



2 August 2017

Senate Community Affairs Legislation Committee

community.affairs.sen@aph.gov.au

Dear Committee Secretariat

Re. response to Question on notice, Inquiry into the Social Services Legislation Amendment (Ending Carbon Tax Compensation) Bill 2017

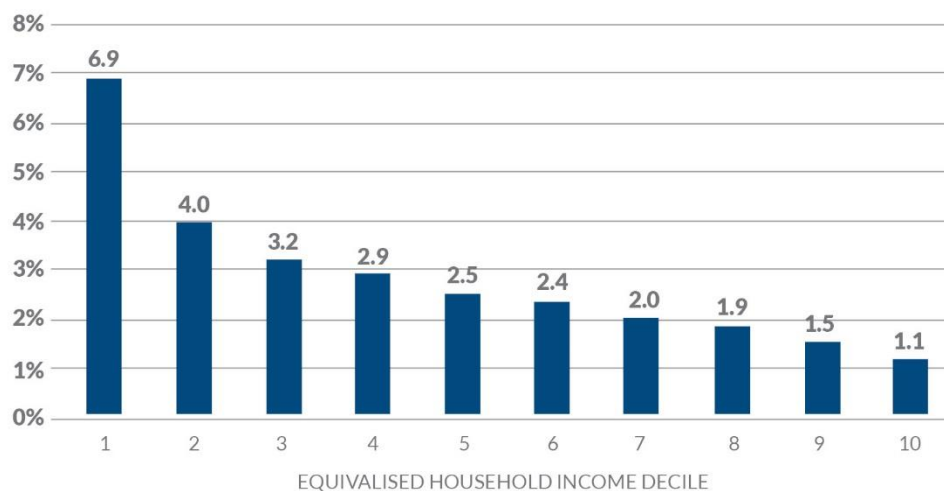
During the hearing on 26 July 2017, ACOSS took on notice the following question:

Senator WATT: Do you have any figures on what proportion of the personal budget of an income support recipient's energy costs amount to?

Low-income households spend the highest proportion of income on energy costs. A report by ACOSS, the Brotherhood of St Laurence and The Climate Institute on energy and low-income households found that the bottom 10% of households spend an average of 6.9% of household income on electricity and gas (according to 2011 data).¹ People living on allowances with little or no other income would be in the bottom 10%.

Proportion of annual expenditure on energy (electricity and gas) by equivalised income decile (2011 data).²

Figure 5: Proportion of annual expenditure on energy (electricity and gas) by equivalised income decile³⁷



¹ACOSS, Brotherhood of St Laurence & The Climate Institute (2017) 'Empowering disadvantaged households to access affordable, clean energy'

