

# Australian Labor Party Senators' Dissenting Report

1.1 Labor Senators on this committee reject the recommendation of the majority report.

1.2 This is the second time this measure has been considered by a Senate Inquiry. In the previous Inquiry, as in this one, a range of stakeholders presented compelling evidence against the measure, and Labor Senators rejected the majority recommendation.

1.3 A broad range of community sector agencies provided evidence to the public hearing, highlighting the importance of the energy supplement and the detrimental impact its abolition would have on income support recipients, including; age pensioners, carers, single parents, jobseekers and people with disability.

## Exacerbation of poverty in Australia

1.4 According to the Australian Council of Social Service, there are almost 3 million Australians in poverty, including 730,000 children.<sup>1</sup>

1.5 The Committee heard from numerous witnesses that removing the energy supplement will further increase poverty in Australia.

1.6 The Committee was told that if the bill was to take effect, 1.7 million people would be negatively impacted by the changes.<sup>2</sup>

1.7 Dr Cassandra Goldie, CEO of the Australian Council of Social Service told the Inquiry that the bill would 'singularly have [the] effect' of exacerbating poverty in Australia.<sup>3</sup>

1.8 A number of other witnesses similarly argued that the removal of the Energy supplement would have a significant and negative effect on household budgets:

Cutting the energy supplement will make it even harder for vulnerable, low-income households to get by. – Combined Pensioners and Superannuants Association.<sup>4</sup>

[the Energy supplement] still remains a very important measure as a means of protecting low-income households from ongoing and excessive increases in energy costs. – National Seniors.<sup>5</sup>

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1 Australian Council of Social Services, *Submission 7*, p. 1.

2 Dr Cassandra Goldie, Chief Executive Officer, Australian Council of Social Service, *Committee Hansard*, 26 July 2017, p. 1.

3 Dr Cassandra Goldie, Chief Executive Officer, Australian Council of Social Service, *Committee Hansard*, 26 July 2017, p. 1.

4 Ms Ellis Blaikie, Policy Coordinator, Combined Pensioners and Superannuants Association, *Committee Hansard*, 26 July 2017, p. 6.

5 Mr Ian Henschke, Chief Advocate, National Seniors, *Committee Hansard*, 26 July 2017, p. 6.

Disadvantaged Australians – the people seeking assistance from us – are already struggling to meet their daily living expenses and simply have no capacity to live on less. – The Salvation Army.<sup>6</sup>

1.9 The Salvation Army referred to findings from their Economic and Social Impact Survey (ESIS), an annual survey of Salvation Army clients.

1.10 The 2017 ESIS found that single parents on income support have only \$14.35 in disposable income to live on each day, while other income support recipients have a disposable income of just \$17.35 per day. Further, the average equivalised weekly disposable income of ESIS respondents was only \$356. This is compared to the Australian Bureau of Statistics finding that the average, equivalised disposable income per week for the population as a whole is \$998.<sup>7</sup>

1.11 Other findings from ESIS suggest that income support recipients are already faced with extreme cost of living pressures, and cannot afford to lose the Energy supplement.

1.12 Forty-nine percent of ESIS respondents either could not, or struggled, to pay their bills.<sup>8</sup>

1.13 The Salvation Army explained that ESIS respondents are choosing between paying rent or buying food for their children,<sup>9</sup> as they cannot afford to do both.

1.14 Further, of households with children under 17, one-fifth could not afford medical care for their children and one quarter could not afford three meals a day for their children.<sup>10</sup>

1.15 The Committee heard that although relatively small, the loss or non-payment of the energy supplement would be keenly felt by affected income support recipients.

1.16 The Combined Pensioners and Superannuants Association argued;

For Newstart recipients, it is worth \$4.40 a week. When you think about it, that is a litre of milk, a loaf of bread and a tin of beans, which is pretty significant when you are trying to live off \$38 a day.<sup>11</sup>

1.17 The Australian Council of Social Service described the cut as follows;

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6 Dr Elli McGavin, Policy and Program Development Manager, The Salvation Army, *Committee Hansard*, 26 July 2017, p. 14.

