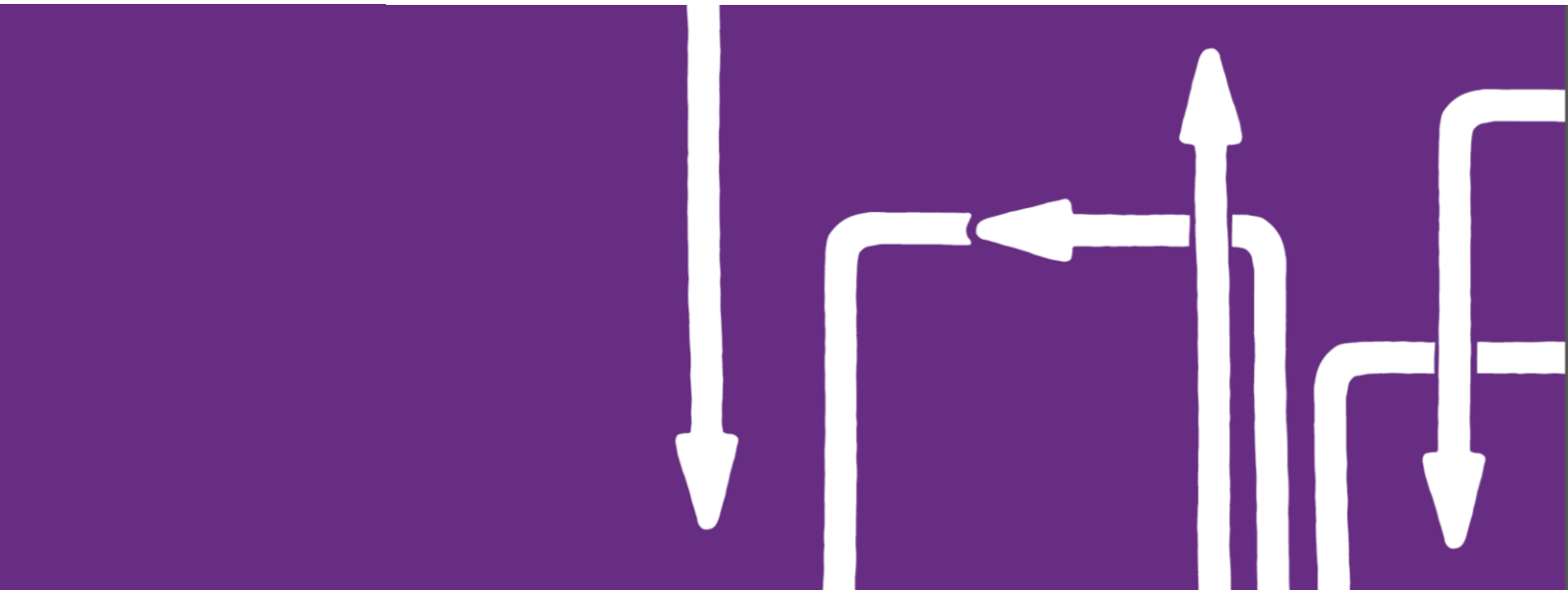




**Submission in response to
the Senate Community Affairs
Legislation Committee Inquiry into the
Social Services Legislation Amendment
(Ending Carbon Tax Compensation) Bill
2017
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1. Introduction

Foodbank Australia welcomes the opportunity to provide a submission in response to the Senate Community Affairs Legislation Committee Inquiry into the *Social Services Legislation Amendment (Ending Carbon Tax Compensation) Bill 2017*. Foodbank Australia is a member of the Australian Council of Social Services (ACOSS). Foodbank Australia's submission in response to the inquiry is intended to complement the ACOSS submission, providing additional commentary on the anticipated impacts of the Bill from our perspective as a national charity responsible for sourcing and distributing food to vulnerable Australians, noting the significance of 'bill shock' as a contributor to food insecurity in Australia.

