

Cost of Living in Tasmania: Interim Report

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Summary

The primary purpose of this Interim Report is to provide advice to the Tasmanian Parliament on a proposed electricity concession in the context of an emerging broader cost of living strategy. It also sets out a framework to underpin Tasmania's policy responses to cost of living issues (see page 20).

Cost of living pressures linked to price movements (increases) for essential services are likely to continue to increase at a greater rate than incomes and concessions (see Figure 1).

Tasmanians are generally more vulnerable to cost of living pressures because of the relatively low income base as compared with other Australians. More than one-third of Tasmanian households are reliant on government benefits and allowances and weekly incomes are well below the national average.

We are seeing multiple cumulative price rises simultaneously occurring alongside decreasing resources for many individuals, households and places. The gap between incomes and cost of living is expected to continue into the future as a result of our ageing population and the related increasing dependency ratio. Cost of living pressures vary in impact between population groups and places, and policy responses need to be sensitive to these differing circumstances.

These cost pressures are likely to push more Tasmanians into crisis and the 'welfare' net in the future. The capacity and willingness of Tasmanians generally to increase outlays to support those facing cost of living risks is a major public policy issue requiring debate as is the balance between personal responsibility and dependence on governments.

Many of the mainstream activities of the State Government (e.g. health, housing, education and transport) directly and indirectly help reduce cost of living pressures or increase the capacity of individuals, families and places to mitigate the associated risks. In the longer term, a more educated, skilled and productive Tasmania would be better equipped to deal with cost of living pressures.

Whilst the State Government has some levers to reduce cost of living pressures for essential services it provides, particularly for those most affected by these pressures, it can do much more than at present. Specifically it could:

- Increase the range of information and support available to increase Tasmanian's knowledge and choice in managing cost of living pressures. In particular to focus on improving energy efficiency;
- Increase the pool of funds for emergency assistance to those Tasmanians at immediate risk of crisis as a result of cost of living pressures;
- Legislate for an Essential Services Commissioner to assess and advise on the distributional impact of pricing movements and ways to mitigate the impact on vulnerable Tasmanians. This role would also advise on the scheduling of State Government controlled price movements (to reduce price shocks – the number of price rises and their amount);
- Nominate a Minister or a Parliamentary Secretary to take responsibility for understanding and assessing the cumulative impact of cost of living pressures on Tasmanians and to drive a more consistent approach to stakeholder engagement, policy development, data collection, reporting and concessions; and
- Undertake a review of concessions to increase efficiency and equity.

Further to this, the Government should address structural factors associated with Tasmania's socio-demographic challenges such as population ageing and the proportion of people living in disadvantage. To build a sustainable and liveable Tasmania, responses to mitigate current and future cost of living risks could include measures to increase labour market participation, planning reform and the development of a Tasmanian Settlement Strategy.

Not all strategies to reduce cost of living pressures have a direct impost on government expenditure, but many will. This is a particular challenge in the current Budget environment. In principle, governments have four sources of funds that could be directed to increased outlays to reduce cost of living pressures:

1. Generate efficiencies/reduce waste;
2. Reallocate existing resources;
3. Raise revenue through taxation; and
4. Raise revenue through borrowings.

Most of the public debate is focussed on outlays that use options 1 and 2. The relative importance of cost of living as a policy priority of government and its opportunity costs should be the main focus of public discussion.

Given the importance of the issue for Tasmania and that there are substantial policy and fiscal implications for the State Government in taking on a greater responsibility for managing cost of living pressures, a Parliamentary Committee or alternative public mechanism could examine the issues and above recommendations to provide further guidance and direction for the final Cost of Living Strategy in June 2011.

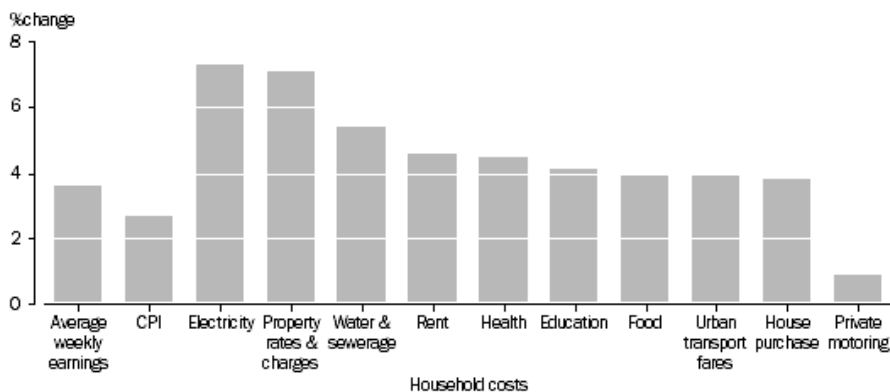
At present no one person or entity in government has overall responsibility for considering the cumulative impact of increasing prices and charges. While individual price rises usually have a sensible industry rationale and words like 'contestability' and 'competition' are invoked with fervour on all sides of politics, this means very little to a pensioner sitting in the cold eating cold food waiting for the market 'trickle down' effect to provide comfort.

The proposal in the Notice of Motion (Appendix 2) regarding a two-part electricity concession for households is, in principle, more progressive than the existing system. However:

1. The Department of Treasury and Finance (Treasury) costing report suggests very high administrative overheads;
2. Data sets are not available to make accurate assessments of the likely efficiency and equity impacts of the extension or the adequacy of targeting;
3. The introduction of household based concession sets a precedent across government concessions; and
4. On its own it is neither strategic nor sustainable and the opportunity costs need to be debated.

Therefore, the proposed extension of energy concessions may not be the best action to take to reduce cost of living pressures (refer page 21).

Figure 1 – Average Annual Growth Rate, Selected Household Costs, 2005-10¹



Note: Average weekly earnings movement refers to Tasmania, August quarter 2005 to August quarter 2010.
 Consumer Price Index movements relate to Hobart, December quarter 2005 to December quarter 2010.
 Source: Average Weekly Earnings, Australia, Aug 2010 (ABS cat. no. 6302.0)
 Consumer Price Index, Australia, Dec 2010 (ABS cat. no. 6401.0)

¹ See Appendix 3 for a detailed discussion of the data sets presented in Figure 1.

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Background

In July 2010 the then Premier approved Terms of Reference (Appendix 1) for the Social Inclusion Commissioner to develop a Cost of Living Strategy by the end of June 2011. Subsequently the House of Assembly requested that the Social Inclusion Commissioner consider a proposal to introduce a two-part electricity concession for Tasmanian households and provide advice in an interim cost of living report to the Premier (see Appendix 2).

The purpose of this Interim Report is primarily to provide comment on the proposed electricity concession in the context of an emerging broader cost of living strategy. The Report also identifies particular areas where immediate assistance from cost of living pressures in particular, relating to utilities, is warranted. The June Strategy will further develop a policy strategy for addressing cost of living in Tasmania, provide comprehensive data analysis of cost pressures for Tasmanians and explore medium to longer term policy responses and investment options.

The Interim Report and the June Strategy are advised by an Expert Group appointed by the then Premier in September 2010, comprising Dr Paul Blacklow, economist and lecturer in microeconomics and econometrics, University of Tasmania; Ms Ann Hughes, then acting Chief Executive Officer (CEO) Tasmanian Council of Social Service (TasCOSS); Mr Gavin Dufty Manager Research and Policy, St Vincent de Paul Society Victoria; and Ms Kathleen Flanagan, then Researcher, Anglicare Tasmania. The Expert Group is supported by an interagency working group comprising officers from the Departments of Premier and Cabinet; Treasury and Finance; Justice; Education; Health and Human Services; Infrastructure, Energy and Resources; Primary Industries, Parks, Water and Environment; and Economic Development, Tourism and the Arts.

Whilst the Expert Group has undertaken preliminary consultation with some stakeholders, more extensive consultation will be undertaken prior to the June 2011 Strategy release.

Members of the Expert Group each have particular expertise and policy perspectives that have enriched the Group's consideration of cost of living issues in Tasmania. It is important to note that the Interim Report does not necessarily reflect individual views of members.

Cost of Living Issues for Tasmania

The cost of living is an issue of growing importance across the nation. In a recent survey of Australian adults, the cost of living was second only to healthcare in the most important issues facing Australians².

Although a comprehensive analysis of all available data will be provided in the June 2011 Strategy, a summary of the data indicates the following trends.

- For low income families in Tasmania, the level of expenditure on essentials as a proportion of income rose considerably between 2002 and 2009, reaching a height in 2007³.
- In 2007-08, Tasmanians had lower incomes (on average) than other states/territories (\$659 per week compared with \$811 nationally)⁴, and a higher proportion of households in receipt of government pensions and allowances (34.1% compared with 23.2% nationally)⁵.
- In 2003-04, Tasmanians also had lower average weekly expenditure than other states/territories (\$759 per week compared with \$893 nationally)⁶. Other government transfer recipient households⁷, senior households, lone person households and public housing tenants spent even less (\$464, \$462, \$413 and \$399 per week respectively)⁸. About half (47.7%) of the weekly expenditure went on basic cost of living expenses⁹.
- Compared to other states/territories, Tasmanian households spent proportionally more on food (17.8% compared with 17.1% nationally), transport (16.9% compared with 15.6% nationally), fuel and power (3.7% compared with 2.6% nationally), and tobacco (1.9% compared with 1.3% nationally), and proportionally less on housing (13.0% compared with 16.1% nationally)¹⁰.
- Between 2001-02 and 2007-08, the Tasmanian house price to income ratio rose from 1 : 3.4 to 1 : 5.4, meaning that by 2007-08 it cost 5.4 times the median annual household income to purchase a house at the median annual sale price¹¹. Housing stress¹² for private renters increased between 2002 and 2009, from 21.9% to 32.4%¹³.

