

# Chapter 1

## Social Services Legislation Amendment (Ending Carbon Tax Compensation) Bill 2017

### Purpose of the bill

1.1 The Social Services Legislation Amendment (Ending Carbon Tax Compensation) Bill 2017 (bill) seeks to cease the payment of the energy supplement to new income support recipients from 20 September 2017.<sup>1</sup>

1.2 The energy supplement was introduced in 2013 as a distinct component of income support payments to compensate for the rising cost of living resulting from the introduction of the carbon tax.<sup>2</sup> The payment rate of the energy supplement varies between \$0.50 and \$14.10 per fortnight depending on the type of income support payment.<sup>3</sup>

1.3 The bill amends the *Social Security Act 1991*, *Farm Household Support Act 2014*, *Veterans' Entitlements Act 1986*, *Military Rehabilitation and Compensation Act 2004* and *Budget Savings (Omnibus) Act 2016* to extend this measure to a range of income support payments such as Newstart Allowance, Disability Support Pension, Carer Payment, Farm Household Allowance and Widow Allowance.<sup>4</sup>

1.4 The effect of the bill is that eligible welfare recipients who were receiving an income support payment on 19 September 2016 will continue to receive the energy supplement. Income support recipients who became eligible for the energy supplement after 19 September 2016 will cease to receive the energy supplement from 20 September 2017.<sup>5</sup>

### Background

1.5 This measure was previously contained in the Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017 (Omnibus Bill).

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- 1 Social Services Legislation Amendment (Ending Carbon Tax Compensation) Bill 2017, [Explanatory Memorandum](#), p. 2. The Department of Social Services advised that the commencement date may be adjusted in accordance with the bill's passage through Parliament.
  - 2 Clean Energy (Household Assistance Amendments) Bill 2011, Explanatory Memorandum, Schedule 1, p. 2.
  - 3 Department of Human Services, *Payment rates for Energy Supplement*, <https://www.humanservices.gov.au/customer/enablers/payment-rates-energy-supplement> (accessed 1 August 2017).
  - 4 Explanatory Memorandum, pp. 2, 9.
  - 5 Explanatory Memorandum, p. 2. There will be transitional arrangements in place for people who entered the income support system between 20 September 2016 and 19 September 2017. These recipients will temporarily receive the energy supplement during that period, as long as they remain eligible for an income support payment but will no longer receive the energy supplement from 20 September 2017.

The committee tabled its report on the Omnibus Bill on 21 March 2017.<sup>6</sup> The Omnibus Bill was discharged from the notice paper on 23 March 2017.

1.6 Following the commencement of the *Budgets Savings (Omnibus) Act 2016*, the energy supplement has been closed to new recipients of Family Tax Benefit (FTB) A, FTB B and the Commonwealth senior's health card since 20 March 2017.<sup>7</sup>

### **Financial implications**

1.7 The measure is expected to produce savings of \$933.4 million from 2016-17 to 2019-20.<sup>8</sup>

### **Conduct of the inquiry**

1.8 On 15 June 2017, the Senate referred the provisions of the bill to the Community Affairs Legislation Committee for inquiry and report by 9 August 2017.<sup>9</sup>

1.9 Details of the inquiry, including a link to the bill and associated documents, were placed on the committee's website.<sup>10</sup> The committee wrote to relevant individuals and organisations inviting submissions to the inquiry by 14 July 2017. Submissions continued to be accepted after that date.

1.10 The committee received 19 submissions to the inquiry and held a public hearing in Melbourne on 26 July 2017. Submitters and witnesses are listed at Appendices 1 and 2.

1.11 The committee thanks those individuals and organisations who contributed to the inquiry.

### **Note on references**

1.12 References to Committee Hansard are to the proof transcript. Page numbers may vary between the proof and official transcripts.