It should be noted at the outset that Foodbank Australia does not support the proposal withdrawal of the Energy Supplement and as such would not support passage of the Bill.

What is Foodbank?

Foodbank is Australia's largest food relief organisation, operating on a scale that makes it crucial to the work of the front line charities that are feeding vulnerable Australians. Foodbank provides 63 million meals a year (172,000 meals a day!) to more than 2,600 charities around the country, accounting for more than 70% of the food distributed by food rescue organisations nation-wide.

Foodbank is also the largest supporter of school breakfast programs in Australia, providing food for 1,750 schools nationally (both directly and via programs run by other organisations). Foodbank provides regular breakfasts to more than 100,000 students at schools around the country and on top of this, more than 200,000 children seek food relief from our charities every month.

Food insecurity in Australia

The 2016 *Foodbank Hunger Report* found that 1 in 6 people experience food insecurity at some point throughout the year. Food insecurity affects a diverse range of demographic groups, from young families to the elderly to students, under-employed people, those of Aboriginal and Torres Strait Islander descent, refugees and those with disabilities. It is an issue affecting city and country alike, with those living in country areas 11% more likely to be food insecure than their city counterparts.

Approximately 644,000 people receive food relief from Foodbank agencies (charities) each month, a third of whom are children. A further 43,000 people are turned away from charities each month due to a shortage of food and resources, with children representing a third (14,600) of those going without. These are just the people we know about. The reality is that the gap is likely to be substantially larger.

Foodbank estimates that 75 million kilograms of food relief is required each year to ensure that everyone who needs it has access to a meal. Currently, Australian food relief organisations provide approximately 50 million kilograms combined (noting a degree of error owing to double-counting, varying disciplines and regarding data collection), which means there is a gap of at least 25 million kilograms of food and groceries per annum.

How Foodbank sources its food and groceries

Foodbank works with the entire Australian food and grocery industry from farmers, wholesalers, and manufacturers to retailers, or 'paddock to plate', to source food and groceries. Companies also make donations to Foodbank as part of their commitment to corporate social responsibility. Many companies choose to make regular donations by increasing their production run or drawing straight from inventory in order to ensure that their product is consistently available to charities. They may also make special one-off donations at the time of natural disasters.

Key Staples Program

Foodbank is the only charity in Australia that collaborates with suppliers, manufacturers, and transporters in an innovative program to ensure consistent supplies of essential food items in its warehouses every day. The Collaborative Supply Program sees food manufacturers produce the sought-after products using spare production capacity. Suppliers donate or subsidise the ingredients, packaging and delivery of the products to spread the commitment and enhance the sustainability of the program. Through this program, we are able to provide consistent supplies of breakfast cereals, fresh and long life milk, pasta and pasta sauce, canned fruit, baked beans and sausages.

Primary Produce Programs

Despite being more likely to be food insecure than their metro counterparts, farming communities work closely with Foodbank to donate grain, rice, milk, meat, eggs and fresh produce. Foodbank sources these essential products through relationships right along the supply chain from paddock to plate, partnering with farmers, produce market associations, and peak bodies. These vitally important products are either distributed or used as manufacturing ingredients for the Key Staples Program. For example, donated grain can be milled and used to produce pasta and breakfast cereal, while meat can be used for sausages.

School Breakfast Programs

Foodbanks across the country assist more than 1750 schools across Australia through the direct and indirect delivery of School Breakfast Programs. Many of the nutritious products used in these School Breakfast Programs are sourced via the Key Staples Program. Given the geographic spread and range of socio-economic circumstances, Foodbank prides itself in its ability to be flexibly and dynamic in terms of delivery and distribution models, to ensure the best possible outcomes for children at these schools. Some Foodbanks also deliver nutrition education programs for adults and children alike to encourage improved nutrition literacy in the community.

Foodbank's role in responding to natural disasters and other emergencies

Foodbank also plays a key role in times of community emergencies and natural disasters. It provides essential supplies to support the work of emergency services and first responders as well as ongoing assistance to affected communities during the months and years it takes to recover.