² Ipsos-Eureka Social Research Institute *Issues Monitor*, (November 2010) survey of 1,000 Australians. Healthcare/hospitals ranked 48%, cost of living 29%. Cost of living is more important for younger Australians, with 39% of 18-29 year-olds nominating it as one of the most important issues. In comparison just over one-third (35%) of people aged 30-49 and one-fifth (20%) aged 50+ selected it as one of the most important issues. The December 2010 *Issues Monitor* reported an increase in the proportion of Australians (33%) who believe inflation/cost of living is a top issue facing the nation.

³ The decline seen from 2007 appears to be due to a methodology change and a specific initiative in the sampled municipality. Refer Tasmania Together Indicator 1.1.1: *The cost of food, electricity, housing, transport and health as a proportion of income for low income households* - see www.ttbenchmarks.com.au

⁴ Australian Bureau of Statistics 2009, *Household Income and Income Distribution, Australia 2007-08*, cat no 6523.0, Table 16

⁵ Australian Bureau of Statistics 2009, *Household Income and Income Distribution, Australia 2007-08*, cat no 6523.0, Table 16. Data is also presented in Tasmania Together Indicator 1.1.2: Proportion of households where primary source of income is government pensions or allowances.

⁶ Australian Bureau of Statistics 2006, *Household Expenditure Survey, Australia: Summary of Results, 2003-04*, cat no 6401.0, Table 25

⁷ Other government transfer recipient households are those households whose principal source of income is a government pension or benefit other than the age pension or veterans affairs pension.

⁸ Australian Bureau of Statistics 2006, *Household Expenditure Survey, Australia: Summary of Results, 2003-04*, cat no 6401.0, Tables 9, 13, 15 and 19

⁹ Australian Bureau of Statistics 2006, *Household Expenditure Survey, Australia: Summary of Results, 2003-04*, cat no 6401.0, Table 25.

Note: Housing includes rents; electricity, gas and other household fuels; water and sewerage charges; property rates and charges; house purchase; repairs and maintenance. Transport includes fuel, motor vehicles and public transport costs.

¹⁰ Australian Bureau of Statistics 2006, *Household Expenditure Survey, Australia: Summary of Results, 2003-04*, cat no 6401.0, Table 25

¹¹ Tasmania Together Indicator 1.1.5: *Tasmanian house price to income ratio* - see www.ttbenchmarks.com.au

¹² People in housing stress are those with household incomes between the bottom 10% and bottom 40% of the distribution of equivalised disposable household income, and living in households where housing costs are more than 30% of the household's gross income. Refer: Australian Bureau of Statistics 2009, *Housing Occupancy and Costs, Australia, 2007-08*, cat no 4130.0

¹³ Tasmania Together Indicator 1.1.4: *Housing stress experienced by low-income earners in the private rental market* - see www.ttbenchmarks.com.au

- Electricity and food are consistently the key cause of household financial crisis in Tasmania¹⁴. Up until 2006, the most commonly reported financial problem in Australia was the inability to pay utility bills on time¹⁵.
- In 2006, Tasmanian and Australian households reported similar levels of financial stress¹⁶. However, certain households in Tasmania had a disproportionately higher risk of financial stress, with 59.5% of jobless sole parent households, 38.8% of jobless couple households, 38.3% of public housing tenants, and 46.4% of the unemployed, experiencing at least one cash flow problem in the last 12 months¹⁷.

Whilst the term 'cost of living' has been around a long time it traditionally had a fairly narrow technical interpretation related to the comparison of living standards usually between cities and countries. In recent years the term has taken on a much broader and more public meaning related to the risks faced by individuals, families and communities in managing the complexities of modern living and in particular the costs of essential services. Whilst occasionally markets attract attention (for example fuel prices and grocery prices) the role of governments, especially state governments, in managing these risks has become the focus of attention. While most people are affected by cost of living changes, policy attention has focussed on the most vulnerable – those on low incomes and with limited other resources to draw on in a crisis.

The cost of living is a very complex and emotive issue, a field in which there are many 'experts' with answers but where the voice of those most affected is often dismissed or rationalised away. The quality of political discussion on the issue is more often than not simplistic and reactive rather than informed and strategic.

At a glance, the usual political arguments are:

from the Government of the day	from the opposition of the day
<ul style="list-style-type: none"> • we have one of the best systems in the country • we need more competition and abide by National Competition Policy • we don't control the main cost of living levers • we can't afford more subsidies • 'buy local' is sometimes an answer • 'jobs' is the big answer • we already spend a lot on concessions • the Commonwealth needs to take responsibility for the inadequate income support system 	<ul style="list-style-type: none"> • this is all a result of government policy failures and the heavy hand of bureaucracy • immediate relief is the answer • we could do better in Government • you don't spend enough and we would spend more • we need more competition • 'buy local' is sometimes an answer • 'jobs' is the big answer • the income support system is fine, the problem is 'inefficient' state governments charging too much for essential services

¹⁴ Madden, Kelly, Anglicare, 2002. *Regional Incomes and the Cost of Living for Low Income Households: How does Tasmania Compare?* http://www.anglicare-tas.org.au/index.php?option=com_docman&task=cat_view&gid=58&Itemid=127

¹⁵ Melbourne Institute of Applied Economic and Social Research, University of Melbourne, 2010, *Families, Incomes and Jobs Volume 5, A Statistical Report on Waves 1 to 7 of the Household, Income and Labour Dynamics of Australia Survey (HILDA)*, page 41

¹⁶ Financial stress is determined by three measures aimed at identifying households that may have been constrained in their activities because of shortage of money: the ability to raise 'emergency money', whether they had cash flow problems and whether they had taken dissaving actions. In 2006, 12.9% of Tasmanian households reported that they could not raise \$2 000 in an emergency compared with 13.1% nationally, 15.6% had experienced cash flow problems compared with 17.7% nationally, while 17.5% took a dissaving action compared with 18.7% nationally. Note: Types of dissaving actions can include: reduced home loan repayments; drew on accumulated savings or term deposits; increased the balance owing on credit cards by \$1 000 or more; entered into a loan agreement with family or friends; took out a personal loan; sold household goods or jewellery; sold shares, stocks or bonds; sold other assets. Refer Australian Bureau of Statistics 2007, *General Social Survey, Australia, 2006: Glossary*, cat no 4159.0

¹⁷ Australian Bureau of Statistics 2007, *General Social Survey, Tasmania, 2006*, cat no 4159.6.55.001, Tables 19, 20, 22 and 23

What is very clear is that the general public has now identified cost of living as an issue in which they expect governments to take more interest and to demonstrate leadership in mitigating cost of living pressures – especially pressures related to essential services. To what extent individuals, families, markets or governments can and should be held responsible for managing these pressures remains a highly contested and emotive debate. These pressures impact on different groups and places in differing ways, making broad judgements about cost of living difficult.

Most recently, cost of living pressures have been felt in Tasmania around rising electricity and water prices and the growing number of people at risk of financial hardship. Financial pressures are reflected with an increase in the number people accessing emergency relief in Tasmania¹⁸ and nationally¹⁹. The ABS's Analytical Living Cost Indices show that the cost of living for Australian workers rose by 4.6%, 64 % faster than the official inflation rate of 2.8% in the year to September 2010²⁰.

There are six specific issues:

1. The perceived gap between household resources and the cost of goods and services is increasing. When the resources (financial and other) available to individuals and households are not increasing at the same rate as the cost of essential goods and services, people find themselves less able to manage the cost pressures and still have a decent life²¹.
2. These pressures are extending to more Tasmanians, not just the traditional 'disadvantaged' populations and places²².
3. For an increasing number of Tasmanians there are fewer avenues to turn to for support, for example less savings to draw on²³.
4. Increases are often occurring as 'shocks', i.e. large and unexpected increases.
5. These risks and shocks are becoming more frequent (for example, changes to fruit and vegetable prices as a result of extreme weather events) and the impacts compounding over time.

¹⁸ Emergency Relief data from the Department of Families, Housing, Community Services and Indigenous Affairs shows that the number of emergency relief clients in Tasmania has been increasing over the past five years. In 2004-05, the number of emergency relief clients was 9118, rising to 25,466 in 2009-10. Over the 12 months from 2008-09 to 2009-10, there was a 70.5% increase in clients seeking emergency relief. The number of people seeking Emergency Relief assistance for the first time has also increased over the same period. In 2005-06, the number of first time clients was 1003, increasing to 5630 in 2008-09 and increasing to 8549 in 2009-10. Typical forms of Emergency Relief assistance include food vouchers, chemist vouchers, transport vouchers, payments to help with rent/accommodation, help towards the cost of bills, material to help such as food hampers or clothing, help with basic budgeting, and referring clients to other service to help address underlying causes of financial crises.

¹⁹ Gallet, W. 2010. Perceptions of Poverty: an Insight into the Nature and Impact of Poverty in Australia. Salvation Army, pages 10, 15-17.

