



Submission to the Community Affairs Legislation Committee Inquiry into the Social Services Legislation Amendment (Ending Carbon Tax Compensation) Bill 2017

July 2017

© Combined Pensioners & Superannuants Association of NSW Inc 2017

Combined Pensioners & Superannuants Association of NSW Inc (CPSA)

Address: Level 9, 28 Foveaux Street, Surry Hills NSW 2010 **ABN:** 11 244 559 772

Phone: (02) 9281 3588 **Country Callers:** 1800 451 488 **Facsimile:** (02) 9281 9716

Email: cpsa@cpsa.org.au **Website:** www.cpsa.org.au **Donations:** 1800 451 488

CPSA is a non-profit, non-party-political membership association founded in 1931 which serves pensioners of all ages, superannuants and low-income retirees. CPSA has 107 branches and affiliated organisations with a combined membership of over 24,000 people living throughout NSW. CPSA's aim is to improve the standard of living and well-being of its members and constituents.

CPSA welcomes the opportunity to comment on the Social Services Legislation Amendment (Ending Carbon Tax Compensation) Bill 2017. As an organisation representing the interests of pensioners of all ages and low income retirees, CPSA strongly opposes the removal of the Energy Supplement for new welfare recipients. It is unacceptable to target the most disadvantaged Australians particularly against a backdrop of rising electricity prices.

Targeting the most vulnerable:

People on low incomes spend all their money on essential goods and services. They don't have a financial buffer to insulate them against reductions in their welfare payments. For households living on low fixed incomes every dollar counts and any reduction in the rate of payment necessitates a reduction in spending on essential goods and services. For Age Pensioners, Disability Support Pensioners, and those in receipt of the Carer Payment, the removal of the Energy Supplement will result in a cut of at least \$7.05 per week. For recipients on the Newstart Allowance, the removal of the Energy Supplement will result in a cut of \$4.40 per week and constitutes the abolition of the first real increase in the rate of payment in over 20 years. CPSA has serious concerns regarding the impact of these cuts on Australia's lowest income households.

Two-tiered social security system:

This bill will prevent new recipients of welfare payments from receiving the Energy Supplement from 20 September 2017, while welfare recipients who were eligible for the Energy Supplement prior to 20 September 2016 will continue to receive it. Given that the payment will continue to be available to current recipients, this will create a two-tiered pension system, with differential rates of payment based on the date a person became eligible for a particular welfare payment. This clearly creates inequity with two people in the same circumstances receiving different rates of payment.

CPSA also notes that a number of people who currently receive the Energy Supplement – those who became eligible for a welfare payment after 20 September 2016 – will have the payment cut should this Bill be passed. It is absolutely unacceptable to reduce the rate of payment to welfare recipients who are already struggling to make do.

Further, CPSA notes that the removal of the Energy Supplement may inadvertently create a disincentive for jobseekers on the Newstart Allowance to take up casual, seasonal or piecemeal employment. Following the completion of a period of work, these people would not be eligible to receive the Energy Supplement when reapplying for Newstart Allowance and would subsequently be paid a lower rate than if they had remained on Newstart Allowance the whole time.

Increases in Energy Prices:

The Energy Supplement was introduced to compensate welfare recipients for the increased cost of electricity following the introduction of the Gillard Government's carbon Emissions Trading Scheme (ETS), also known as the carbon tax. The bill states that because the carbon tax was repealed from 1 July 2014, 'there is no longer a need to provide this compensation'¹. CPSA notes that while the carbon tax has been repealed, the cost of electricity has increased significantly, which accordingly justifies the retention of the Energy Supplement.

The St Vincent de Paul Society's report on energy prices revealed that electricity bills in almost all jurisdictions in Australia have increased significantly since the repeal of the carbon tax in July 2015². Furthermore, between 2006 and 2016 the average electricity bill for Australia increased by 65% in real terms³. Additionally, Australia's top three energy retailers, Origin, EnergyAustralia and AGL have announced price increases in electricity and gas starting from July 1 2017. Energy Australia announced electricity price rises of close to 20 per cent for residential customers in both South Australia and New South Wales⁴. Origin Energy customers' electricity prices will increase by 16.1 per cent in NSW and up to 15.9 per cent in SA⁵. AGL customers in the ACT will see their combined

¹ Explanatory Memorandum: Social Services Legislation Amendment (Ending Carbon Tax Compensation) Bill 2017. Available - http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r5880_ems_8e9a0b37-4c31-4664-8aff-95548a6021e8/upload_pdf/633408.pdf;fileType=application%2Fpdf pp.22 (Accessed 10 July 2017)

² St Vincent de Paul (2016) 'The National Energy Market – A hazy retail maze' Available https://www.vinnies.org.au/icms_docs/256854_National_Energy_Market_-_A_hazy_retail_maze.pdf pp. 11 [Accessed 11 July 2017]

³ Phillips, B. (2017) 'Research Note: Household Energy Costs in Australia 2006 to 2016' ANU Centre for Social Research and Methods. Available: <http://rssh.anu.edu.au/sites/default/files/Household%20Expenditure%20on%20Electricity%20Trends.pdf> pp. 4 [Accessed 12 July 2017]

⁴ EnergyAustralia (2017) 'Annual Review of Energy Tariffs' Available: <https://www.energyaustralia.com.au/about-us/media/news/annual-review-energy-tariffs> [Accessed 11 July 2017]

⁵ Origin Energy (2017) 'Energy Price Facts' Available: <https://www.originenergy.com.au/content/origin-ui/en/for-home/electricity-and-gas/pricing/energy-price-fact-sheets.html> [Accessed 11 July 2017]

electricity and gas bills will rise by \$579 a year⁶. Although the carbon tax has been repealed, there have been significant increases in electricity prices since the introduction of the Energy Supplement which, accordingly, justify its retention.

Electricity is an essential service which all households require meaning that participation in the energy market is not a choice but a necessity. Research by NCSS has shown that low income households who spend the majority of their income on essential goods and services, are less able to absorb electricity price increases without cutting back spending on other essential goods and services. These households are being forced to forgo medical and dental treatment, borrow money from friends and family and sell personal possessions in order to pay ever-increasing electricity bills. The report also highlights that low income households struggling to meet the rising costs of living and are much more likely to be disconnected than other households⁷. Disconnections have an immediate and highly detrimental impact on a household's quality of life. Furthermore, the number of NSW households who have entered a payment plan with their electricity retailer has increased by 41% between June 2014 and March 2017⁸. Australia's social security system acts as a safety net for those experiencing poverty and/or disadvantage and the removal of the Energy Supplement for new welfare payment recipients constitutes an erosion of this safety net.

The Federal Government's introduction of a one-off Energy Assistance Payment to help with energy costs for those on low fixed incomes is government recognition of increasing energy prices. This policy decision acknowledging a rise in energy costs makes no sense in the context of this bill abolishing compensation for these rises.

- **Recommendation:** That given the significant increase in electricity prices since the abolition of the carbon tax, the Energy Supplement continues to be paid to all current and future recipients.

⁶ AGL (2017) <https://content.agl.com.au/default/electricity-pricing-faqs/> [Accessed 11 July 2017]

⁷ NSW Council of Social Service (2017) 'Turning off the lights: The Cost of Living in NSW' Available: <https://www.ncoss.org.au/sites/default/files/Cost-of-Living-Report-16-06-2017-FINAL.pdf>

⁸ Australian Energy Regulator (2017) 'NSW - customers on payment plans' Available: <https://www.aer.gov.au/retail-markets/retail-statistics/nsw-customers-on-payment-plans>