Foodbank's role in addressing food waste

Foodbank's food and grocery rescue operations play a key role in addressing Australia's food waste problem, redirecting and/or repurposing approximately 29 million kilograms of food and groceries that would otherwise end up in landfill, saving 54.7 million kilograms of CO₂ emissions every year. Foodbank is working closely with the Federal Department of the Environment and Energy, our sector peers and our supply chain colleagues on the establishment of Australia's first ever National Food Waste Strategy, noting the critically important role that Foodbanks around the country play in rescuing and redirecting food that would otherwise be sent to landfill.

2. Overview of the Bill

Foodbank Australia understands the Bill amends the *Social Security Act 1991*, *Farm Household Support Act 2014*, *Veteran's Entitlements Act 1986*, *Military Rehabilitation and Compensation Act 2004* and *Budget Savings (Omnibus) Act 2016* to:

- cease - from 20 September 2017 - payment of the energy supplement to recipients who were not receiving a welfare payment on 19 September 2016; and
- close the energy supplement to new welfare recipients from 20 September 2017.

We understand the intention of these changes would be to prevent new recipients of welfare payments being paid the energy supplement from 20 September 2017; and to cease payment of the energy supplement from 20 September 2017 for welfare recipients who first received the energy supplement on or after 20 September 2016.

Whilst passage of the Bill would unquestionably achieve budgetary savings for the Federal Government, **Foodbank Australia argues that the benefits of our most vulnerable people having continued access to the energy supplement at a time when energy costs are spiralling upwards would far outweigh the costs to the Government of retaining the measure.** It is acknowledged that the supplement was originally introduced to compensate people for the introduction of the carbon tax, which has since been repealed, however, the notion of providing our most vulnerable with a small buffer against skyrocketing energy prices remains as valid today as it was when the supplement was first implemented.

2. Impact of Increased Energy Prices on Food Recipients

Foodbank Australia is the only organisation to conduct annual analysis and reporting on the prevalence of and contributors to food insecurity in Australia. In fact, not even government collects this data. The *Foodbank Hunger Report* is released annually, providing up to date statistics on the incidence and frequency of food insecurity; the number of people seeking assistance and/or receiving food relief from Foodbank agencies; changes in demand for food relief; types of food assistance; contributors to food insecurity and so on.

The 2016 *Foodbank Hunger Report* highlighted the prevalence of ‘bill shock’ in Australia, and its significance as a contributor to food insecurity in Australia. The report found that the most common reasons why people experience food insecurity in Australia are simply not having enough money in the first place (44% of respondents); unexpected expenses or large bills (44%); and having to pay rent or the mortgage (36%).

With a network of approximately 2600 agencies across the country, Foodbank has unique insights into drivers of poverty and inequality in Australia, as well as the grassroots impacts of policy decisions. In recent months, our state/territory Foodbanks have been reporting that increased energy costs are impacting household budgets in a way that they have not done so previously, with significant increases in the frequency of food recipients reporting electricity disconnections, and regular reporting of families making a conscious decision between heating and eating.

Noting the impact that ‘bill shock’ and increased electricity prices are already having on vulnerable Australians, Foodbank Australia is extremely concerned about the imminent impact of recent dramatic increases in electricity prices across the country (for example, South Australia is now reported to have the highest energy prices in the world¹; Energy Australia increased electricity prices in Sydney by 19.6% and gas by 6.6% from 1 July 2017, at the same time that AGL increased electricity prices by 16.1% and gas by 9.3%²; and ActewAGL has reported ‘unprecedented’ increases of 18.95% in standing offer power tariffs and

¹ <http://www.abc.net.au/news/2017-06-28/sa-has-most-expensive-power-prices-in-the-world/8658434>

² http://www.smh.com.au/business/consumer-affairs/energyaustralia-announces-19-per-cent-increase-to-electricity-prices-in-nsw-20170615-gwrto3.html?utm_source=twitter&utm_medium=social&utm_campaign=nc&eid=socialn%3Atwi-13omn1677-edtrl-other%3Annn-17%2F02%2F2014-edtrs_socialshare-all-nnn-nnn-vars-o%26sa%3DD%26usq%3DALhdy28zsr6qiq

a 17.3% increase in gas prices for households in the ACT³). We have been warned to expect unprecedented spikes in demand for food relief at a time when Federal Government funding to Foodbank has actually decreased.