Flanagan, J. 2010. 'Trouble Rarely Travels Alone', In *From the Edge: State of the Family Report*, page. 2.

Access Economics, 2008. The Impact of the Global Financial Crisis on Social Services in Australia, page 8,

²⁰ Australian Bureau of Statistics 2010, *Analytical Living Cost Indexes for Selected Australian Household Types, November 2010*, cat no 6463.0, Cost of Living Index. The Employee Index increased 4.6% in the year September quarter 2009 to September quarter 2010, compared to the CPI increase of 2.8%; During the same time period the Index for Aged Pensioner Households increased by 3.1% compared to the CPI increase of 2.8%; the Index for Other Government Transfer Recipient Households increased by 4.4% and the Index for Self-Funded Retiree Households showed the same increase as the CPI.

²¹ Saunders, P. & Wong, M. 2009, Still Doing It Tough: An Update on Deprivation and Social Exclusion among Welfare Service Clients, p.10.

This research found that the majority of Australians consider the following items to be essential for a decent life (ie. that no-one in Australia should have to go without): warm clothes and bedding, if it's cold; a substantial meal at least once a day; computer skills; a decent and secure home; a roof and gutters that do not leak; secure locks on doors and windows; heating in at least one room of the house; furniture in reasonable condition; a washing machine; a television; up to \$500 in savings for an emergency; home contents insurance; comprehensive motor vehicle insurance; regular social contact with other people; a telephone; presents for family or friends each year; a week's holiday away from home each year; medical treatment if needed; able to buy prescribed medicines; dental treatment if needed; children can participate in school activities and outings; an annual dental check-up for children; a hobby or leisure activity for children; new schoolbooks and school clothes; a separate bed for each child; and a separate bedroom for children aged 10 and over.

²² Gallet, W. 2010. Perceptions of Poverty: an Insight into the Nature and Impact of Poverty in Australia. Salvation Army.

Access Economics, 2008. The Impact of the Global Financial Crisis on Social Services in Australia,

²³ Kelly, S & Gong, H. 2010 *Saving Tomorrow – The savings and spending patterns of Australians*. AMP.NATSEM Income and Wealth Report, Issue 25, page 6. Between 1990 and 2005 there was a decline in the proportion of disposable income that Australian households saved, and by June 2005 the ratio of savings to income had fallen to -1.4 per cent'. Compared to other States and Territories, Tasmania has the lowest median savings, reflecting its lower average incomes, labour force participation rate, and higher number of couples and individuals over 65 years of age.

6. The value of concessions and other 'social wage'²⁴ investments of governments are much less than the price increases.

This is the policy context that has elevated the cost of living to the second most important issue facing Australians. There are a further three arguments relating specifically to the State Government.

7. Many of the price increases relate to essential services provided by the State Government or for which the State Government has a policy responsibility.
8. Government inefficiencies and poor policy settings contribute to the increase in the cost of living through higher costs for government provided services.
9. Government seems unable to plan/schedule price increases or consistently and appropriately mitigate the associated risks to vulnerable Tasmanians.

The debate nationally and in Tasmania is focussed around many assumptions and values behind these nine issues, and attempts to put other issues on the table (such as the role of the market; the role of globalisation; the role of the income support/taxation system; the role of contributing policy settings – e.g. gambling).

THE STATE CONTEXT

Much of the data available on cost of living measures such as prices, income, expenditure, and financial stress, is presented only at the national level²⁵.

Nevertheless, cost of living and other socio demographic data that is available clearly show that Tasmania faces significant challenges in meeting increases in the cost of living due to its high proportion of low income households:

- its population is significantly older than the overall Australian population and is ageing at a faster rate than any other state or territory²⁶;
- 34% of Tasmanian households are reliant on government pensions and allowances²⁷;
- 47% of adult Tasmanians are functionally illiterate²⁸; and
- it has the second highest proportion of children in Australia living in jobless families²⁹ and the second highest proportion of people living in disadvantage³⁰ (both second only to the Northern Territory).

These are all structural factors requiring consideration to better equip our state to face current and future cost of living challenges. Increased labour market participation will help improve productivity of our state and resilience of our communities.

²⁴ The social wage represents the benefits which come to individuals and families from a source other than the wage component of a person's pay packet. It comprises benefits such as Medicare, superannuation, child care and family payments, including maternity allowance.

²⁵ The Australian Bureau of Statistics (ABS) has a number of surveys in the field or planned for 2010-11. Results from these surveys, as well as from the next Census, will provide useful data to inform future research into cost of living. However, this data is not available for either the Interim Report or the June Strategy.

²⁶ Demographic Change Advisory Council, 2009 *Demographic Change in Tasmania: Strategies for addressing challenges and opportunities*, Strategies Paper.

²⁷ Australian Bureau of Statistics, 2009 *Household Income and Income Distribution in Australia, 2007-08*, cat no 6523.0.

²⁸ Australian Bureau of Statistics, 2008 *Adult Literacy and Life Skills Survey, Summary Results, Australia 2006* (Reissue), cat no 4228.0

²⁹ Australian Bureau of Statistics, *Australian Social Trends Family and Community Data Cube*, cat no 4102.0. Number calculated by applying the proportion of children aged under 15 in Tasmania who were living in families where no resident parent was employed in 2005-06 (21.6%) to the Estimated Resident Population of Tasmanian children aged under 15 at 30 June 2006 of approximately 96 000 (sourced from Tasmanian State and Regional Indicators, June 2009, cat no 1307.6).

³⁰ Calculated from data in *Census of Population and Housing: Socio-Economic Indexes for Areas (SEIFA), Australia – Data only, 2006*, ABS cat no.2033.0.55.001, data cube 'SEIFA, Census Collection Districts', Data Cube only, 2006' using the SEIFA Index of Relative Disadvantage (IRSD).

Planning reform (especially land use planning) is a key to mitigating current and future cost of living risks. The cost of building homes; the location of homes relative to transport, services, education and jobs and the capacity for local self sufficiency are all linked to planning decisions. Historically poor planning decisions locating large social housing estates on the fringes of cities (away from service and jobs) greatly exacerbates cost of living risks.

More broadly the likely pressures on the cost of living associated with the ageing of the population and the increasing dependency ratio again raises the need for a Tasmanian Settlement Strategy, which can examine the current and future roles of our major settlements and their capacity as places to deal with increasing cost of living pressures.

These are matters which will be addressed in more detail in the June 2011 Strategy.

THE INCOME SUPPORT AND TAXATION SYSTEMS

The income support and taxation systems, by largely determining income levels for many people, have a significant impact on the ability of individuals and households to manage cost of living pressures. The Commonwealth Government determines both the levels of income support payments and personal taxation rates. The Henry Tax Review has recommended that, "The design of the income support system, including amounts of payments and means test withdrawal rates, should take into account how the income support system and the personal income tax system together affect incentives to work and save."³¹

The Tasmanian Council of Social Service notes that the level of government benefits people receive is simply not enough to cover the basics such as food, rent, electricity, clothing, health care, petrol and other transport costs³². Anglicare Tasmania research on financial hardship also raises concern about income adequacy, noting that many low income Tasmanians are very effective at managing what they have, but it is simply not enough to cover the cost of essentials³³. However, there is no commonly agreed definition of 'adequate' levels of income³⁴. The Henry Tax Review referred to the notions of 'minimum adequate standard of living', and 'prevailing community standards'³⁵, but both are likely to be based on subjective assessments, with varying expectations throughout the community. While it did not undertake a detailed review of the adequacy of income support, the Henry Tax Review further noted that, "payment adequacy, structure and incentives could be improved."³⁶

For decades, a plethora of community sector reports based on consultation with Tasmanians have captured the particular cost pressure impacts experienced by low income households³⁷. The

³¹ Commonwealth of Australia, 2010. *Australia's Future Tax System*, Chapter F: The Transfer System.

³² Tasmanian Council of Social Service, 2009. *Just Scraping By: Conversations with Tasmanians living on low incomes*. Page .

³³ Flanagan, K. 2009. *Hard Times: Tasmanians in Financial Crisis*, pages 199-200.

³⁴ Possible approaches include tracking levels of income support relative to the poverty line, or considering what is 'adequate' relative to basic community standards.

³⁵ Commonwealth of Australia, 2010. *Australia's Future Tax System*, Chapter F: The Transfer System. "The primary purpose of government assistance payments is to ensure a minimum adequate standard of living, taking into account individual circumstances and prevailing community standards".

³⁶ Commonwealth of Australia, 2010. *Australia's Future Tax System*, Chapter F: The Transfer System:

In addition the Organisation for Economic Cooperation and Development (OECD), in its consideration of income support levels, recently recommended that "the adequacy of Newstart Allowance should be examined, taking into account both fiscal constraints and community expectations. An option would be to increase the Newstart Allowance for the initial period of unemployment to provide a more adequate safety net." OECD, *Economic Survey of Australia* 2010, page 19.

³⁷ This includes submissions to the Social Inclusion Community Consultation in 2008 and 2009, submissions to the 2008 Review of Tasmanian State Government Concessions, submissions to the Government through the yearly community sector budget submissions process, and a range of research and policy papers that are available on the websites of individual organisations. Of particular note are the papers available on the websites of TasCOSS, (www.tascoss.org.au) and Anglicare Tasmania (www.anglicare-tas.org.au).

community sector has argued that without 'triggers' to prompt a re-assessment of income support levels, income support payments can lag behind increases in costs of living and wages³⁸.

