater West, the Southern Highlands and the Illawarra). (Origin Energy)</b>	
Consumption (first 1,750 kWh/qtr)	26.72
Daily Supply Charge	(75.71)
<b>Essential Energy distribution zone (Regional NSW) (Origin Energy)</b>	
All consumption	32.95
Daily Supply Charge	(135.21)

<sup>23</sup> Regional Development Australia (2014) *Sustain Northern Rivers Transport Survey*, 2014.

People in regional NSW also pay significantly more for electricity than do those living in the distribution zones covered by Ausgrid (Sydney, Central Coast and Hunter regions) and by Endeavour Energy (Sydney’s Greater West, the Southern Highlands and the Illawarra). Table 5 (see page 16) shows that the daily supply charge for people living within the Essential Energy distribution zone – which comprises the majority of regional and rural NSW, pay between 75 and 78% more than their urban counterparts for the fixed component of electricity bills alone.

Even though they face higher costs for some essential goods and services, people on low-incomes in regional and rural areas don’t receive the same benefit through the concessions system as those in greater metropolitan Sydney.

Electricity rebates, for example are set at a flat-rate amount. People who have higher bills – such as people in regional NSW who pay more for their electricity – therefore receive proportionally less assistance. A 2013 analysis of energy rebates conducted by the St Vincent de Paul Society compared the value of energy rebates for people in metropolitan versus regional NSW, and found that low-income households in Essential Energy’s supply area receive a discount of 3% less than low income households in Sydney.

The water concessions available to people to people who purchase water supply and sewerage services from a Local Water Utility are also far less generous – both in absolute and proportional terms – than those available to people living in the Sydney and Hunter Water catchments. Table 6 shows that the value of water and sewerage rebates available to eligible recipients in regional NSW would typically equate to 15% of the bill, while Sydney Water rebates equate to a 56% discount.

**Table 6:** A comparison of typical water and sewerage bills and rebates across service providers (Source: Data on typical water and sewerage bills from NSW Office of Water, 2014. Sydney Water rebates calculated from information available on Sydney Water’s website, Hunter Water rebates based on information provided by Hunter Water, and Local Water Utility rebates based on Local Government Act (1993)).

Water supplier	Typical Water and Sewerage Bills			Typical Rebates			
	Water			Sewerage	Total	\$/year	% of average bill
	Fixed charge (\$/year)	Usage charges (c/ kL)	Usage charges (\$/ year based on ave. consumption of 166 kL/ property)				
Sydney Water	\$125	217	\$360	\$571	\$1,056	\$588	56%
Hunter Water	\$17	213	\$354	\$569	\$940	\$271	29%
Local Water Utility	\$175	199	\$330	\$635	\$1,140	\$175	15%

Finally, transport concessions in rural and regional areas are problematic for two reasons. First, even those people eligible for half-fare concessions can incur significant travel costs due to the high base cost of fares. There are also many low-income earners who fall outside currently eligibility criteria for discounted travel.

In addition, it is worth noting that while both the Pensioner and Regional Excursion Daily Tickets cap travel costs at \$2.50 per day, these tickets provide much better value in areas that are well-served by public transport than in regional areas with limited bus services.

Although the urban-regional disparity in the concessions system may be offset by other costs for some groups of people, this is not always the case. Public housing tenants, for example, in both metropolitan and regional NSW would currently pay a similar proportion of their incomes in rent. Similarly, the cost of renting in the private market in some regional areas has been inflated by activities such as mining or holiday-making to the point where it is comparable with the cost of renting in Sydney.

# Section 3

## Shaping a better system

### 3.1 Background

Both the State and Commonwealth Governments play an important role in supporting low-income earners to make ends meet, and both have historically had a stake in the delivery of concessions. The Federal Government delivers social security payments and determines eligibility for most concession cards, while the State and Territory Governments hold primary responsibility for ensuring the affordability of essential services for all people.

To some extent the National Partnership Agreement on Certain Concessions for Pensioner Concession Card and Seniors Card Holders (NPA) which ran from 1993 to 2014, formalised the interdependent nature of the relationship between the two levels of government. In fact, the genesis for the NPA was the Commonwealth Government's decision to extend eligibility for the Pensioner Concession Card to all part pensioners, and to abolish the fringe benefits income and assets test previously required to obtain a card. This led to extensive negotiations with State and Territory Governments over responsibility for covering the cost of concessions on essential services that would now be made payable to a much larger pool of Pensioner Card Holders. The negotiations also resulted in agreement that concessions would be provided to all Pensioner Concession Card holders – not just age pensioners – without discrimination.

In 2014, the Commonwealth Government's unexpected decision to withdraw its share of funding under this agreement was disappointing, particularly coming as it does when proposed changes to social security payments will leave many thousands of low-income Australians significantly worse-off. We have supported the NSW State Government in encouraging the Federal Government to reconsider its decision.

NCOSS also welcomed the NSW Government's announcement that it would cover the resultant funding shortfall in its 2014-15 Budget. However, as the NSW State Government considers how to address this shortfall beyond July 2015, we see significant scope to shape a fairer and more efficient concessions system without the limitations imposed by a cross-jurisdictional funding agreement.

It is important to note that in the context of the overall monies assigned by the NSW Government to tax exemptions and concessions, those allocated to concessions on essential services for low-income earners comprise a relatively small amount. The Federal Government's contribution to these concessions under the National Partnership Agreement was smaller yet again – approximately 10% of funding for core concessions on essential services, equating to \$107 million in 2014-15, or \$450 million over the next four years. To put this in perspective, it is less than one seventh the tax concession granted to clubs for income earned from poker machines. A list of concessions provided by the NSW Government to individuals or families on the basis of characteristics such as income or age, together with the 2014-15 Budget Allocation, is available in Appendix 1.

It remains the view of NCOSS that ultimately, an over-arching framework for concessions should be developed at the national level. However, at a point in time when such an outcome is unlikely, the NSW Government has an opportunity to address entrenched inequities in the concessions system, and to develop a best-practice approach that could act as a blueprint for change in other jurisdictions.



## 3.2 A principles-based approach

NCOSS believes a set of principles should guide the provision and evaluation of current concessions in NSW.