7 Dr Elli McGavin, Policy and Program Development Manager, The Salvation Army, *Committee Hansard*, 26 July 2017, p. 14.

8 Dr Elli McGavin, Policy and Program Development Manager, The Salvation Army, *Committee Hansard*, 26 July 2017, p. 14.

9 Dr Elli McGavin, Policy and Program Development Manager, The Salvation Army, *Committee Hansard*, 26 July 2017, p. 14.

10 Dr Elli McGavin, Policy and Program Development Manager, The Salvation Army, *Committee Hansard*, 26 July 2017, p. 14.

11 Ms Ellis Blaikie, Policy Coordinator, Combined Pensioners and Superannuants Association, *Committee Hansard*, 26 July 2017, p. 11.

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To the average person, \$4.40 does not sound like much. But to someone on Newstart it is a return bus ticket to a job interview, for instance. That \$4.40 a week definitely helps with the quarterly electricity bill. It could go towards buying bread and milk for the week. People with disability, for example, often have quite substantial electricity costs because of their disability. They may need to charge their wheelchair overnight. They may have to spend a lot of money on heating and cooling because of their disability if they cannot regulate their temperature. They may also need to purchase communications and other life-saving equipment because of their disability. Disability support pensioners will be losing \$7.50 a week, and that will definitely have an impact on their ability to cover the cost of essential services. So the issue is quite broad. This is a substantial cut.<sup>12</sup>

1.18 The Committee heard that income support recipients are already more heavily impacted by excessive costs of living pressures, in particular with regard to the cost of electricity.

1.19 In their submission, Carers Australia argued that maintaining the energy supplement is crucial for households where someone requires ongoing medical care, due to these health needs often relying heavily on the use of energy, for example to maintain steady temperatures in houses or run specialist equipment.<sup>13</sup>

1.20 The percentage of expenditure on utilities by low-income households was described by The Salvation Army as 'tremendously disproportionate'<sup>14</sup> when compared to the amount spent by higher-income households, due to the amount of disposable income available being much smaller.

1.21 The Committee heard that low-income households are spending more than 12% of their income on utility and fuel costs each week, where high-income households spend less than 3% of their income each week to meet the same costs.<sup>15</sup>

1.22 The cumulative effect of other government policies should be taken in to account when considering the removal of the Energy supplement.

1.23 A Newstart recipient who works a few hours each week in a hospitality or retail job would have just experienced a cut to their penalty rates. In addition, the government's freeze of the income free-area for this payment – the amount of income that payment recipients can earn before their payment is reduced – came in to effect

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12 Ms Charmaine Crowe, Policy and Advocacy Officer, Australian Council of Social Service, *Committee Hansard*, 26 July 2017, p. 4.

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

14 Dr Elli McGavin, Policy and Program Development Manager, The Salvation Army, *Committee Hansard*, 26 July 2017, p. 15.

15 Ms Tammy Wolffs, Senior Policy Officer, Carers Australia, *Committee Hansard*, 26 July 2017, p. 10.

on 1 July 2017. If this person was to then lose the energy supplement, they would be experiencing multiple cuts at the same time, and 'suffer that double disadvantage.'<sup>16</sup>

1.24 The National Social Security Rights Network argued that the abolition of the Energy supplement would also constitute a cut to the real rate of Newstart because when the supplement was introduced, normal indexation of the payment did not occur.<sup>17</sup>

1.25 Anglicare said that this would mean that, for those who do not receive the energy supplement, not only would they be \$8.80 worse off than recipients who do receive the supplement, they will also be '\$3.60 per week worse off than they would have been if the energy supplement had never been introduced.'<sup>18</sup>

### **A two-tiered income support system**

1.26 Submissions to the Inquiry argued that, if passed, the bill would create further inequities and complexity in the social safety net by creating a two-tiered income support system.