DISTRIBUTIONAL IMPACT OF RISING COSTS

There have been rising costs in government taxes and charges, coupled with private sector increases, and price increases associated with natural disasters such as the recent extreme weather events in Queensland, New South Wales, Victoria and Tasmania. This leads to people facing too many price shocks (i.e. the number of price rises and their amount), which they are finding increasingly difficult to absorb within the family budget.

The cumulative impact of price shocks is disproportionately distributed across Tasmanian households. For example the impact of education costs on large families or changes in the cost of essential services for government pension and allowance recipients.

Cost pressures can also be disproportionately distributed for various population groups and places in Tasmania. For example, urban versus regional communities can experience differences in the impacts and capacity to respond. TASCROSS recently released a report into rural energy issues and this has some useful insights as to the place based aspect of cost of living and energy issues.³⁹

The June 2011 Strategy will further explore place based differences in cost of living impacts.

The Cost of Living Strategy will incorporate an analysis of price movements of goods and services, and report on the distributional impact for various household types in Hobart⁴⁰. This will be the first time that such an analysis has been undertaken.

The Consumer Price Index (CPI) is an important economic indicator as it provides a general measure of changes in prices of consumer goods and services purchased by Australian households and therefore the rate of inflation. The CPI is used for a variety of purposes, such as the development and analysis of government economic policy and the adjustment of some Commonwealth income support payments.

The Relative Price Index (RPI) developed by the St Vincent De Paul Society, Victoria is a comparable index on the total 'basket of goods and services' to the CPI, and provides individual price indexes of groups of goods and services, with expenditure by household and some income types – revealing that some population groups face greater cost pressures than others⁴¹.

When analysing the indexes of separate items in the basket of goods and services, the index for utilities (comprising of electricity, gas and other household fuels, and water and sewerage) has increased 146.5% since 1990, compared to 72.5% for the national CPI. The increase in price of utilities represents an increase for all household types, and a potential cost pressure for those households that spend disproportionately on utilities due to spending patterns based on their stage in the life cycle.

As an example of a particular household type, the RPI indicates that those receiving age or disability support pensions spend 4.4% on utilities, which, when compared against the spend on utilities of all-households for Hobart (2.8%), is 57% more, or a total comparative expenditure of 157%⁴². Therefore,

³⁸ Flanagan, J. 2010. 'Trouble Rarely Travels Alone', In *From the Edge: State of the Family Report*, page 7. "A significant problem with the [income support] system is that most payments are not linked to basic living costs and many of them are not indexed to wages so they never keep up with improvements in standard of living in the community".

³⁹ Vallance, S., 2011 *Living in The Country: Consumer Perspectives on Energy Supply in Rural Tasmania*, TasCOSS, Hobart

⁴⁰ Dufty, G. & Macmillan, I. 2011. *The Relative Price Index: The CPI and the implications of changing cost pressures on various household types and income groups*, Hobart (draft)

⁴¹ All percentages are based on actual expenditure and therefore include subsidies and concessions.

⁴² This percentage increase represents additional expenditure on top of what all-households spend on utilities (i.e. 100% of all-household's expenditure, and an additional 57%).

the 146.5% increase in utilities prices since 1990, will adversely affect pensioner households more than all other households.

In Hobart, for the 12 months to the December 2010 CPI quarter, the utility price has risen by 4.9%, twice the rate of inflation in Hobart of 2.3%. For households receiving age or disability support pensions, this indicates that the price of utilities – specifically electricity, gas and other household fuels, and water and sewerage – can be a greater cost burden and may generate rationing and substitution in spending on utilities and other areas. As increases to many Commonwealth pensions and allowances are indexed to the rate of inflation (the CPI) or Male Total Average Weekly Earnings⁴³, the higher expenditure patterns for some households may mean that pension and allowance payments, and the method that they are indexed, may be inadequate.

Electricity costs in Tasmania

Appendix 4 sets out a range of detailed information on electricity costs in Tasmania. In summary:

- Tasmania has the highest rate of electricity consumption per connection in Australia. In 2003-04 Tasmanians spent the highest proportion of their average weekly expenditure on domestic fuel and power of all states and territories. Of the weekly household expenditure on domestic fuel and power, most was spent on electricity (86.2%).
- Electricity costs have increased by 27.1% in the last three years and are likely to rise by up to 32% over the next three years.
- Residential electricity prices have increased more slowly than other states and territories, and remain in the mid-range in Australia.
- Tasmania is the only state where the use of pre-payment (APAYG) meters is widespread. As at June 2010, 40,089 residential customers were using APAYG. Pensioners and health care card holders represent a higher proportion of these customers. On average, APAYG prices are higher than prices for standard tariffs.
- Between 2008-09 and 2009-10, the number of electricity concession payments nearly doubled. As at 1 August 2010, one in three residential Aurora customers received an electricity concession.
- Between 2008-09 and 2009-10, holders of a Pensioner Concession Card or Health Care Card received a rebate of 92.55 cents per day on the fixed charge component of their light and power charges.
- In 2009-10, Aurora charged 84 980 residential customers a late payment fee (up from 81 907 in the previous year).
- The rate of disconnection is increasing in Tasmania, yet decreasing at the same time in other states and territories. In 2009-10, 1 396 residential customers had their electricity supply disconnected, a 37.9% increase from the previous year. Of those disconnected, 544 were concession holders.
- Most disconnections were related to inability to pay. Anglicare⁴⁴ found that 59% of participants who had their electricity disconnected in the previous year due to a shortage of money did not receive a concession.
- Customers - utilising payment plans are at a lower risk of being disconnected.

⁴³ Information from http://www.centrelink.gov.au/internet/internet.nsf/payments/pay_cpi.htm, accessed on 25 February 2011: "Most payments are adjusted in line with the Consumer Price Index (CPI) but other payments are adjusted by changes in legislation. At the same time the maximum rate of payment is changed, the single rate of pension payments is also checked. If necessary, the single payment rate is increased to make sure it does not fall below 27.7% of the Male Total Average Weekly Earnings (MTAWE) figure. The partnered payment rate is also increased as a proportion of the single rate, currently 41.76% for pensioner couples combined."

⁴⁴ Flanagan, K. 2010. *Hard Times: Tasmanians in Financial Crisis*. Anglicare Tasmania.

- The Aurora Hardship policy applies to all residential customers⁴⁵. For APAYG customers, this means that if they are unable to recharge their meter, they will not have access to electricity unless supported by emergency relief services. Standard tariff customers, on the other hand, have the benefit of extended payment options, including payment plans.
- In June 2010 there were 2 736 customers on payment plans, an increase of 24.9% from the previous year.
- Emergency relief services have reported growing demand for assistance with electricity bills, and bills of \$1 000 a quarter were becoming common.

A recent TasCOSS report about the experiences and concerns of rural and regional energy consumers in Tasmania⁴⁶ has found that:

- The greatest concern of research participants is the increasing cost of electricity, and this is causing significant hardship – to not only those on Commonwealth pensions and allowances, but also to other households, particularly those with children.
- Houses in rural areas are generally old and thermally inefficient, and are therefore difficult and costly to heat. For those on low incomes, this can result in financial hardship and health problems being exacerbated by living in cold, draughty and damp houses.
- While research participants demonstrated a good understanding of energy efficiency measures that can help reduce bills, those most in need do not have the financial means to purchase more efficient appliances, install insulation or retrofit their homes to increase thermal efficiency.

In response to the electricity price increases facing Tasmanians two major responses have been put forward: a proposal for better targeted electricity relief through a household based two-part electricity concession; and a four point plan proposed by the community sector to make electricity affordable⁴⁷. These are explored in greater detail below.

Proposed two-part electricity concession

The proposed household based two-part electricity concession (see Appendix 2 for more detail) comprises:

- Continuation of the current \$84.50 quarterly concession rate (renamed the 'base rate'), indexed to electricity prices;
- An additional contribution equivalent to 15% of the 'base rate' for an additional Pension or Health Care Card holder; and
- An additional contribution equivalent to 10% of the 'base rate' for every dependent child and full-time student under the age of 24 years.

In its Costing Report, the Department of Treasury and Finance (Treasury) estimated that the proposed policy would incur an additional cost to Government of between \$59.4 million and \$46.7 million from 2011-12 to 2014-15⁴⁸. Estimated costs in the first year include the development of new systems for administering the proposed arrangements and verifying eligibility for the concession. Table I provides a breakdown of costs for the upper and lower ranges.

⁴⁵ The Aurora Hardship Policy can be accessed at http://www.auroraenergy.com.au/pdf/about_aurora/hardship_policy.pdf

⁴⁶ Vallance, S., 2011 *Living in The Country: Consumer Perspectives on Energy Supply in Rural Tasmania*, TasCOSS, Hobart.

⁴⁷ Anglicare Tasmania & the Tasmanian Council of Social Service, 2010. *Making Electricity Affordable; A Four Point Plan*.

⁴⁸ Department of Treasury and Finance, 15 October 2010, *Costing Report: Costing of Policy Proposal – Extension of Electricity Concession Scheme*.