### **Legislative scrutiny**

#### ***Senate Standing Committee for the Scrutiny of Bills***

1.13 The Senate Standing Committee for the Scrutiny of Bills considered the bill in *Scrutiny Digest 6 of 2017* and did not make any comment on the bill.<sup>11</sup>

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6 Senate Community Affairs Legislation Committee, [Social Services Legislation Amendment \(Omnibus Savings and Child Care Reform\) Bill 2017](#), March 2017.

7 The Hon Christian Porter MP, Minister for Social Services, [House of Representatives Hansard](#), 31 May 2017, p. 5744.

8 Explanatory Memorandum, p. 2.

9 [Journals of the Senate](#), No. 44, 15 June 2017, pp. 1432-1434.

10 See, Community Affairs Legislation Committee, [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Community\\_Affairs/CarbonTaxCompensation](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/CarbonTaxCompensation) (accessed 24 July 2017).

11 Senate Standing Committee for the Scrutiny of Bills, [Scrutiny Digest 6 of 2017](#), 14 June 2017.

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## ***Parliamentary Joint Committee on Human Rights***

1.14 The Parliamentary Joint Committee on Human Rights considered the bill in *Report 5 of 2017* and noted the bill did not raise any human rights concerns.<sup>12</sup>

### **Issues identified during the inquiry**

1.15 Submitters to the inquiry raised a range of concerns. In particular, submitters identified the creation of a 'two-tiered' income support system, the inadequacy of current payments and increasing electricity prices as issues of concern.

#### ***Creating a two-tiered system***

1.16 Submitters to the inquiry argued that the bill's proposal to cease the payment of the energy supplement to new income support recipients from 20 September 2017, while people who were in receipt of the energy supplement on 19 September 2016 would continue to receive the payment would create a 'two-tiered' system.<sup>13</sup>

1.17 The Australian Council of Social Service (ACOSS) stated that the bill would 'deepen inequity in our income support system as two people in the same circumstances will receive different rates of payment.'<sup>14</sup> Similarly, COTA Australia expressed the view that it would be unfair for a person to receive a lower or higher payment rate based on when they began receiving income support payments.<sup>15</sup>

1.18 However, the committee notes that the point at which a person began receiving income support payments is fundamental to consideration of the energy supplement and its purpose. The energy supplement was introduced in 2013 in order to 'assist with the cost impacts resulting from a carbon price.'<sup>16</sup> The carbon tax was repealed on 1 July 2014 and consequently, people who entered the income support system since the repeal, have not been subject to the increased costs associated with the carbon tax.

1.19 The Department of Social Services (the department) emphasised that the changes proposed by the bill will only affect recipients who are new to the income support system since 20 September 2016. The committee notes that the government considers it to be a fair and reasonable adjustment to cease providing compensation for the carbon tax in the form of the energy supplement to new income support recipients, approximately three years after the carbon tax has been repealed.<sup>17</sup>

1.20 Furthermore, it is important to note that the provision to exclude existing income support payments from this measure ensures that an income support recipient's

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12 Parliamentary Joint Committee on Human Rights, [Report 5 of 2017](#), 14 June 2017.

13 See, for example: ACOSS, p. 4; Anglicare Australia, *Submission 11*, p. 2; Combined Pensioners and Superannuants Association, *Submission 12*, p. 3.

14 ACOSS, *Submission 7*, p. 4.

15 COTA Australia, *Submission 10*, p. 2.

16 Clean Energy (Household Assistance Amendments) Bill 2011, Explanatory Memorandum, p. 3.

17 Department of Social Services, *Submission 15*, [p. 2].

payment will not decrease as long as they continue to receive and remain eligible for a qualifying income support payment.<sup>18</sup>

### ***Adequacy and indexation of income support payments***

1.21 A number of submitters expressed concern that income support payments are not sufficient to meet the rising costs of living in Australia.<sup>19</sup> In addition, some submitters noted that the energy supplement was not fully indexed when it was introduced under the previous government, resulting in income support recipients being worse off now than they would have been had the energy supplement not been introduced.<sup>20</sup>