In our *Concessions Discussion Paper*<sup>24</sup> we proposed the following set of principles based on those developed during review processes at both Commonwealth and State Levels:

1. **CLARITY:** Concessions must be consistent with social policy objectives, with a clear and publicly stated understanding of the target group and the desired outcomes for each concession.
2. **ACCESSIBILITY:** Entitlements must be clear to recipients, non-discretionary and easy to use by all eligible recipients.
3. **EQUITY:** Concessions should achieve an effective balance between horizontal equity (treating those in similar circumstances in a similar way) and vertical equity (treating those in different circumstances differently in order to achieve equity in outcome).
4. **ADEQUACY:** A concession must make the good or service to which it is linked genuinely affordable for participants.
5. **ADAPTABILITY:** Concessions must be designed in such a way as to enable responsiveness to changing economic and social practices and needs.

Our Community Sector Concessions Roundtable showed there is strong support for these principles. We therefore provide a brief discussion of the current NSW concessions system in relation to each of these principles below.

In addition to these five principles, our discussions with the community sector highlighted the importance of ensuring concessions are administered in a cost-effective manner. This is clearly a matter of importance for both Government and for taxpayers, and we have thus given consideration to effective administrative arrangements in formulating our recommendations.

Our discussion focuses on the concessions for essential services – energy, transport, water and rates – likely to be affected by the withdrawal of funding under the National Partnership Agreement (NPA). In doing so it covers not only those concessions funded through the NPA, but also the additional concessions offered by the NSW State Government for these essential services such as the Family Energy Rebate.

This analysis does not address in any detail the complementary assistance provided on a discretionary basis to people experiencing financial hardship, such as Energy Accounts Payment Assistance vouchers, although it does recognise circumstances in which complementary assistance would be beneficial.

“We need to better understand who benefits from what if we’re to make the system more effective.”

In preparing this report, NCOSS requested data from Transport for NSW so that we could better understand how resources for public transport concessions are currently allocated to various target groups. We found, however, that ticketing data is not collected in such a way as to facilitate an assessment of transport concessions from a social policy perspective. Data on both the number of eligible people accessing various concessions and how these concessions are being utilised is limited.

### 3.2.1 Clarity

Concessions can fulfil a range of purposes. Concessions on leisure activities, for example, encourage people to participate in activities they would otherwise not consider. And some transport concessions aim to make best use of existing infrastructure by encouraging travel at certain times of day.

Our current concessions system serves a range of policy objectives. While this is not inherently problematic, failing to clearly articulate the objective of each concession program has blurred the focus on what we believe should be the key objective of the concessions system: supporting people on low incomes to make ends meet.

A lack of clarity around what it is that concessions are trying to achieve also makes it impossible to assess whether or not concessions are achieving their aim.

<sup>24</sup> NCOSS (2014) *Concessions Discussion Paper*. Available online at [ncoss.org.au/resources/140904-NCOSS-Concessions-Discussion-Paper.pdf](https://ncoss.org.au/resources/140904-NCOSS-Concessions-Discussion-Paper.pdf)



NCOSS believes that the social objectives, target group, and desired outcomes of all concessions should be clearly and publicly stated.

Reporting structures should also be designed to facilitate the assessment of concession programs against defined social policy objectives. This means that data should be collected in such a way as to facilitate an understanding of the performance of each concession, both in terms of whether or not it is achieving its objective and reaching its target group. Furthermore, Government should be required to publicly report on the effectiveness of its concession programs.

### Centralising policy responsibility

The disjointed nature of our existing concessions system is due, in part, to the fact that policy responsibility for concessions is distributed across numerous Government agencies. If the Government is to achieve a consistent approach to concessions, aligned with an agreed policy framework, a strong coordination mechanism is needed.

One option would be to centralise policy responsibility through the establishment of a dedicated Concession Unit. Preferably, this Unit would sit within a central agency well placed to coordinate between the Departments who would retain responsibility for administering concessions.

Centralising policy responsibility for concessions would also make it easier to take a more holistic approach to assessing the full range of benefits linked to the provision of concession arrangements rather than viewing concessions simply as a drain on a Department's bottom line. Extending transport concessions to low-income earners for example, would impact the transport budget. But when considered from a whole-of-government perspective, the benefits in terms of employment and other outcomes may well outweigh the costs.

"We're not just a drain on resources, it would be great if they recognised our contribution..."

In a conversation about concessions with a group of older women many spoke passionately about the contributions they were able to make to society because they had access to affordable transport. These contributions included informal caring responsibilities, childcare, volunteering and charity work.

"The concessions system should be supporting the most vulnerable members of our community. But without clear targets and a meaningful evaluation framework we're missing the opportunity to channel assistance to those most in need."

Michael Perusco, CEO  
St Vincent de Paul Society NSW

### Recommendation 1

The social objectives, target group, and desired outcomes of all concessions should be clearly and publicly stated, with reporting structures designed to facilitate the transparent assessment of concession programs against these objectives.

### Recommendation 2

The NSW Government should consider mechanisms, such as the establishment of a Concessions Unit, that would provide a more consistent approach to the provision of concessions across all essential services.

## 3.2.2 Accessibility

If concessions are to be effective, they should be easy to understand and to access, especially by those at whom they are targeted.

We received consistent feedback from individuals and organisations that many people are not aware of the concessions to which they are entitled, that accurate, up-to-date and easily accessible information is difficult to find,<sup>25</sup> and that the system is hard to navigate even where people are aware of the benefits to which they

<sup>25</sup> The Public Interest Advocacy Centre's 2012 survey of NSW residents with a physical disability, for example, found that only 53% of respondents were aware of the Low Income Household Rebate, 29% were aware of the Medical Energy Rebate, 28% were aware of the Life Support Rebate and 26% were aware of the Energy Accounts Payment Assistance Scheme. Public Interest Advocacy Centre (PIAC) (2012) *More power to you: Electricity and people with physical disability*, December, Sydney: PIAC.

**“You need a degree just to fill in the forms.”**

Responding to an article in CPSA’s newsletter, *The Voice*, Heather wrote to us about her experience trying to access the Family Energy Rebate. She received conflicting information from her retailer and from the NSW Government after completing the application form but being unsure as to whether or not her application had been processed. In the end, Heather said, she gave up. She didn’t know whether or not the rebate had in fact been paid.

are entitled. A number of service providers, for example, indicated their reluctance to provide definitive advice about concessions to their clients due to the system’s complexity and a lack of reliable and up-to-date information.