Table 1: Estimated Cost of Proposed Two-Part Electricity Concession, Department of Treasury and Finance, October 2010

	2011-12 \$M	2012-13 \$M	2013-14 \$M	2014-15 \$M
Upper range⁴⁹				
Direct costs	9.7	10.2	10.7	11.3
Implementation and administrative costs	6.5	3.5	3.7	3.8
Total Costs	16.2	13.7	14.4	15.1
Lower range⁵⁰				
Direct costs	6.8	7.1	7.5	7.8
Implementation and administrative costs	6.5	3.5	3.7	3.8
Total Costs	13.3	10.6	11.2	11.6

Following receipt of the Costing Report further details were sought from Treasury in relation to the methodology used and the assumptions underpinning the costing, as well as a current detailed breakdown of government concessions expenditure generally. The information sought included further detail about eligibility versus take-up rates of the 74 concessions; available data by population cohort on eligibility for each concession type and actual take up rates for each concession type by expenditure; analysis of why people who are eligible for concessions may not be taking up the concessions to which they are entitled; explanation of Treasury's strategies and mechanisms for quantifying take-up rate; further details regarding the assumptions and data sources underpinning the business processes and administrative elements comprising the implementation costs, the rationale for the upper and lower range for households; and the extent to which each recommendation from the 2008 *Review of Tasmanian State Government Concessions*⁵¹ has been implemented. Some of this information was difficult to obtain, or unable to be provided.

This is the kind of information that should be readily available to guide any progressive government committed to supporting its citizens with an effective concessions system and other social inclusion strategies to help lower and/or mitigate the costs of living. There is no overall policy leadership for concessions. The 2008 *Review of Tasmanian State Government Concessions* recommended that Treasury has primary responsibility for concessions policy in consultation with the Department of Premier and Cabinet.

In the absence of full information, a detailed evaluation of the proposal and its estimated cost cannot be provided at this time. Nor is it possible to provide a comparison of complementary and alternative strategies to reduce cost of living pressures which could be more equitable and less administratively burdensome than the proposed two-part concession.

⁴⁹ The upper range assumes 6000 new primary card holders would apply for concession, who currently do not receive the existing concession; a 100% take-up rate for the additional contribution at the 15% base rate for additional concession card holders; and the number of dependent children and full-time students aged under 24 years in households that receive the concession, as a share of all dependent children and full-time students of concession card holders is 100%.

⁵⁰ The lower range assumes 3000 new primary card holders would apply for concession, who currently do not receive the existing concession; a 70% take-up rate for the additional contribution at the 15% base rate for additional concession card holders; and the number of dependent children and full-time students aged under 24 years in households that receive the concession, as a share of all dependent children and full-time students of concession card holders is 85%.)

⁵¹ Department of Treasury and Finance, 2008. *Review of Tasmanian State Government Concessions*.

There are, however, some policy observations that are relevant.

- The principles and intent behind the proposed household based concessions are more progressive than current approaches as they potentially target a broader range of needs within the home, rather than just the primary customer.
- Current and planned targeting measures make a range of assumptions about 'need' which may or may not apply to any particular household.
- Household based concessions can be complex and costly to administer. Most agencies and utility retailers (such as Aurora) would not currently collect household demographic information. Family composition and living arrangements are not static. Households change over time and require intensive monitoring and verification processes. For some clients this level of scrutiny in itself creates disincentives to seek support.
- While the proposal would provide immediate relief for many Tasmanians to meet energy cost of living pressures, on its own, it is not strategic.

Therefore, the proposed extension of energy concessions may not be the best action to reduce cost of living pressures.

Any move to household based energy concessions should take account of the costs and benefits in extending the principle to other relevant concessions. Whilst the economies of scale associated with a broader application of the idea may reduce administrative overheads, an overall shift to household based concessions would significantly increase the annual call on the State Budget.

The critical question is about the opportunity cost of the estimated \$59.4 million and \$46.7 million over 4 years and in the section on investments for immediate action, options are proposed on a more strategic notional allocation of the mid -point of the Treasury estimates.

TasCOSS/Anglicare Report: Making Electricity Affordable⁵²

Shortly after the House of Assembly referred the proposed two-part electricity concession, The Tasmanian Council of Social Service (TasCOSS) and Anglicare Tasmania released a four point action plan to address Tasmania's electricity affordability crisis. The report recommends:

- an inclining block (or step) tariff, with the first ('lifeline') block kept at a very low cost to ensure everyone has access to a basic amount of electricity at an affordable price;
- a two-part concession, with a flat rate concession applied to the fixed charged and a capped percentage rate concession applied to consumption above the 'lifeline' block;
- a statewide energy efficiency retrofitting and support program targeting low income households in home ownership, private rental and public housing; and
- \$1 million in State Government funding for emergency relief services.

There was a mixed response from key stakeholders regarding the proposals, the most contentious of which is the proposed inclining block tariff. Whilst the recommendations all have merit, they raise a number of important policy issues in particular: a significant and ongoing call on the State Budget; potential duplication (and risks of cost shifting between jurisdictions) with Commonwealth responsibilities for emergency relief; potentially high administrative overheads to implement; and

⁵² Anglicare and the Tasmanian Council of Social Service, November 2010. *Making Electricity Affordable: a four point action plan.*

potential tensions with existing approaches to the administration of Community Service Obligations. The TasCOSS/Anglicare report provides the arguments for supporting the four point plan and based on the range of critical responses, table two presents a summary of the arguments against.

Table 2: Arguments presented against the proposed four point plan

<p><i>The tariff structure</i></p> <ul style="list-style-type: none"> • unwinds gains made in establishing cost reflective prices and removing cross subsidies • diverts Government expenditure away from other programs • requires ongoing State Government financial support that cannot be accurately determined in advance • provides a generous concession to high income and high wealth customers that have low levels of electricity consumption, subsidised by higher electricity consumption customers and the State Government • discourages low consumption households from adopting energy efficiency measures or pursuing renewable energy options • encourages higher consumption households to pursue other energy options even though the supply cost of electricity may be below the cost of these other options • it is preferable to separately provide targeted financial assistance to households as necessary.
<p><i>The two-part concession</i></p> <ul style="list-style-type: none"> • results in an increasingly greater concession for low consumption households • doubles up the effective concession for eligible customers when applied to the fixed daily charge • encourages over consumption at an additional cost to the State Government • incurs costs to the Government that cannot be set with certainty in advance • creates additional complexity because concession arrangements for Aurora PAYG customers are different from those for tariff customers.
<p><i>Energy efficiency retrofitting and support program</i></p> <ul style="list-style-type: none"> • have been attempted by other governments and failed due to administrative and budgetary problems • confusion about who receives the benefit – owners or renters or organisations overseeing quotations and tenders for the work.
<p><i>Emergency relief fund</i></p> <ul style="list-style-type: none"> • the 2009 allocation by the State Government was a one-off to help provide relief from the global financial crisis, the impact of which was less severe than anticipated.

Issues with concessions

The key issues with household based concessions are:

- Some households will need the concession more than others (primarily an equity issue);
- Administration costs are very high (primarily an efficiency issue);
- Few existing data sets enable ready identification of household types (primarily a public administration issue);
- Household composition can change quickly (primarily a targeting issue);
- Disclosure of information (primarily a privacy and confidentiality issue); and
- Volume based concessions can distort consumer behaviour.

While the concessions system is an important component of mitigating cost of living risks for vulnerable Tasmanians, it should be separately reviewed for the following reasons:

- Concessions are hard to introduce and even harder to remove upon review and renewal;
- Concessions are usually complex to administer with high transaction costs for clients and the administering agency;
- Concessions take the edge off price increases but they never match the full increase (even after indexation);
- Concessions focus on disadvantage rather than capacity building and often create perverse incentives;
- The equity and efficiency of the current concessions system is at best unclear; and
- Concessions raise important issues of Commonwealth-state roles and responsibilities.

Concessions are only one lever available to governments to help Tasmanians manage cost of living pressures. The data is telling us that an increasing number of Tasmanians are seeking support and hitting the safety net of community and government services. There are a range of market, community, government and individual levers that can protect people from falling through the social safety net and help them bounce back into economic and social participation. In order to locate concessions in a broader policy context, a cost of living framework is required.

A policy framework for cost of living

A cost of living policy framework is being developed for the June 2011 Strategy, and is canvassed next. It is important to present the outline of the framework now as it explains why the proposed action in the Notice of Motion (Appendix 2) may not be the best to take to reduce cost of living pressures.

Much of the debate on cost of living focuses on debates within the government 'domain', usually around either the income support and taxation systems on the one hand and State concessions/pricing policies on the other.

However, in addition to the levers within governments there are also actions that markets, communities and individuals and families can engage with to reduce cost of living pressures. These are the other three domains shown in the framework.

The key point of this Interim Report is that for any cost of living strategy to succeed there needs to be concerted effort within and across all four interdependent domains (refer Figure 2).

There are 10 principles which should underpin a cost of living policy framework:

1. All Tasmanians should have access to the basics of life.
2. Cost of living strategies should focus on building individual, family and community capacity to manage risk.
3. Cost of living strategies which involve markets should be transparent, not distort market signals and not encourage over consumption.
4. Cost of living strategies should be equitable and targeted to those most in need.
5. The real value of concessions and benefits should be maintained.
6. Cost of living strategies should reduce complexity for clients and minimise transaction costs.
7. Cost of living strategies should be progressive and minimise 'poverty traps'.
8. Where governments increase prices for essential services, risk mitigation and hardship strategies need to be in place.
9. There needs to be engagement of people and places most impacted by cost of living pressures in planning and implementation of strategy.
10. The planning and delivery of cost of living strategies should be as localised as is practicable.