The following case study from Foodbank Victoria is symptomatic of what we are hearing right across the country at present.

CASE STUDY

Staff from Foodbank Victoria recently made a delivery of emergency food hampers to a single mother of two in Seymour. Due to a lack of food relief programs in the area, Maria had contacted Foodbank directly for help.*

The 37-year-old is struggling to put food on the table and pay the mounting bills. Out of her fortnightly government benefits, almost half goes towards a Centrelink debt and debt related to mounting legal costs responding to continual legal action by her ex-husband, which she says is designed to financially cripple her to the point where she will no longer be able to care for her children.

Every dollar counts in this household and Maria says the removal of the energy supplement is just another blow to people doing it tough. Her annual electricity and gas bills total around \$2500 per year.

"Trying to come up with the funds... there are all these bills that are coming up and I'm going 'How'? A lot of the time I'm cancelling direct debits because there isn't the money to direct debit and you don't want the bank fees when that happens.

"They're getting rid of supplements and it's fearful. The kids bonus went and that helped me to pay for school uniforms. Just an extra couple of dollars does make a difference. It's \$4 that you don't have to find. It could be a couple of litres of milk for my girls.

"This situation is hell for me. I never wanted my kids to be in this position."

Maria dreams of returning to the life she once had, when she had her own successful cleaning business and a safe place to call home.

**Name changed to protect privacy*

Still in Victoria, agencies in the Gippsland and Western Victoria region are currently reporting a minimum 20% growth in client presentation, with some smaller agencies report assisting 50-70 clients per week. Larger agencies are assisting up to 115 families every week with a client list of well over 100 families seeking assistance. Although the number or assistance requests can vary from location, some agencies assist families by providing food on a weekly basis to enable utility and other accounts to be reduced over a one month period. The demographics of the client base vary markedly, with a mixed cohort of recipients including single parents, low income families, elderly pensioners, homeless/couch surfing (particularly youth), large families, Koori families, New Start clients, and family violence victims.

Agencies in this area are reporting that they are assisting families unable to meet living costs, including some people living in tin sheds with no utilities connected. The daily living costs, rent and utilities are all recognised contributors to people requiring assistance with food in this area. Most have exhausted the options to repay or reduced payment to utility suppliers and have the water reduced to a trickle and the power limited. The flow-on consequences are the health risks associated with poor personal hygiene, inability to store chilled and fresh food without any means of refrigeration and no ability to heat food or water without a supply of gas.

³ http://www.afr.com/business/energy/electricity/electricity-price-hikes-to-hit-households-20170607-gwmvo5?utm_source=social&utm_medium=twitter&utm_campaign=nc&eid=socialn:twi-14omn0055-optim-nnn:nonpaid-27/06/2014-social_traffic-all-organicpost-nnn-afr-o&campaign_code=nocode&promote_channel=social_twitter

Similar to the circumstances reported in Victoria regarding strategies to reduce the amount owed to utility companies, Foodbank Queensland has advised us that a number of their agencies are seeing a pattern emerging where families are receiving a sizeable utility bill that they cannot afford to pay, go about setting up a payment plan to reduce the debt week by week, but by the time the next bill arrives, they have not yet paid the outstanding debt, so they are starting from a net negative position, resulting in massive - often insurmountable - debts. These agencies are also reporting that pensioners are their most seriously affected clients when it comes to crippling energy costs.