Particular issues relating to accessibility identified through our consultations included:

- A lack of knowledge and understanding about transport concessions in rural and regional areas. For example, many people did not realise there was a regional equivalent to the \$2.50 Pensioner Excursion Daily.
- A lack of awareness of the Family Energy Rebate, and agreement that despite improvements to the online application process, the complexity of the administrative arrangements excluded many eligible households from accessing this rebate.

The low take-up rate – with only approximately one quarter of funding allocated to the rebate in the 2013-14 financial year actually spent<sup>26</sup> - confirm that it is not effectively reaching its target audience.

In working to overcome these and other access-related problems, we recommend that the NSW Government invest in ensuring the concessions system is well promoted, widely understood, and easy to access.

An immediate first step would be to develop a central point of access for information about concessions. This proposal is discussed in more detail in Section 4.3 of this report.

Over the longer-term, the NSW Government should develop a communications strategy to ensure all eligible recipients are aware of their entitlements and have access to the support necessary in order to claim these entitlements. The strategy should include consideration of ways in which the NSW Government could:

- Work with energy retailers to improve the processes used to identify whether or not a customer is eligible for a concession.
- Work with Centrelink and the Department of Veteran Affairs to provide customers with information about concessions relevant to their concession card type.
- Ensure all MPs have access to up-to-date information about concessions that they can share with their constituents.

**“We need a concessions system that is easy to access. This means it must be easy to understand and easy to navigate – including by people without access to technology and other resources – in order to reach and benefit the most vulnerable in our community.”**

**Brian Smith**  
Executive Officer, Local  
Community Services Association

### 3.2.3 Equity

Most people would agree with the proposition that concessions should be fair and equitable. But equity has a number of dimensions, and for those concessions designed to provide low-income earners with affordable access to essential services, consideration should be given to both horizontal equity and vertical equity. This means that people in similar circumstances should be treated in a similar way: people with similar incomes, for example, should be eligible for the same entitlements. But people in different circumstances should also be treated differently in order to achieve equity in outcomes. People with additional needs, such as for example medical-related energy costs, should have access to additional assistance. Horizontal and vertical equity issues are discussed in more detail below.

<sup>26</sup> The NSW Government’s 2013-14 Budget Papers allocates \$19 million to the Family Energy Rebate, while the 2014-15 Budget Papers suggest only \$5 million was actually spent on the rebate in the 2013-14 financial year. See *Budget Paper No. 2, Appendix D: Tax Expenditure and Concessional Charges Statement* for both the 2013-14 and 2014-15 financial years.

Another dimension to equity is that people who receive concessions should be treated on the same basis as those not covered by the concession. This means that the concessions should be delivered impartially: recipients should receive goods and services on the same terms as other consumers.

Equity is clearly important from a social policy perspective, but it is particularly important that it be placed front and centre of decision-making processes at a time when all levels of Government are searching for savings. If consideration is not given to ensuring limited resources are directed at those most in need, spending patterns will be dictated by other factors – many of which are outside Government’s control including demographic trends such as the aging of the population – and existing inequities may simply become more deeply entrenched.

### Horizontal equity

As described in Section 2 of this report, there are major disparities in terms of the support provided through the concessions system to people in similar financial circumstances. Entitlement to concessions depends primarily on the source of one’s income, rather than on the level of one’s income. The level of support a person receives through the concessions is also highly dependent on the type, tenure and location of one’s housing, regardless of both income and wealth.

The most commonly used eligibility criterion for State-based concessions is the Pensioner Concession Card. This group includes part-rate single Age Pensioner on incomes of less than \$48,000, and with financial assets of up to \$771,000 in addition to owning their own home. Part-rate couple pensioners can have a combined income of around \$74,000 a year, and assets worth up to \$1,145,500 in addition to the family home.

In contrast, and as described in Section 1.1 of this report, people receiving Government allowances and others on comparable or much lower incomes are missing out on similar entitlements across most essential services.

Section 2.2 of this report detailed how renters miss out on many of the concession benefits – such as concessions on water and on council rates - available to home-owners, while Section 2.3 described the disparate levels of assistance provided to people in regional vs urban NSW, regardless of their financial situation.

It is clear that our current concessions system is not performing well in terms of achieving horizontal equity. As part of a broader review of the concessions system, we believe greater support should be extended to all low-income earners via the Health Care Card. Given the importance of transport as a critical enabler, this report recommends extending public transport concessions to all Health Care Card holders as an immediate priority. Providing greater assistance to people on low incomes in relation to the cost of car registration and licences also warrants particular examination.

### Vertical equity

Our current concessions system also does not go far enough to recognise that people in different circumstances may have very different needs. Vertical equity emerged as an issue of particular concern in relation to energy. In NSW both the Medical Energy Rebate and the Life Support Rebate provide assistance to eligible recipients whose medical conditions mean they have higher base energy needs (although there are a range of disability-related energy costs for which there is no financial support).<sup>27</sup> Both the Low-Income Household Rebate and the Family Energy Rebate however are paid at a flat-rate and therefore do not take into account the many other factors influencing a household’s energy needs. A large extended family living in a poorly maintained rental property thus receives the same rebate amount as a small family living in a well-insulated dwelling, even though a larger household would have larger bills.

“With all levels of government searching for savings, reforms to the concessions system need to closely target assistance to those in greatest need including people on maximum rate pension rate and Newstart Allowance.”

Maree O’Halloran AM,  
Director, Welfare Rights Centre

“CPSA is concerned that a number of concessions in NSW have not kept pace with rising costs. We’re also worried about the inequity in the value of certain rebates and concessions between metropolitan and regional areas. Percentage-based energy concessions would be a step towards addressing both these concerns. Additionally, access to pensioner concessions need to be expanded to other people living on low incomes who currently miss out, including Newstart recipients.”

Grace Selway OAM  
CPSA President

<sup>27</sup> PIAC (2012) *More Power to You: electricity and people with physical disability*.

An energy rebate calculated as a proportion of a household’s energy bill would be one method of delivering assistance in a way that better meets the needs of people in different circumstances (Section 3.1 of this Report).

### 3.2.4 Adequacy

Concessions that aim to make goods and services genuinely affordable to people on low incomes cannot be effective if they are inadequate.

This section of the report examines four commodity groups – energy, transport, water and council rates – to assess whether existing concessions have kept pace with increases in the cost-of-living, and if they are achieving their goal of making these services affordable for people on low incomes.