The framework begins with the premise that, as much as possible, people should be encouraged to have the capacity to manage cost of living pressures without needing to become dependent on government support. Most individuals and families are in this category, with levels of economic and social participation that mean they have little need for government support in meeting increasing cost of living pressures.

At the other end of the spectrum are those individuals and families experiencing entrenched disadvantage where people have few or no assets, limited family and community support and are largely dependent on Government assistance to meet their essential needs and respond to cost of living pressures. It is very difficult for people experiencing entrenched disadvantage and dependency (often intergenerational) to gain or regain independence. For example many are in rental accommodation and therefore less likely to be able to build up assets through home ownership.

To help prevent individuals and families falling into entrenched disadvantage, governments have over time established various services often described as a 'safety net'. The core to the Australian safety net is the income support system (a Commonwealth responsibility) supported by a raft of other service systems from all levels of government. At State Government level the concessions system and public

housing are two of the key safety net mechanisms. Traditionally the 'safety net' has been seen as a support for more vulnerable individuals and families.

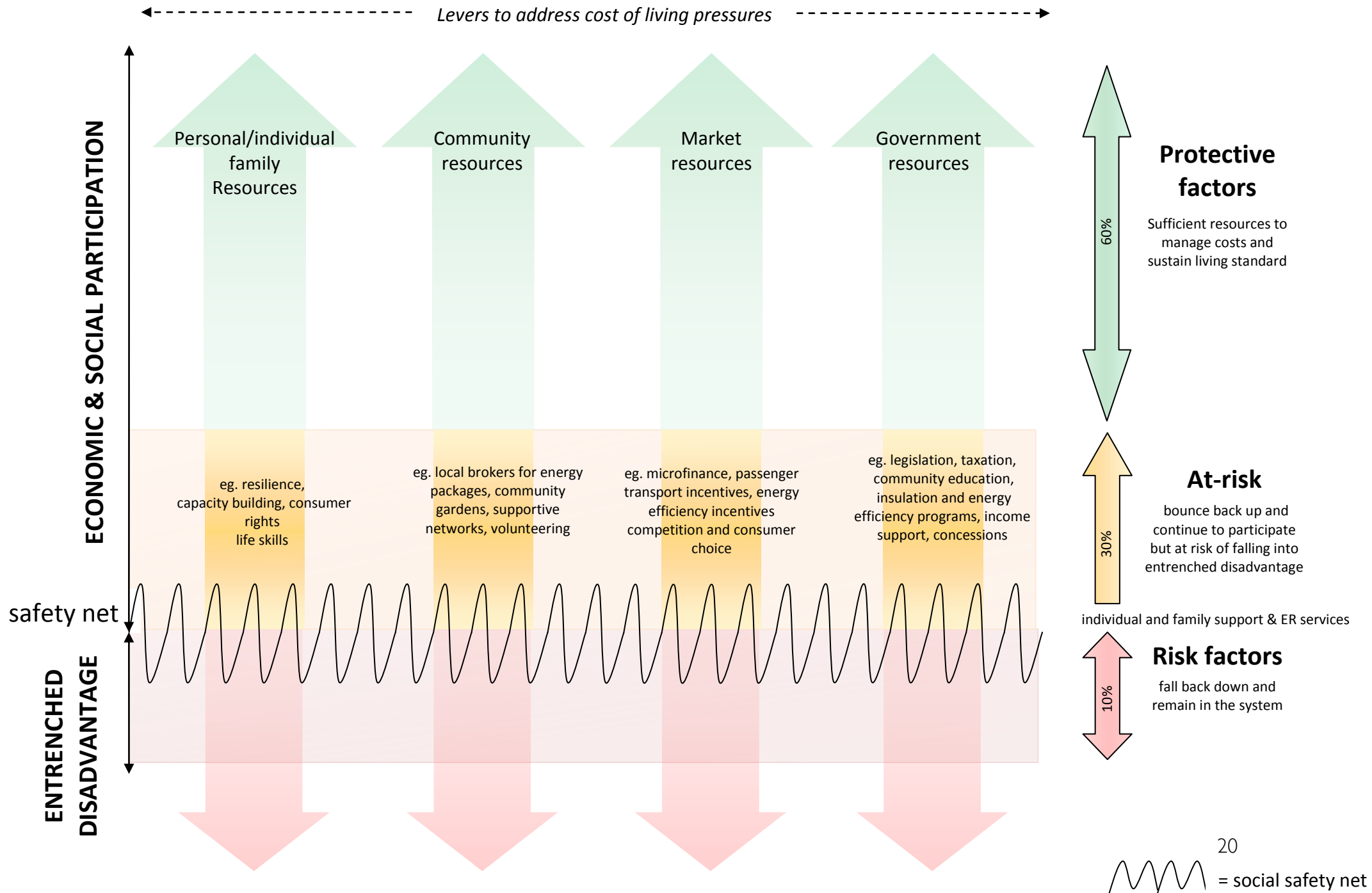
In addition to the specific mechanisms of the 'safety net' there are many other more universal services (such as public education, public transport and health) designed to support individuals and families and promote social and economic participation. As noted in this report the reason that the cost of living is becoming a major public policy issue is partly due to the expansion of social exclusion risk to many individuals and families who are not in the traditional 'welfare' categories.

The June 2011 Strategy will examine levers to maintain Tasmanians' participation above the safety net, as well as specific strategies for structural interventions and policy responses to improve the social and economic capacity of people experiencing entrenched disadvantage.

Existing universal services of governments, and targeted services, are no longer sufficient to prevent more and more people falling into and through the safety net. The right hand column of the framework (Figure 2) includes all of those universal and targeted actions of the three levels of government, which directly or indirectly mitigate cost of living risk.

Within the four interdependent domains there is plenty of space for the politics of cost of living to play out.

Figure 2 – Policy Framework for Cost of Living



Investments for immediate action

The State Government can control or influence some of the factors that are increasing cost of living risks for Tasmanians. Tasmanians expect the Government to do more than it is doing at present and this is the context for the recommendations in the Interim Report.

Many of the factors influencing cost of living are either outside the state's jurisdiction (such as the income/tax transfer systems) or in policy areas where state governments have chosen not to intervene (such as regulating markets).

What is apparent is that Tasmanians are facing financial difficulty as a result of cumulative cost of living impacts. As a consequence of financial difficulty, people adopt one or more coping strategies such as:

- substitution (e.g. eating food which requires less energy to prepare);
- rationing (e.g. reducing heating levels and times in the home);
- seeking increased resources through personal, family or community actions (e.g. selling possessions, students increasing paid work hours);
- falling into the welfare safety net (e.g. emergency relief services or emergency public housing); and/or
- simply going without the basics (e.g. going without food, not getting a medical prescription filled, not keeping warm when it is cold).

The recommended investments below seek to provide immediate assistance to help Tasmanian families meet basic needs, as well as preventative measures that help build capacity and resilience against current and future pressures.

There is an absence of specific data/evidence around an 'appropriate' level of investment by Government to address cost of living pressures as a result of the electricity price increases (reflected in the proposed two-part electricity concession). For the purpose of this Interim Report, the mid-point of the aggregate Treasury costings (i.e. approximately \$53 million over 4 years or \$13.3 million per annum) has been used as a basis for discussion, both of the quantum and distribution percentages between the types of initiatives proposed.

The following sections outline six alternative responses that, if implemented as a package, would be a similar investment to the proposed two-part electricity concession, but would lead to strategic and sustainable change as well as immediate relief.

In the context of the Notice of Motion and the call for 'immediate relief', initial investments should focus primarily on responses one and two below as these, in the short term, will benefit the most vulnerable Tasmanians. In the longer term, responses three to six will provide a framework which will lead to better management of cost of living risk and increased capacity of individuals.

1. Basic goods and services emergency relief, particularly for utilities and food;
2. Cost of living consumer protection and choice, including bill payment and hardship policies;
3. A review of concessions;
4. Responsibility within Government for cost of living;

5. Council of Australian Governments (COAG) intergovernmental advocacy; and
6. An Essential Services Commissioner.

BASIC GOODS AND SERVICES EMERGENCY RELIEF FUND

This fund should provide immediate assistance for urgent cost of living priorities for Tasmanians facing financial crisis, primarily in those areas related to State Government goods and services such as energy and water bills, rent, health and school costs.

The fund should respond to price shocks impacting on individuals, households and businesses. The focus should be on Tasmanians facing crises (e.g. disconnection, eviction, non-participation in school, health emergency and homelessness).

The funding focus should include 3 components:

- *Utilities Relief Fund* – to assist domestic customers who are unable to pay their utility (energy and water) bills due to a temporary financial crisis, and who are at risk of disconnection or excessive rationing and substitution.
- *Emergency Relief Fund* to assist Tasmanians who are struggling to meet health, housing and educational costs due to a temporary financial crisis, including extra costs at key transition points or from unexpected major life events.
- *Food Relief Fund* – to support population groups and places facing elevated risk of food exclusion such as pensioners, sole parents etc. The fund would include strengthening emergency support for people in food crisis, as well as improving local food systems.

CONSUMER PROTECTION AND CHOICE

Building cost of living capacity should involve investments in programs that help strengthen the basic rights of vulnerable Tasmanians to consumer protection and support when they are experiencing financial hardship. It is also important that Tasmanian households have a range of options to not only have cheaper prices, but have a range of preventative measures from which to choose.