1.27 The Combined Pensioners and Superannuants Association submitted that the grandfathering arrangements will result in a situation where there are 'differential rates of payment based on the date a person became eligible' for a payment, and situations where people in the same circumstance receive different rates of payment.<sup>19</sup>

1.28 The National Social Security Rights Network also noted the complexity that these arrangements will add to the social security system.<sup>20</sup>

### **Carbon Tax justification**

1.29 The government has used the removal of the carbon tax as justification for the abolition of the energy supplement.

1.30 A number of community organisations have seriously questioned the credibility of this rationale.

1.31 St Vincent de Paul expressed disappointment that the Government would persist with this argument, which is 'patently incorrect.'<sup>21</sup>

1.32 The Australian Council of Social Service characterized this justification as a 'ruse' and 'extraordinarily disingenuous.'<sup>22</sup>

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16 Dr Elli McGavin, Policy and Program Development Manager, The Salvation Army, *Committee Hansard*, 26 July 2017, p. 15.

17 Mr Matthew Butt, Executive Officer, National Social Security Rights Network, *Committee Hansard*, 26 July 2017, p. 3.

18 Mr Roland Manderson, Acting Executive Director, Anglicare Australia, *Committee Hansard*, 26 July 2017, p. 15.

19 Combined Superannuants and Pensioners Association, *Submission 12*, p. 3.

20 National Social Security Rights Network, *Submission 1*, p. 2.

21 St Vincent de Paul Society, *Submission 17*, p. 5.

1.33 Roland Manderson from Anglicare described the argument as follows;

Energy prices have continued to rise at a great rate, whether or not there has been a carbon tax in place. So all that is happening here is that money is being taken from those who have the very least.<sup>23</sup>

1.34 The Committee also heard that it is deeply unfair to remove the energy supplement on the basis that compensation for the carbon tax is no longer required as other parts of the carbon tax compensation package have not been targeted by the government for budget savings.

1.35 Carers Australia, in particular, noted that 'there is no proposal to reverse the tax cuts that were introduced at the same time [as the energy supplement] to compensate people on higher incomes.'<sup>24</sup>

1.36 Additionally, given that energy prices have increased beyond the level they were at when the carbon tax was in effect<sup>25</sup>, stakeholders have argued that the Energy supplement is now more important than ever.

1.37 According to calculations done by National Seniors, the increase in electricity prices in New South Wales, the ACT and South Australia is roughly equal to the amount of the energy supplement. As a result, the combined impact of the increased costs and the removal of the energy supplement would leave affected households in these states approximately \$600 a year worse off.<sup>26</sup>

1.38 The Committee heard that, by removing the Energy supplement, people with the lowest incomes in Australia would be left with 'less to meet those higher costs.'<sup>27</sup>

### **Adequacy of consideration by Government**

1.39 Labor Senators are concerned that the Government has not given sufficient consideration to the impact of removing the Energy supplement for low income Australians.

1.40 The Committee heard that the Department of Social Services had not considered increasing electricity costs when providing advice to the Minister

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22 Dr Cassandra Goldie, Chief Executive Officer, Australian Council of Social Services, *Committee Hansard*, 26 July 2017, p. 2.

23 Mr Roland Manderson, Acting Executive Director, Anglicare Australia, *Committee Hansard*, 26 July 2017, p. 15.

24 Ms Tammy Wolffs, Senior Policy Officer, Carers Australia, 26 July 2017, *Committee Hansard*, p. 10.

25 Dr Charmaine Crowe, Chief Executive Officer, Australian Council of Social Service, *Committee Hansard*, 26 July 2017, p. 2.

26 Mr Ian Henschke, Chief Advocate, National Seniors, *Committee Hansard*, 26 July 2017, p. 7.

27 Ms Charmaine Crowe, Policy and Advocacy Officer, Australian Council of Social Service, *Committee Hansard*, 26 July 2017, p. 2.

regarding the abolition of a payment designed to assist low income Australians with the cost of energy.<sup>28</sup>

1.41 Labor Senators agree with the overwhelming evidence put to the Inquiry, that the energy supplement is an important part of the social security system. Its abolition would have significant negative effects on the most vulnerable Australians.

1.42 Labor will continue to oppose this cruel cut to the most vulnerable Australians.

**Recommendation:**

**1.43 Labor Senators recommend that the Senate reject the Social Services Legislation Amendment (Ending Carbon Tax Compensation) Bill 2017.**

**Senator the Hon Lisa Singh**

**Senator Murray Watt**

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28 Ms Cath Halbert, Department of Social Services, *Committee Hansard*, 26 July 2017, p. 21.