In a state where electricity prices continue to be front page news, Foodbank South Australia has experienced a 20% increase in demand for food relief over the last 12 months, which they believe to be largely driven by households experiencing 'bill shock'. In fact, every Foodbank SA warehouse and regional hub has reported a spike in demand for food relief every three months as the quarterly bills arrive. The frequency of visits and types of food being sought out by food recipients is also changing across the state in response to increased utility costs. For examples, for families who have switched off freezers in an attempt to reduce their electricity costs, more frequent visits to food hubs are required, as they cannot store food for more than a few days.

Foodbank Australia is also concerned that the proposed withdrawal of the Energy Supplement would exacerbate already difficult circumstances for vulnerable households. Foodbank understands the removal of the Energy Supplement will actually reduce the Newstart payment, despite Australia already having the second lowest unemployment benefit in relation to average wages in the OECD⁴, and now sits at 39% of the minimum wage (before tax).

3. Impact of Increased Energy Prices on our Agencies

As mentioned above, Foodbank distributes food and groceries through a network of approximately 2600 agencies across the country. These agencies are not immune to 'bill shock' and we are increasingly hearing that they too are being affected by skyrocketing energy costs, to the point that some are actually closing as a direct result of energy costs.

Foodbank Queensland informed us just this week that one of the agencies they provide food relief to has reported the closure of eight charities in his immediate area in recent months, with most citing operating costs in general - and electricity prices in particular - as the cause for their closure.

A number of Foodbank Queensland agencies have reported that "rising energy costs are the biggest challenge to keeping the doors open", with some charities "having to find \$500 a week just to cover power bills". Of particular concern is that the impacts are being felt regardless of agency size, with larger agencies reporting an increase in energy costs of 50% in the past few years, which they have deemed "unsustainable".

We have been advised by both Foodbank Queensland and Foodbank Victoria that some agencies are turning freezer units off as they simply cannot afford to run them. This seriously limits the ability of Foodbank to redirect high-demand chilled products to families in crisis. As an example, families escaping domestic violence who are yet to secure fixed accommodation often do not have cooking facilities, so providing them with an emergency hamper of food ingredients is counter-productive. As such, we prioritise the provision of prepared meals, which require cold storage. If agencies are no longer able to store these high-demand meals, we are extremely concerned that families, including children, will be going hungry at a time when they are at rock bottom.

⁴ OECD (2014) Net Replacement Rate Initial (Previous earnings 67%) https://stats.oecd.org/Index.aspx?DataSetCode=SOCX_AGG

For northern Australia, ‘bill shock’ is a summer problem, not a winter problem. Foodbank Queensland has reported that agencies are preparing for likely summer shutdowns, and many are nervous about the reliability of the power network.

We are increasingly hearing that our agencies are no longer just assisting clients who are struggling with their power bills, they are having to find assistance themselves, and they are now working with utility companies to seek hardship assistance both for households and the charity itself.

3. Impact of Increased Energy Prices on our Operations

Foodbank is not immune to the increased energy costs being experienced by our agencies and food recipients. Foodbank sites across the country are pursuing measures to reduce our utility costs, for example some states are utilising a recent grant from the Federal Department of the Environment and Energy to install solar panels on some of our facilities. However, it must be recognised that there is a lag period of up to several years before these become cost neutral, and for some states, it may not be enough to counter the extreme increase in utility costs. For example, Foodbank South Australia’s utility bills are now higher than they were 12 months ago, despite installing 220 solar panels. Even those states with sizeable solar panel installations still have some exposure to utility cost increases. For example, the Foodbank NSW & ACT site in Glendenning has observed a 15% increase in energy costs for the power drawn from the grid when solar is not available.

Put in simple terms, from a food relief perspective, both supply and demand are already being affected by increased energy costs, and removal of the Energy Supplement would further exacerbate an already escalating crisis for vulnerable households. We implore the Senate Community Affairs Legislation Committee to recommend that the Bill NOT be passed.