1.22 ACOSS outlined that regular Consumer Price Index (CPI) indexation of the Newstart Allowance was adjusted to account for the energy supplement when it was introduced, in order to compensate for increased costs associated with the carbon tax. ACOSS submitted this has resulted in the payment being less than it would have been had regular indexation occurred.<sup>21</sup>

1.23 The department informed the committee that in order to assist income support recipients with rising energy costs, the Government has provided a one-off Energy Assistance Payment to a range of income support recipients with fixed incomes at a rate of \$75.00 for singles and \$62.50 for each eligible member of a couple.<sup>22</sup>

1.24 The department's submission emphasised that as the carbon tax no longer exists, it is not necessary to continue to compensate households for the impacts of the tax.<sup>23</sup> The committee notes that seeking to cease the payment of the energy supplement to new recipients forms part of the Government's commitment to ensuring Australia's welfare system provides appropriate support to those who need it, whilst ensuring the system remains sustainable.

### ***Increasing electricity prices and impact on recipients***

1.25 Most submitters drew the committee's attention to recent announcements that retail electricity prices would increase from 1 July 2017.<sup>24</sup> National Seniors advised

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18 Department of Social Services, *Submission 15*, [p. 2].

19 See, for example: National Social Security Rights Network, *Submission 1*, p. 2; ACOSS, *Submission 7*, p. 2; Catholic Social Services Australia, *Submission 4*, p. 1; Anglicare Australia, *Submission 11*, p. 2; St Vincent De Paul Society, *Submission 17*, p. 4; National Council of Single Mothers and their Children, *Submission 19*, pp. 1-2.

20 See, for example: National Social Security Rights Network, *Submission 1*, p. 2; ACOSS, *Submission 7*, p. 2; Anglicare Australia, *Submission 11*, p. 1.

21 ACOSS, *Submission 7*, pp. 2-3.

22 Department of Social Services, *Submission 15*, [p. 2].

23 Department of Social Services, *Submission 15*, [p. 2].

24 See, for example: Superannuated Commonwealth Officers' Association, *Submission 2*, p. 1; National Seniors, *Submission 5*, p. 1; ACOSS, *Submission 7*, p. 4; Anglicare Australia, *Submission 11*, p. 2; Combined Pensioners and Superannuants Association, *Submission 12*, pp. 4-5; Foodbank, *Submission 13*, pp.5-6; Australian Council of Trade Unions, *Submission 14*, p. 1. St Vincent De Paul Society, *Submission 17*, pp. 7-8.

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the committee that energy retailers across the country have announced increases in electricity prices from July:

Energy retailers increased retail prices for residential customers on average by 20 per cent in New South Wales, the ACT and South Australia and by seven per cent in Queensland.<sup>25</sup>

1.26 The Salvation Army Australia highlighted that increases in electricity prices have a greater impact on income support recipients because low-income households spend a greater proportion of their income on utilities.<sup>26</sup>

1.27 Catholic Social Services Australia supported this view, citing Australian Bureau of Statistics data which found that:

...low-income households spend \$22.07 per week or 6.9 per cent of their income on electricity while the top 20 per cent of households by income spend more than \$43.89 per week on electricity but that amounts to just 2.4 per cent of their income.<sup>27</sup>

1.28 People with Disabilities Western Australia (PDWA) advised the committee that income support recipients may also be disproportionately impacted by rising electricity costs due to greater use of electricity. PDWA explained that in particular, the specific needs of people with a disability may increase electricity usage:

Many people with disability are reliant for their health and ability to be independent on items that use electricity. For example people with communication aids that require charging, reliable fridges for medication, reverse cycle air-conditioning for temperature regulation, electric beds and hoists, and ventilation and breathing machines.<sup>28</sup>

1.29 Similarly, Carers Australia noted that high rates of electricity usage affect not just people with a disability but also their carers:

There are also things, as stated, around where there is incontinence or other issues that require the washing machine and dryer to be running constantly, and then there are the special equipment needs. It affects everybody in the household—both the person with the disability and the person providing the care.<sup>29</sup>

1.30 Carers Australia also acknowledged that wholesale electricity prices dropped after the repeal of the carbon tax, however, electricity companies failed to pass this

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25 Mr Ian Henschke, Chief Advocate, National Seniors [Committee Hansard](#), 26 July 2017, p. 6.