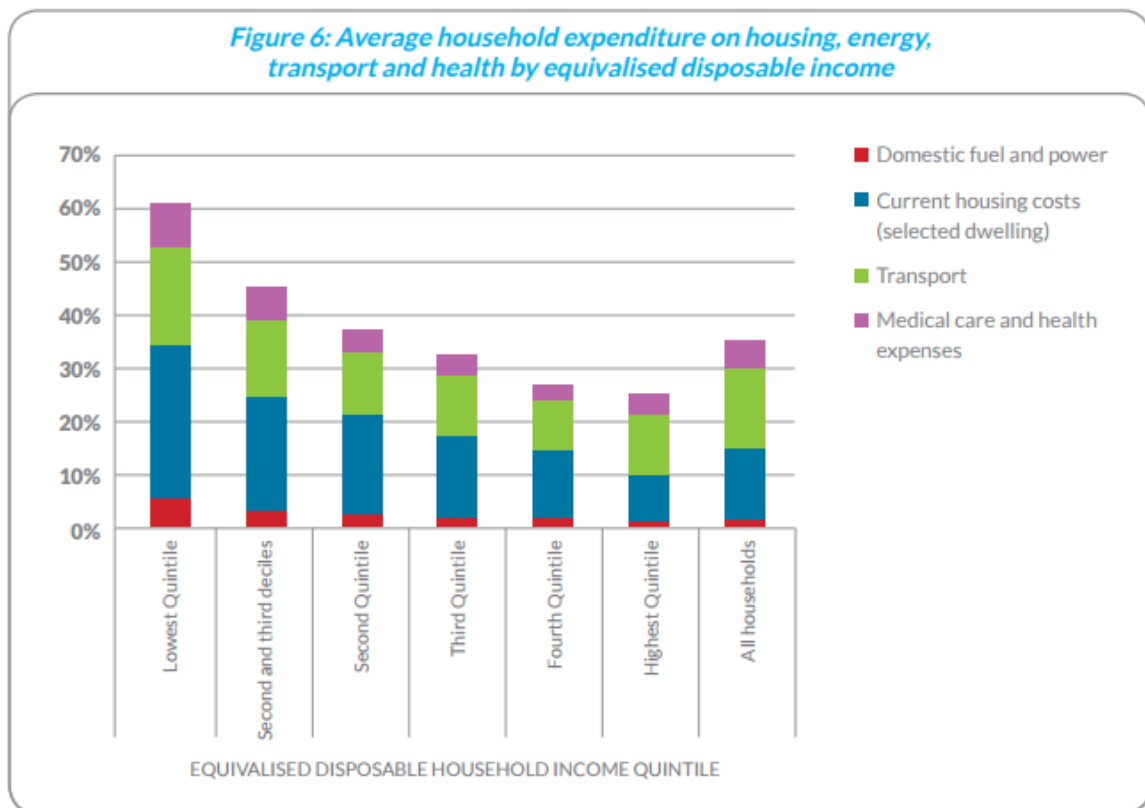
http://www.acoss.org.au/wpcontent/uploads/2017/07/ACOSS_BSL_TCI_Empowering-households.pdf p.23

² Ibid.



The report also found that the bottom 20% of households spend around 6% of disposable income on energy costs.³ People for whom income support payments comprised the majority of their income would be in the bottom 20%.

Average household expenditure on housing, energy, transport and health by equivalised disposable income⁴



A report conducted by Andrew Nance, commissioned by ACOSS, BSL and TCI, found that spending by low-income households on energy can be as high as 30% of disposable income:

“The following chart has been derived from unit record files for the 2009-10 HES to illustrate the range of relative energy expenditures by households of different incomes. The horizontal axis divides the households into 5 equal-sized groups (quintiles) based on after-housing-cost disposable income (only households whose main source of income was reported as wages, salaries or benefits were included in the sample). The vertical bars show the median result (the central marker in each one) as well as

³ Ibid. p.24

⁴ Ibid.



the spread of the results with markers for the 5th and 95th percentile (i.e. 90% of individual results lie within these limits for each group).

The standout result is the 20% of households with the lowest disposable incomes. This group reported a median value of 7% of disposable income on energy. 25% of this group spent 11% or more, 5% spent 30% or more. A broad estimate then of the scale of vulnerable household is the 5-10% of households for which energy costs are 10% or more of after housing cost disposable income.”⁵