#### Energy

Determining the relative value of energy concessions in relation to the cost of energy is complex, as it depends on both price and usage, both of which vary according to a range of factors including household size and location.

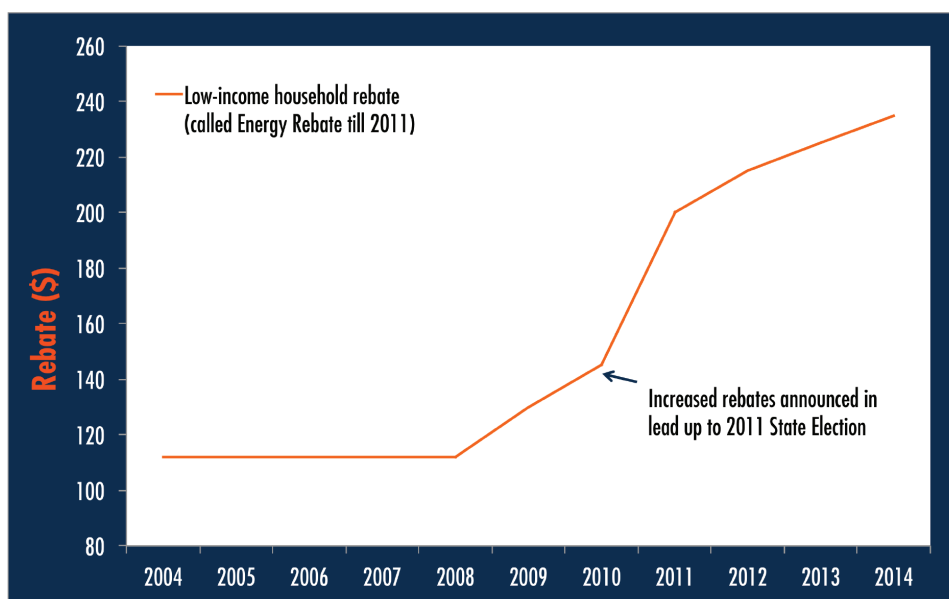
Peter

I have to have a small heater aimed at my lower left leg whenever the temperature is below 26 degrees and I need the electric blanket on sleep. I’ve had vascular surgery on it but to no avail. So any increase in the concession would be a big help.

An in depth analysis conducted by St Vincent de Paul, however, found that over the three years from 2009-2012 the relative value of concessions in NSW remained steady, primarily due to the significant increases that occurred in 2011, while the more moderate adjustment in 2012 represented a relative drop in the value of the concession.<sup>28</sup>

Figure 9 shows the flat rate rebate amount for the Low Income Household Rebate over the last ten years. During this period, the electricity price index has increased by 131.8%, while the absolute value of the Low Income Household Rebate (formerly called the Energy Rebate) has increased by 109.8%. That electricity prices have out-paced concessions during this time period is largely due to the

static nature of the concession during 2004-2008. In 2008, rapidly rising electricity bills led to pressure to increase the rebate amount, with more significant increases resulting from commitments made during the 2011 NSW State Election. No indexing arrangements for energy rebates beyond 2014/15 have yet been announced (although at the time of writing a review of the Life Support Rebate is underway).



**Figure 9:** The Low Income Household Rebate (formerly the Energy Rebate) over the ten years since 2004. (Source: NSW Government Budget Papers 2004-2014)

<sup>28</sup> Johnston, M. M. (2013) *The relative value of energy concessions: 2009-12. Part 2 of the Vinnies’ Concessions Project.*

NCOSS believes that the adequacy of concessions should not depend on political processes, but rather, concessions should be subject to regular and impartial adjustment processes.

The increase in gas prices is also of concern given current and projected increases in gas prices. The St Vincent de Paul Society's work on energy concessions notes that given that no additional rebate is available to gas bills, the proportional value of the concessions received by dual fuel households is typically lower compared to all electric households.<sup>29</sup>

## Transport

The majority of public transport concessions in NSW operate in one of two ways. The first puts a daily cap on ticket prices (i.e the \$2.50 Pensioner Excursion Tickets and Regional Excursion Dailys), while the second offers a half-fare discount.

The \$2.50 cap on tickets for Pensioner and Seniors Card Holders has been in place since 2005 (when it increased from \$1.10). Given that public transport fares have increased by slightly more than CPI during this same time period, this concession has effectively increased in value.

Over the same time period, concession tickets that provide a 50% discount on fares have – by their nature – maintained their value relative to ticket prices. However, since overall prices have increased by more than CPI, so too has the proportion of the fare paid by the traveler: this can be problematic for people whose incomes are indexed to CPI such as those on Newstart.

Eligible pensioners are also exempt from paying vehicle registration fees (on one vehicle only) and driver's licence fees. These concessions are clearly adequate in terms of making these commodities affordable. However, it is important to note that although the value of these concessions is generous in relation to other States and Territories, eligibility criteria is tighter and they are not available to low-income earners beyond Pensioner Card Holders.

## Water

The value of water concessions in relation to the cost of water is largely dependent on the supplier: While water supply and sewerage charges have almost doubled in the ten years to 2014 (Figure 10), some rebates have not increased at all during this time.

The relative value of water rebates is of particular concern for people who purchase their water through a Local Water Utility, where the concession is set at 50% of water supply service charges and 50% of sewerage

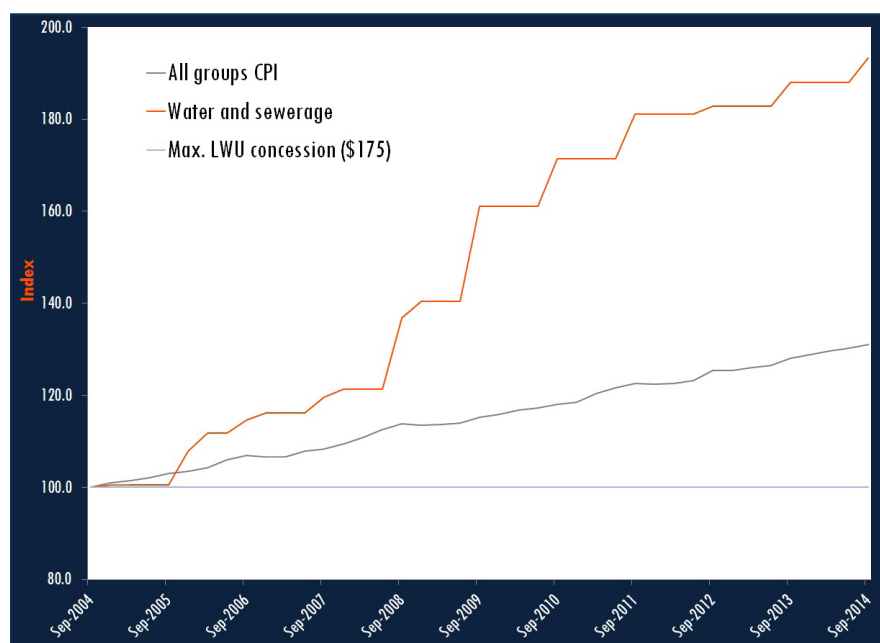


Figure 10: The cost of water and sewerage services vs All Groups CPI, Sydney (ABS, 2014)

<sup>29</sup> Ibid.