Investment in energy efficiency programs would help improve the capacity of low income earners in Tasmania, particularly to meet cost pressures associated with electricity use. These programs should include peer support and community volunteer leadership for population groups and places of elevated risk.

There are broader policy issues to canvass here regarding the appropriate role of the private, public and community sectors. Increasingly corporate entities are engaged in hardship policies and other ‘community service obligation’ activities as part of their corporate social responsibility strategies and in part because of policies to manage reputational risk and minimise bad debts. In principle energy efficiency programs could be managed by corporates, governments, community agencies, social enterprises or individuals/families – or in some partnership combination.

It is important that the Government also investigates appropriate hardship policies, invests in financial counselling in non-stigmatising environments that utilise existing infrastructure (e.g. in the community sector, shopping centres, neighbourhood houses, Service Tasmania

outlets), and develops bill smoothing capability, to help Tasmanians reduce the shock of large quarterly, bi-annual or annual bills by spreading the cost of bills such as car registration, Council charges and utility bills across equal monthly or fortnightly instalments.

The Government should invest in programs to help ensure Tasmanians understand the financial implications of using particular goods and services, such as Aurora PAYG meters, credit card debt and fraud, insurance protection, payday lenders, etc.

Greater consumer advice is also warranted regarding the availability of concessions and entitlements, the *Residential Tenancy Act 1997*, and protection for consumers facing unreasonable rent rises.

REVIEW OF CONCESSIONS

There has been a long history of reviews of concessions both nationally and within each state jurisdiction. These reviews are remarkable for their policy insight on the one hand and lack of implementation on the other.

Most recently in Tasmania the 2008 Department of Treasury and Finance *Review of Concessions* examined the development, promotion, delivery, monitoring, eligibility and assessment of Tasmanian Government Concessions. The Terms of Reference for that Review did not provide for a Cost of Living focus. When advice was sought from Treasury regarding the implementation of the recommendations a copy of the Ministerial Statement that accompanied the release of the Review Report (Appendix 6) was provided. This has little detailed information regarding the implementation of the recommendations. It is reflective of a situation where no particular Minister or department has overall responsibility for policy development, implementation or performance monitoring.

As a result there is a lot of data available but no overall picture of what is happening with concessions in Tasmania, for example around basic issues such as the impact of existing concessions on overall cost of living capability by vulnerable group/place or the gap between eligibility and take up. This in turn means that any attempt to shift to more progressive and equitable systems (such as household based concessions) has high levels of complexity and high administration costs – as we have seen with the proposed two-part household based electricity concession costings.

A Parliamentary Committee or alternative public mechanism could broadly examine the equity and efficiency of the current system and its adequacy in mitigating cost of living risk. More specifically the Committee could examine:

- The impact of the current system on mitigating cost of living risks to vulnerable Tasmanians;
- The adequacy and efficiency of the administration of the current system;
- The adequacy and desirability of current eligibility criteria for concessions;
- Alternative approaches to the structure and delivery of concessions including 'stored value cards' (holding a concession value for discretionary spending) which increase choice and responsibility for the 74 concessions currently available to people living in Tasmania.

COST OF LIVING AND THE COUNCIL OF AUSTRALIAN GOVERNMENTS (COAG)

All three levels of government are inextricably entwined in shaping cost of living capability. COAG deals with matters of national significance and given the importance of cost of living to Australians there is an argument that the issue be referred to COAG.

As has been noted, there is a long and inglorious history of jurisdictions pointing the finger at each other over responsibility for cost of living. Whilst various existing Ministerial Councils and other intergovernmental entities deal with components of the cost of living picture, there is no overall process to plan for or assess cost of living capability. The key matters in scope for and consistent with the brief for COAG would be:

- The role and capacity of governments to plan for and mitigate cost of living pressures for Australians;
- The adequacy of Commonwealth income support payments
- A reassessment of the National Competition Policy to ensure risks and opportunities for vulnerable groups and communities are appropriately considered;
- The impact of national reforms on household incomes, especially families and individuals on low income; and
- The efficiency of the current concessions system and opportunities to move to more 'client empowerment' approaches.

AN ESSENTIAL SERVICES COMMISSIONER – MONITORING AND 'REGULATING' COST OF LIVING

Many jurisdictions have entities which advise governments on setting prices in relation to government monopolies. In Tasmania this function is undertaken by the Economic Regulator. The primary role is one of ensuring that consumers generally are not disadvantaged through lack of competition especially in relation to essential utilities. Under the current legislation, the Economic Regulator is not required to consider affordability when setting prices. The exact scope and powers of such functions varies from jurisdiction to jurisdiction but generally the functions do not include public goods and services where there is contestability and generally the functions do not include assessment of the impact of pricing movements on the cost of living capability of particular groups or places.

If additional functions around essential services and cost of living impacts were to be considered either within the existing legislation or in parallel they could include:

- The impact of price movements on the cost of living capability of Tasmanians with particular reference to vulnerable Tasmanians;
- The adequacy and capacity of existing concessions and other government subsidies and policies to mitigate price movements and, the costs of this;
- The extension of 'in scope' goods and services to include at a minimum transport, health, housing, education and local government goods and services;
- The ongoing arrangements for the indexation of concessions to maintain the 'real' value of the concessions;
- The collection of relevant data to monitor cost of living capability, including data that can be spatially mapped to highlight critical cost-of-living 'hot spots' in

communities that may reach trend proportions requiring direct intervention such as social enterprise options or collaborative business models in isolated rural areas;

- The current and potential role of jurisdictions in planning for cost of living capability and mitigating cost of living risks;
- Sorting out the concessions system; and
- A national approach to essential service pricing policies and hardship policies in the public and private sectors.

To be effective, the role should have a legislative base, akin to that of the Economic Regulator with the requisite authority and mandate to implement recommendations.

RESPONSIBILITY WITHIN GOVERNMENT

Within our Westminster system of government, those most important public policy functions and issues tend to have specific ministerial portfolios – for example health, education and justice. The lack of a central policy focus on cost of living means that no particular Minister or department has overall responsibility for the cumulative impact of cost of living risks on Tasmanians. More specifically it contributes to the lack of quality data; a complex concessions system; limited capacity to plan and forecast; an inability to plan for and mitigate cost of living risk associated with price increases and other policy decisions; inability to schedule and manage price increases which would enable consumers to plan ahead and to minimise 'shocks'. It also means that the voices of those most affected by cost of living decisions have no focal point for engagement within government.

One solution to this would be the creation of a Ministerial or related position (such as a Parliamentary Secretary), that could take on that leadership role in cost of living. Whilst there are many approaches to co-ordination of 'cross cutting' issues such as cost of living it is apparent that the scale and scope of the issues and the complexity is beyond mainstream co-ordination approaches. There are opportunities for quite different approaches to the public administration of cost of living. For example, approximately \$53 million over 4 years, or \$13.3 million per annum, (based on the Treasury costing for the extension of the energy concession) could be provided to a community agency or social enterprise. The agency would work with the (estimated) 6,000 households (that would have been eligible for the two-part concession and therefore in principle at higher risk of cost of living pressure). The investment would target a combination of immediate relief; consumer information; energy efficiency; community capacity building/self sufficiency etc. Such an outcome for this group may well be much better than simply adding a new concession.

As one 'cohort' approach example, if the total annual concessional value for each eligible older Tasmanian were to be stored on a 'smart card' and with advice from an organisation such as the Council on the Ageing mentoring services, it may well be that older Tasmanians would have more choice and 'empowerment' around their total scarce resources rather than being locked into specific concessions. This policy logic and implementation could also be applied to other population groups or on a place basis in Tasmania.

Conclusion

All the evidence indicates that cost of living will continue to be an important issue for many Tasmanians because it is about the basics of being able to live a decent life and the role of governments in creating the conditions for a decent standard of living for all. Whilst much of the core business of State Governments (health, education, housing, safety) is about improving people's capacity to manage cost of living risks, there is a growing gap between pressures and resources to respond, especially for the most vulnerable Tasmanians.

The current issues around energy and concessions systems have opened up the broader discussion on the role and capacity of the State Government to both improve existing policy and delivery arrangements and to explore new roles in building cost of living capacity and mitigating cost of living risks for Tasmanians.

Whilst the current patchwork quilt of a system isn't broken it certainly does not properly cover cost of living risk and as those risks increase there is a greater urgency for the system to work as efficiently as it can and to seek out more innovative strategies.

The framework provided earlier should enable a more structured and strategic discussion across the political spectrum whilst the advice on immediate investments provides practical examples of how actions can be taken immediately.

Since many of the matters raised in this Interim Report have substantial policy, fiscal and legislative implications it is important that there is an informed public debate on these matters. A Parliamentary Committee or alternative public mechanism should engage with the issues now, and suggested Terms of Reference are provided at Appendix 5.

Appendix I

TASMANIAN COST OF LIVING STRATEGY TERMS OF REFERENCE

21 SEPTEMBER 2010

Background
Objectives
Reporting Requirements
Budget and Expenditure
Other Resources
Governance
Stakeholder management and communication
Related projects

Background

A *Social Inclusion Strategy for Tasmania* (2009)⁵³ recognises that for Tasmania to have a fairer future, all Tasmanians should have the opportunity to access the resources and relations that make life healthy, happy and productive. This means making sure that no-one goes without the basics of life such as access to food, shelter and security. The data underpinning the Social Inclusion Strategy shows that not all people who live in Tasmania are able to make ends meet, particularly those who live on Commonwealth Government pensions and allowances.