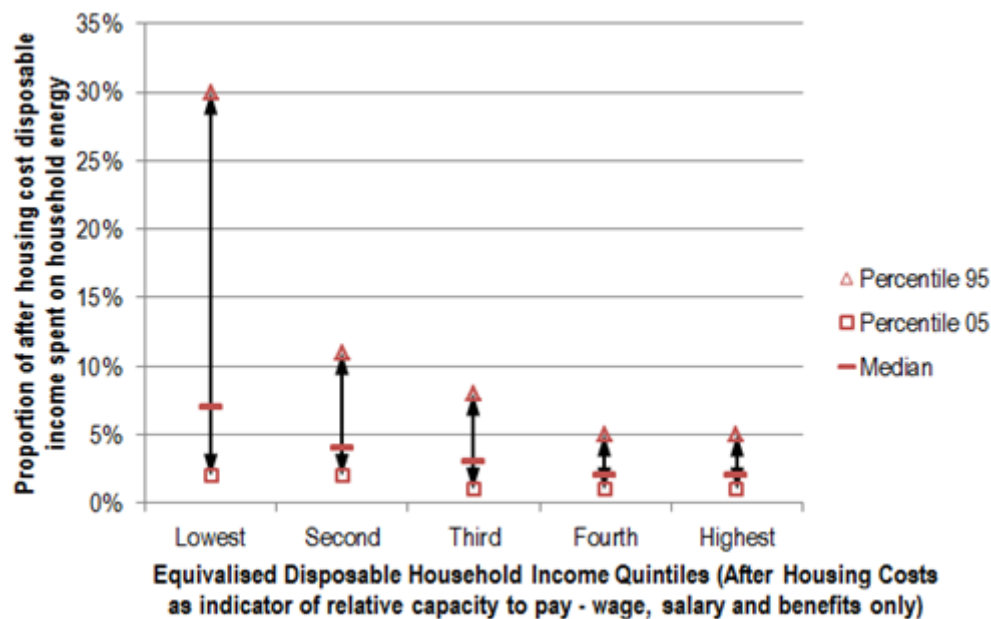


Figure 10: Average expenditure on household energy as a proportion of relative capacity to pay (after housing cost disposable income) by Equivalised Disposable Income (Source: ABS 6530.0 Household Expenditure Survey, Australia 2009-10)

Please note that an update of household expenditure on energy and fuel should be made possible with the release of the Australian Bureau of Statistics’ 2015/16 Household Expenditure Survey in 2017.

Our ‘Empowering disadvantaged households to access affordable, clean energy’ report documents some of the impact of high energy costs on people on low incomes.⁶ For example:

⁵Andrew Nance (2017) ‘Energy Access and Affordability Policy Research’, ACOSS, March 17
<http://www.acoss.org.au/wp-content/uploads/2017/03/EnergyAccessandAffordabilityPolicyResearchFINAL20March2017.pdf> pp.21-22

⁶ NCOSS (2017) Turning off the Lights: The Cost of Living in NSW, in ACOSS, BSL & TCI, Ibid., p.26



Box 1: Impacts of energy bills on low-income households in NSW

- **7-9 per cent** reported that they regularly go without medical treatment and medication when needed.
- **9 per cent** of respondents regularly go without a substantial daily meal for themselves, while a very worrying 6.5 per cent of respondents' children regularly go without a substantial daily meal as a result of energy bills.
- **24 per cent** of households with children have gone without school books or uniforms in order to pay energy bills, with nearly 7 per cent doing so on a regular basis.
- **31 per cent** of households with children have gone without school excursions or activities in order to pay energy bills, with nearly nine per cent doing so on a regular basis.
- **30.2 per cent** of people surveyed had not used hot water for bathing in an attempt to reduce their energy usage, with half of those responses (67 of 134) from households with children.
- **76.8 per cent** of people surveyed had not used any heating, or limited their heating to a single room to reduce their energy usage, with 15 per cent of people indicating this was something that they always did. Again, nearly 50 per cent lived in households with children.
- **61.8 per cent** of people said that they had gone to bed early in an attempt to reduce their energy usage, with 50 per cent of those people living in households with children.
- **40 per cent** of households with children are going without an Internet connection, or paying bills late, in order to pay their energy bill, with 12 per cent doing so regularly.
- **29.6 per cent** of people had foregone public transport or use of a private vehicle in order to pay their bills, with 6.4 per cent doing so regularly. More significantly, of the 45 responses from people receiving Newstart Allowance, nearly 50 per cent had not used public transport or a private vehicle as a result of their energy bills – forcing them to forgo interviews.
- **29.1 per cent** of people had not paid an internet bill or paid it late as a result of energy bills, with 6.6 per cent doing so regularly. Again nearly 50 per cent of those were receiving Newstart, many of whom would rely on an internet connection to potentially find employment and access information on support and training.
- **32.9 per cent** of people had not paid a phone bill or paid it late in order to pay their energy bills, with 8.6 per cent doing so regularly. Once again, 50 per cent of responses from those receiving Newstart had paid a phone bill late or gone without, impacting their ability to access support services and find paid employment.
- **12.3 per cent** of people reported being forced to use payday lenders, one of the most problematic and expensive sources of finance.
- **23 per cent** of people had cancelled or missed a payment on their insurance in order to pay an energy bill, with 6 per cent doing so regularly.

Source: NCOSS (2017) Turning off the Lights: The Cost of Living in NSW⁶²