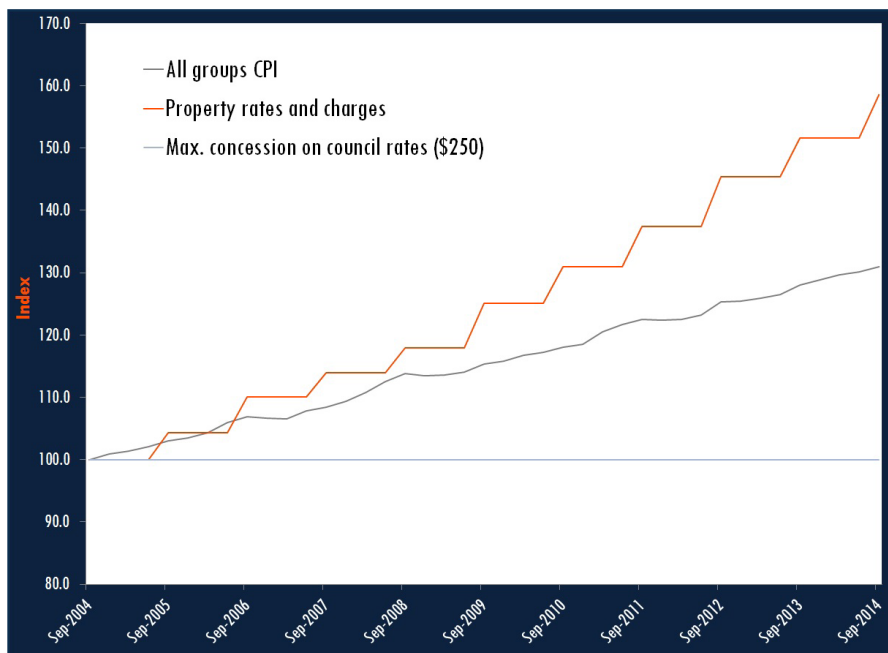


Figure 11: Council rates vs CPI All Groups, Sydney (ABS, 2014)

service charges. However, concessions on both charges are capped at \$87.50 per annum, an amount fixed by the 1993 Local Government Act and that has not increased in more than 20 years. The relative value of these concessions has therefore seriously eroded over time.

The concessions available for people who purchase their concessions through Sydney Water are considerably more generous, and given they are based on a proportion of service charges they have to a large extent kept pace with increases in the cost of living.

### Council Rates

Concessions on council rates reduce the amount payable to half the total of ordinary rates and domestic waste management service charge up to a maximum of \$250. As is the case for water rates, this cap is set by the 1993 Local Government Act and has not increased in more than 20 years, while in the last ten years alone Council rates have increased by 58.5%, or 1.9 times the rate of CPI (Figure 11). The relative value of the concession has thus fallen significantly, with the cap now effectively acting as a flat rebate amount.

In addition to the mandatory concessions on council rates outlined in the Local Government Act (1993), councils may also provide additional discounts to their constituents. In preparing this report NCOSS conducted an audit of council websites and found that only 15 of 152 Councils across NSW offer any additional discounts on rates to low-income earners. A list of these councils and the discounts they provide is in Appendix 3.

### Summary

When viewed over a ten-year period, the majority of concessions on essential services have not kept pace with increases in the cost of living, with the exception of transport concessions. Changes in the cost of living and in the concessions relevant to each commodity group are summarised in Table 7.

In order to ensure the relative value of concessions is maintained over time, we consider that all rebates and concessions should be regularly updated in line with the cost of the commodity to which the concession is linked.

**Table 7:** Cost of living changes and relevant concession changes Sept 2004 – 2014  
(Source: ABS 2004)

	Sydney CPI (% change)	Concession (% change )
Electricity (Low Income Household Rebate)	131.8	109.8
Transport (public transport fares)	34.6	34.6
Transport (vehicle rego + drivers licences)	36.2	36.2
Water and sewerage	93.3	0.0 (Local Water Utility)
Council rates	58.5	0.0

### 3.2.5 Adaptability

As society changes, the concession system should be positioned to respond appropriately. This principle relates not just to price but also to changing economic and social practices and needs.

Our current concessions system is largely based on the social norms of the late 20th Century, but many people now live very different lives and the concessions system has not kept pace with the rate of societal change.

For example, while the Internet may once have been considered a luxury, it is now very difficult to manage without access to the web-based information and communication technologies on which we have become increasingly reliant. The University of NSW Social Policy Research Centre's research on social deprivation has found that while views on what constitutes the essentials in life have remained fairly stable in recent years, a growing proportion of people support the

proposition that items such as a home computer, a mobile phone, and access to the internet at home are essential.<sup>30</sup> During

our consultations many people echoed this sentiment, describing their inability to afford an internet connection and the feelings of exclusion they suffered as a result. People without ready access to the internet also miss out on many of the cost-savings that can be accessed through this technology.<sup>31</sup>

The concessions system has also done little to adapt to changing patterns of home ownership. The 1993 National Partnership Agreement on Certain Concessions was developed at a time when home ownership was

**"If you don't have access to the internet you become a second-class citizen..."**

Several people we spoke to whilst developing this report spoke about their inability to afford an internet connection. They felt this excluded them from opportunities and limited their ability to maintain social connections from family and friends. They spoke about the stigma that came with not have the same level of access to information, and believed that people often assumed they were not capable of navigating new technology, whereas they simply could not afford it.