26 The Salvation Army Australia, *Submission 9*, p. 2.

27 Father Frank Brennan AO, Chief Executive Officer, Catholic Social Services Australia, *Committee Hansard*, 26 July 2017, p. 11.

28 People with Disabilities Western Australia, *Submission 18*, p. 2.

29 Ms Tammy Wolffs, Senior Policy Officer, Carers Australia, *Committee Hansard*, 26 July 2017, pp. 10-11.

price drop on to consumers and have instead announced increases to retail electricity prices.<sup>30</sup>

1.31 The department noted that while carers were not subject to the one-off Energy Assistance Payment, carers may receive a range of other supplements on an ongoing basis which may compensate for increased electricity usage.<sup>31</sup>

1.32 The committee is aware that increasing electricity prices have been a continual concern to consumers and stakeholders in recent years. The department noted in its submission that under the previous government, electricity prices more than doubled between December 2007 and September 2013.<sup>32</sup>

1.33 The department also submitted that had the carbon tax not been repealed, it was predicted to have resulted in long-term increases in electricity prices. Furthermore, when the carbon tax was repealed on 1 July 2014, the Australian Competition and Consumer Commission (ACCC) estimated it would lead to savings of up to \$263 per year in electricity costs for residential households.<sup>33</sup>

1.34 As the Minister for Social Services, The Hon Christian Porter MP, outlined in his second reading speech, the government is continuing to prioritise energy security and affordability. The 2017-18 budget included a \$265 million energy package to ensure that Australia maintains a secure, reliable and competitive energy system.<sup>34</sup> In addition, the government has asked the ACCC to conduct a review of electricity retail prices which will include examining the competitiveness, cost components and profitability of electricity providers.<sup>35</sup>

### **Committee view**

1.35 The committee acknowledges the concerns identified by submitters and witnesses regarding the fairness and adequacy of income support payments, coupled with recent announcements by energy providers to increase retail electricity prices and the impact this may have on income support recipients.

1.36 Notwithstanding increasing electricity prices, the committee notes that the energy supplement was introduced in 2013 for the sole purpose of compensating for the carbon tax which has since been repealed. Therefore, the committee believes it is no longer appropriate to provide the energy supplement to new income support recipients in order to compensate for a tax which no longer exists.

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30 Carers Australia, *Submission 3*, p. 3.

31 Ms Cath Halbert, Group Manager, Payments Policy, Department of Social Services, *Committee Hansard*, 26 July 2017, p. 22.

32 Department of Social Services, *Submission 15*, [p. 2].

33 Department of Social Services, *Submission 15*, [p. 2].

34 The Hon Christian Porter MP, Minister for Social Services, *House of Representatives Hansard*, 31 May 2017, p. 5744.

35 ACCC, Electricity supply and prices inquiry, *Terms of reference*, 27 March 2017, <https://www.accc.gov.au/regulated-infrastructure/energy/electricity-supply-prices-inquiry/terms-of-reference> (accessed 31 July 2017).

1.37 The committee supports the actions the government is taking to put downward pressure on electricity prices which will ensure that new income support recipients are provided appropriate support without the need to be compensated for a tax which does not exist, and maintain the sustainability of Australia's welfare system for the future.

**Recommendation 1**

**1.38 The committee recommends that the bill be passed.**

**Senator Jonathon Duniam**

**Chair**