**"Our research analyses the extent of people missing out on the essentials of life using measures of deprivation and wellbeing. We've found that over time, a sub-group of the most severely deprived Australians fared relatively worse than the community as a whole. There are also those, especially in rural and remote areas, who don't have access to the services most people take for granted which leaves them at risk of falling further behind."**

**Dr Melissa Wong,  
Social Policy Research Centre**

<sup>30</sup> Saunders, P. and Wong, M. (2012), *Promoting Inclusion and Combating Deprivation: Recent Changes in Social Disadvantage in Australia*, Sydney: Social Policy Research Centre, University of New South Wales.

<sup>31</sup> For example, the UK's Essential Services Access Network' research estimates that the value of being online to a new user is £1,064 per annum. This comes from having more confidence, making financial savings online, new job seeking skills and a reduction in social isolation. Just Economics (2014) *Valuing Digital Inclusion: Calculating the social value to individuals of going online*.



the norm, and was considered a suitable mechanism through which the vast majority of Australians would maintain their security in later life. It was therefore designed, in part, to support people on people on low-incomes – particularly older Australians – with the costs associated with owning one’s home. But home ownership is now out of reach of many Australians, and the concessions system should adapt accordingly to provide similar support to those unable to amass the initial wealth required to enter into the property market. The concessions system as it relates to renters is discussed in more detail in Section 2.1.3 of this report.

To ensure the concessions system remains relevant and appropriate to changing social and economic circumstances we consider it should be subject to a regular process of review.

### **Recommendation 3**

The NSW Government should commission an independent review of the concessions system, and commit to incorporating the findings into a cost-of-living strategy for people on low incomes. This should:

- Inform the development of a communications strategy to ensure all eligible recipients are aware of their entitlements
- Assess whether current assistance measure are appropriately targeted and identify the population groups receiving inadequate support.
- Develop processes to ensure rebates and concessions are indexed in line with the cost of the commodity to which the concession is linked.
- Introduce a regular system of reviews to ensure concessions remain appropriate to changing social and economic circumstances

## Section 4

# Immediate Priorities for Action

It is clear that our current concessions system is seriously flawed. Considerable changes are needed if we are to develop a system that better supports people on low-incomes to meet essential living costs. And these changes should be informed by a thorough analysis of the available evidence and by meaningful conversations with the community about the purpose of concessions and how best to achieve this purpose.

In the immediate future, however, we have identified three priorities for change towards a fairer and more effective concessions system. These three priorities emerged during our consultation process, particularly our Community Sector Concessions Roundtable with the community sector. They are:

1. Energy rebates based on actual bills
2. Transport concessions for low-income earners
3. Easily accessible information

Each of these priorities is described in more detail below.

### 4.1 Percentage-Based Energy Rebates

The statistics point to an urgent need to better support people on low-incomes to pay their energy bills. The NSW Government currently provides energy rebates through four different programs. The two primary energy rebates – the Low Income Household Rebate and the Family Energy Rebate – are both paid at a flat rate. The flat rate nature of these rebates fails to recognise the large differences in costs between network supply areas—especially between rural and

“PIAC is deeply concerned by the number of households clearly struggling to pay their energy bills. Percentage-based energy rebates would be fairer and more effective, and would be better placed to respond to the major changes to the structure of both the electricity market and electricity prices currently underway.”

Edward Santow  
CEO, Public Interest  
Advocacy Centre

#### Proportional Energy Rebates

The benefits of a concession paid based on a proportion of an energy bill include:

- More equitable distribution of assistance between metropolitan and regional energy consumers
- More equitable assistance to households with high base energy needs
- Assists customers to cope with large seasonal bills
- Automatically adjusts to changes in price, removing the need for an escalation mechanism
- Administratively simple for retailers to implement
- More appropriate in a deregulated market as it provides equitable assistance to customers on different pricing and tariff structures
- More closely aligning Treasury’s interests with that of low-income households – creating a shared incentive to reduce costs (for example, through energy efficiency measures, or by ensuring a household receives the best deal possible)

metropolitan areas. Nor do these rebates recognise that different types of households have different base energy needs. We believe financial assistance would be more effectively delivered in the form of an energy rebate calculated as a proportion of a household’s energy bill.

Distributing assistance in a way that recognises that electricity bills vary widely according to factors such as the size and the location of the household, and the quality of housing stock, is not only more equitable, but is more consistent with the notion of energy as an essential service. And because percentage-based concessions automatically adjust according to the size of the bill, they also

better support households as needs change over time – for example; they help avoid the bill shock linked to seasonal variations in energy bills.<sup>32</sup>

As well as providing direct benefits to people on very low incomes, percentage-based rebates have many other advantages.

From an administrative perspective, percentage-based energy rebates remove the need for an escalation mechanism and de-politicise this process. When prices go up and households need more support they automatically receive it, but when prices are lower the Government also benefits.

In fact, percentage-based concessions better align Treasury's interests with those of low-income households in a number of ways.<sup>33</sup> Everyone gains when energy bills are low, whether this is achieved by lower prices overall, by targeted energy efficiency programs, or by ensuring households receive the best deal possible for them. With electricity prices expected to stabilise over the next few years, now is the ideal time to move towards a more effective system.

Because many retailers' systems are already set up to offer customers percentage-based discounts, applying this approach to concessions may also reduce the cost of administering energy concessions.<sup>34</sup> In the context of a deregulated and increasingly complex energy market – including the proposed long-term leasing of the electricity networks – percentage-based concessions also provide assurance that customers will receive the support they need, regardless of their ability to take advantage of new products and technologies.<sup>35</sup>

During our consultations, some stakeholders raised concerns that a move to a proportional energy rebate would mean a reduction in the amount paid to very low energy users. The Government could address this concern by introducing a floor amount on the rebate, or by grandfathering the current scheme for existing recipients.

### Priority Action 1

The Low-Income Household Rebate and the Family Energy Rebate should be combined into a new energy rebate based on a percentage of the bill.

## 4.2 Transport concessions for all low-income earners

Transport plays an important role in shaping our lives – we use it to get to work, to study, to visit family and friends, to access healthcare and to connect to community. For people on very low incomes who are already struggling to make ends meet, it is particularly important to ensure that their ability to participate in these activities is not constrained simply because transport is too expensive.

In order to better support low-income earners meet the cost of public transport, concessions should be extended to all Health Care Card holders.

<sup>32</sup> Deloitte's report on energy concessions prepared for the Energy Supply Association of Australia notes that concessions targeting seasonal bills are likely to provide the biggest positive impact on vulnerable customers. Deloitte (2013) *Improving energy concessions and hardship payments policies*.

<sup>33</sup> While Deloitte's report recommends that State Governments introduce percentage-based concessions, it also notes that these could reduce cost reflective price signals. We consider this unlikely given that the proportion of costs for which the recipient is responsible would still provide a considerable incentive to minimise bills where possible. Ibid.

<sup>34</sup> QCOSS (2014) *Energising concessions policy in Australia: Best practice principles for energy concessions*.

<sup>35</sup> Johnston (2013) argues that a percentage based concession system is the most appropriate approach governments can take to promote energy affordability in a deregulated environment characterised by a greater range of retail products and tariff structures. Johnston (2013) *The relative value of energy concessions*.

This would result in greater consistency between transport concessions and energy rebates, which were extended to all Health Care Card holders in NSW in 2010, and would bring NSW into line with other Australian states including Victoria, Western Australia, Tasmania, the Australian Capital Territory and the Northern Territory.

Health Care Cards are automatically issued by the Commonwealth Government to recipients of most allowance or support entitlements<sup>36</sup> and are also available to qualifying low income earners who either work part time, work full time for low wages, or who work a limited number of hours to supplement a low fixed income.

There are currently 441,162 people with Health Care Cards living in NSW,<sup>37</sup> but a proportion of these card-holders would already be eligible for public transport concessions at least part of the time. Newstart recipients, for example, are entitled to public transport concessions if they receive the maximum rate of the allowance, but become ineligible if they begin earning more than \$31 a week or receive a reduced payment rate due to compliance penalties.

The three-monthly assessment process for eligibility is administratively complex and requires that Transport for NSW issue an additional Half Fare Entitlement Card for Jobseekers.

Moving to eligibility based on Centrelink-issued Health Care Cards would streamline existing public transport concessions, and would provide a more effective safety net for people on low-incomes who are currently falling through the gaps in eligibility criteria.

The roll-out of the Opal Card presents the perfect opportunity to move towards a simpler, more equitable, and more effective system that better supports people on low incomes to travel where they need to go.

“With median incomes in the Northern Rivers around two thirds the State average and travel on public transport costing up to twice as much as in the metropolitan area many people can’t afford essential travel for health appointments, education, training or employment. Travel concessions for low income earners such as health card holders will have a significant impact on redressing transport inequalities that contribute to a downward spiral of disadvantage for people in our region.”

Tony Davies

CEO, Northern Rivers Social Development Council

### Jane

Jane works four days a week as a trainee in Lismore while studying part-time at TAFE. She isn’t eligible for a concession, so the bus fare from her home town of Coraki costs almost \$10 each way. The local bus operator doesn’t offer discounts – such as a travel ten – for frequent travel, so over the course of a week Jane regularly spends more than \$100 on public transport – more than one fifth her weekly income.

### Priority Action 2

Public Transport concessions should be extended to all Health Care Card Holders.

<sup>36</sup> This includes people receiving Sickness Allowance, Newstart Allowance, Partner Allowance, Parenting Payment partnered, Widow Allowance, Youth Allowance (as a jobseeker), Special Benefit, Carer Payment (for short term or episodic care under six months) and the maximum rate of Family Tax Benefit Part A. A full list of eligible recipients is available at [www.humanservices.gov.au/customer/enablers/centrelink/health-care-card/eligibility](http://www.humanservices.gov.au/customer/enablers/centrelink/health-care-card/eligibility)

<sup>37</sup> Public Health Information Development Unit (2011) *A Social Health Atlas of Australia*.

## 4.3 Easily accessible information

NSW is unique in that there is no central access point for information about the concessions available to NSW residents, making it harder for people to work out what assistance they may be entitled to, and how to go about accessing that assistance.

While the websites or webpages available in other States and Territories vary markedly in quality, a stand out resource is the Western Australian Government's concessions website ([www.concessions.wa.gov.au](http://www.concessions.wa.gov.au)).

We recommend that as an immediate priority, the NSW Government should provide a central point of access for information about concessions. Any online resource should provide easy to understand information about the concessions and subsidy schemes available to people meeting relevant eligibility criteria, and should be complemented by a telephone information service.

### **Priority Action 3**

The NSW Government should develop a central point of access for information about concessions.

# Conclusion

Concessions can and should be a valuable tool in supporting people on low incomes to deal with increases in the cost-of-living. In doing so, concessions can reduce the risk that a lack of financial resources will precipitate a vicious cycle of poverty and disadvantage.

But to work effectively, concessions must reach those most in need of support. They must be accessible, and they must be adequate. Our current system is in need of major re-working in order to fit this bill.

This report asks the NSW Government to initiate an independent review of the concessions system, and to commit to incorporating the findings of such a review into a cost-of-living strategy for people on low incomes. It begins the discussion we believe is needed in order to shape a fairer and more equitable system.

We also recommend three priority actions that would result in immediate and important improvements to the NSW concessions system: energy rebates based on a percentage of the bill, public transport concessions for low-income earners and a central point of access for information about concessions.

This report is intended as a resource for all stakeholders who have the opportunity to influence the future of the NSW concessions system. In particular, we are seeking a commitment from all political parties to implement the recommendations contained in this report following the March 2015 State election.

## Data sources used in tables and figures

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# Appendix 1

## **Organisations represented at the NCOSS Concessions Roundtable held on 24 September 2014**

- Anglicare Sydney
- Combined Pensioners and Superannuants Association
- Energy and Water Ombudsman, NSW
- Ethnic Communities Council of NSW
- Financial Counsellors Association of NSW
- Local Government NSW
- No Interest Loan Scheme NSW State Coordinator
- Northern Rivers Community Gateway
- Physical Disability Council of NSW
- People with Disability
- St Vincent de Paul Society NSW
- Sydney Alliance
- Tenants' Union of NSW
- Welfare Rights Centre

## **Organisations represented on the NCOSS Cost-of-Living Reference Group**

- Anglicare Sydney
- Financial Counsellors Association of NSW
- Local Community Services Association
- No Interest Loan Scheme NSW State Coordinator / Northern Rivers Community Gateway
- Social Policy Research Centre, University of NSW
- St Vincent de Paul Society NSW
- Welfare Rights Centre

## Appendix 2

The table below provides a summary of the 2014-15 budget allocations for concessions and tax exemptions delivered by the NSW Government to individuals and families on the basis of characteristics such as income or age. (Source: NSW Government (2014) NSW Budget 2014-15. Budget Paper No. 2, Appendix D: Tax Expenditure and Concessional Charges Statement).

Concession	2014-15 Budget
Energy – Low Income Household Rebate*	\$193m
Energy – Family Energy Rebate	\$14m
Energy – Life Support and Medical Energy Rebates Scheme	\$6m
Pensioner water rate concessions*	\$157m
Local council rate concession*	\$79m
Public transport*	\$519m
Vehicle Weight Tax*	\$257m
Motor Vehicle Registration Fees*	\$51m
Driver's license fee exemption*	\$53m
School Student Transport Scheme	\$595m
TAFE fee concessions	\$44m
VET concessions and exemptions	\$38m
Ambulance Service for concessional patients	\$209m
Outpatients Pharmaceutical Scheme	\$13m

\* Denotes those concessions whose source funding is affected by the withdrawal of Commonwealth funding under the National Partnership Agreement on Certain Concessions for Pensioner Concession Card and Seniors Card Holders

# Appendix 3

## Councils offering additional rebates on rates

The table below lists those councils who provide additional rebates to pensioners and others on low-incomes in addition to the mandatory rate rebates specific in the Local Government Act (1993). The information is based on an audit of council websites conducted in September and October 2014.

Local Government Area	Rebate	Source
Blacktown (C)	A further additional voluntary rebate to a maximum of \$105 is provided for residents who have been ratepayers in the City for five consecutive years	<a href="http://blacktown.nsw.gov.au/Resident_Services/Pay_your_rates_and_fees/Pay_your_rates/Pensioner_Rebate">blacktown.nsw.gov.au/Resident_Services/Pay_your_rates_and_fees/Pay_your_rates/Pensioner_Rebate</a>
Coffs Harbour (C)	Council provides further rebates for the Environmental Levy and Domestic Waste Charges.	<a href="http://coffsharbour.nsw.gov.au/Coffs-And-Council/rates/Pages/pension-rebates.aspx#sthash.wZYcREdU.dpuf">coffsharbour.nsw.gov.au/Coffs-And-Council/rates/Pages/pension-rebates.aspx#sthash.wZYcREdU.dpuf</a>
Holroyd (C)	Council grants an additional voluntary rebate of \$15 to all eligible pensioners.	<a href="http://holroyd.nsw.gov.au/your-council/rates/">holroyd.nsw.gov.au/your-council/rates/</a>
Ku-ring-gai (A)	All eligible pensioners are entitled to an 11 per cent rebate off their rates and charges	<a href="http://kmc.nsw.gov.au/Services_facilities/For/Seniors/Rates_rebate_for_pensioners">kmc.nsw.gov.au/Services_facilities/For/Seniors/Rates_rebate_for_pensioners</a>
Leichhardt (A)	Pensioners who have continuously been ratepayer/residents of the Municipality of Leichhardt for 10 years or more, can also receive rebates on the domestic waste management charge and the stormwater management service charge.	<a href="http://leichhardt.nsw.gov.au/About-Council/Rates/Pensioner-Rebates">leichhardt.nsw.gov.au/About-Council/Rates/Pensioner-Rebates</a>
Liverpool (C)	An additional rebate of \$100.00 applies to all existing eligible pensioners on Council's records as at 30 June 2005.	<a href="http://liverpool.nsw.gov.au/media/documents/FormsPublicationsandPolicies/Pensioner-Concessions-Policy-Rates.PDF">liverpool.nsw.gov.au/media/documents/FormsPublicationsandPolicies/Pensioner-Concessions-Policy-Rates.PDF</a>
Marrickville (A)	Council provides an additional Voluntary Pensioner Rebate of \$54.70. This rebate is limited to existing recipients and is not available to new pensioners.	<a href="http://marrickville.nsw.gov.au/en/council/about-council/rates/discounts-for-pensioners/">marrickville.nsw.gov.au/en/council/about-council/rates/discounts-for-pensioners/</a>
Mosman (A)	Council offers a voluntary rebate to Australian Service Veterans who do not qualify for a pensioner rate rebate.	<a href="http://mosman.nsw.gov.au/residents/rates">mosman.nsw.gov.au/residents/rates</a>
Parramatta (C)	Council offers an additional rebate to eligible pensioners who have resided in the property consecutively for at least the last five years	<a href="http://parracity.nsw.gov.au/your_council/council/pay_rates/faq">parracity.nsw.gov.au/your_council/council/pay_rates/faq</a>
Pittwater (A)	Council grants a rebate is the remaining half of the rates plus waste charges to a maximum of \$150.00 to pensioners under the age of retirement.	<a href="http://pittwater.nsw.gov.au/council/rates/pensioner_rate_rebate_applications">pittwater.nsw.gov.au/council/rates/pensioner_rate_rebate_applications</a>
Queanbeyan (C)	Council provides up to an additional \$40 per annum for eligible pensioners.	<a href="http://qcc.nsw.gov.au/Your-Council/Rates-Fees-and-Charges/Rates-Fees-and-Charges">qcc.nsw.gov.au/Your-Council/Rates-Fees-and-Charges/Rates-Fees-and-Charges</a>
Strathfield (A)	Eligible pensioners also receive a stormwater management service charge rebate.	<a href="http://strathfield.nsw.gov.au/home/council/rates-and-payments/">strathfield.nsw.gov.au/home/council/rates-and-payments/</a>
Sydney (C)	Eligible pensioners can receive rebates of up to 100% on their rates and charges.	<a href="http://cityofsydney.nsw.gov.au/live/residents/rates/pensioner-rebates">cityofsydney.nsw.gov.au/live/residents/rates/pensioner-rebates</a>
Waverley (A)	Eligible pensioners may be entitled to a maximum rebate of \$300.00 per financial year on their rates.	<a href="http://waverley.nsw.gov.au/council/payments/rates#discount">waverley.nsw.gov.au/council/payments/rates#discount</a>
Woollahra (A)	Eligible pensioners also receive a full rebate for Council's Environmental and Infrastructure Renewal Levy.	<a href="http://woollahra.nsw.gov.au/services/rates_and_property/rates">woollahra.nsw.gov.au/services/rates_and_property/rates</a>