Many are finding it tough to stretch their incomes to provide the necessities of life. When the family budget cannot stretch enough, research shows that people often go without food (especially expensive fresh fruit and vegetables, electricity for periods of time, adequate heating, new clothing, insurance, social contact, entertainment, transport, holidays, medical and dental care).

A Social Inclusion Strategy for Tasmania

Research shows that the cost of basic items such as food, electricity, transport and fuel, education and health items have risen considerably in recent years, and these increases have impacted more heavily on low income households which spend proportionally more of their income on the basics. It also shows that nothing undermines social inclusion more than financial hardship.

The Tasmanian Government's preliminary response to the Social Inclusion Strategy included immediate action to help Tasmanians meet the basics through food security, emergency relief and micro finance; increasing the capacity of individuals and organisations through micro-credit and the development of social enterprise in Tasmania; improving access to affordable transport through the Cars for Communities program; and building supportive networks and community capacity through volunteering, social infrastructure and community grants.

When the Social Inclusion Unit, Department of Premier and Cabinet (the Unit), consulted with Tasmanian communities from November 2008 to February 2009 and again during April and May 2010,

⁵³ Adams, D.A. 2009. *A Social Inclusion Strategy for Tasmania*.

a consistent concern raised by communities was having access to the basics and addressing cost of living pressures. Community concerns included access to emergency relief, affordable nutritious food, transport, childcare, crisis accommodation, private and public housing rental, cost of home heating and electricity, affordability of school uniforms, financial literacy training, and affordability of sport and recreation for young people.

The Tasmania *Together* benchmark on the cost of living for low income family households indicates that the cost of essentials makes up almost 94% of their welfare entitlement, leaving very little room for emergency expenses or savings⁵⁴. A recent report by Anglicare Tasmania⁵⁵ found that households experiencing financial hardship had been unable to pay their electricity or phone or gas bill, been unable to pay their rent or home loan, pawned or sold something, gone without meals, been unable to heat their home, had the phone disconnected or had the power turned off. The groups that experienced the greatest difficulty were home buyers, people with two or more children, people aged 35-44, and people on the Disability Support Pension. The underlying issues most associated with hardship and financial difficulties were eviction, chronic debt and legal problems. For people facing this pressure every day, it can be relentless and lead to physical and mental problems.

The Social Inclusion Strategy also noted social challenges specific to the Tasmanian context which are relevant to cost of living, and are related to productivity factors such as the high proportion of Tasmanians receiving government benefits, as well as experiencing employment, education and skill challenges.

Emergency relief services are reporting that the number of people seeking assistance has increased, and now includes working people who previously have not accessed these services. Increasingly, the accumulation of costs for a range of basic goods and services is pushing people into financial crisis. There is concern that the personal, family and community resources that help people cope with unanticipated shocks in life, are increasingly insufficient for individuals and families.

As part of the 2010-11 Budget, the Government has renewed its commitment to supporting the most isolated and disadvantaged Tasmanians by funding the development of a Cost of Living Strategy for Tasmania.

Objectives

The objectives of the Cost of Living Strategy are to:

- 1.1 *Provide an accurate picture of cost of living in Tasmania, including productivity challenges in the Tasmanian context, jurisdictional comparisons of cost of living data, and analysis of the distribution of cost of living pressures experienced by various income groups, population groups and household types as well as places at risk of social exclusion in Tasmania.*

The Cost of Living Strategy will:

- develop an evidence base of relevant data including consumer price index data, housing price data, retail price data, pensioner and living cost indices, income data, the Tasmania *Together* benchmark on cost of living, and qualitative research about the experience of income groups,

⁵⁴ Tasmania *Together* Indicator 1.1 'The cost of food, electricity, housing, transport and health as a proportion of income for low income households', see www.ttbenchmarks.com.au

⁵⁵ Flanagan, K. 2009. *Hard Times: Tasmanians in Financial Crisis*, Anglicare Tasmania.

population groups, household types and places that struggle to meet cost of living pressures; and

- identify the capacity of various income groups, population groups, household types and places who are disproportionately impacted by certain changes in prices of goods and services, and as a result are 'falling behind'.

1.2 *Identify current activity, resources and options to address cost of living pressures* experienced by various income groups, population groups, household types and places at risk of social exclusion in Tasmania.

The Cost of Living Strategy will:

- recognise policy levers outside the control of the Tasmanian Government, in particular the role of the Commonwealth Government in setting payment levels for pensions and allowances as well as marginal/effective taxation rates; and
- outline the range of current policy responses being implemented by the Tasmanian Government that help alleviate cost of living pressures for Tasmanians at risk of social exclusion, such as legislative and regulatory arrangements, the effectiveness of concessions policy, and in-kind assistance provided by the Government; and
- identify policy options for the Government, as well as individual, market and community responses appropriate to the Tasmanian context.

Reporting Requirements

The Social Inclusion Commissioner, Professor David Adams, will report to the Tasmanian Government on the Cost of Living Strategy by June 2011.

Budget & Expenditure

The 2010-11 Budget allocated \$75 000 to the Department of Premier and Cabinet (DPAC)'s Social Inclusion Unit to deliver the Cost of Living Strategy. The allocation will be used for:

- technical consultancies required to help meet the objectives of the cost of living strategy;
- administrative costs associated with the Cost of Living Expert Advisory Panel and the Cost of Living Interagency Working Group; and
- printing the report and promotional material.

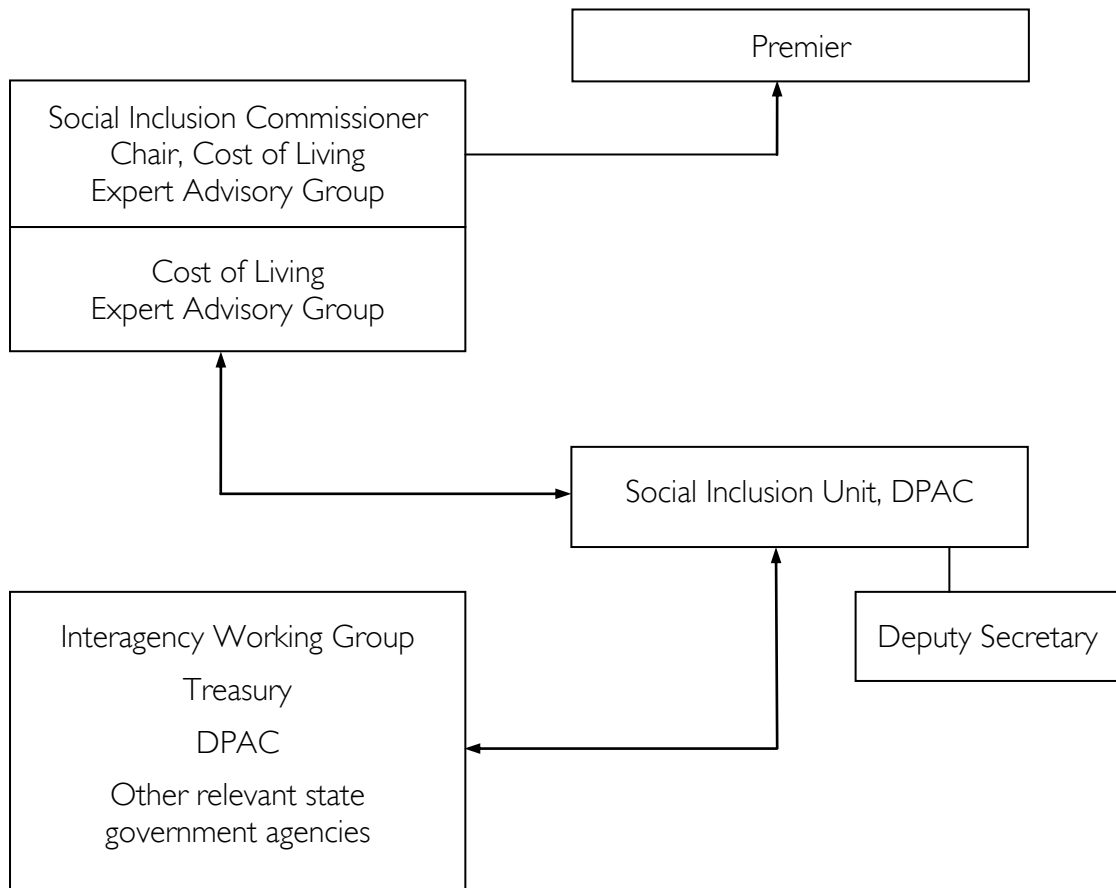
Other Resources

An Australian Bureau of Statistics (ABS) officer will be seconded to the Social Inclusion Unit to develop the evidence base of relevant data as per Objective 2.2, in particular the cross-jurisdictional analysis of cost of living data, the drivers for cost of living in Tasmania, and emerging trends in cost of living.

Staff from the Social Inclusion Unit, with input from other members of the Cost of Living Interagency Working Group, will undertake the analysis of:

- policy context and policy options for the Tasmanian Government as per objective 2.3; and
- individual, market and community actions.

Governance



The Premier, David Bartlett, has appointed Professor David Adams, Social Inclusion Commissioner, to lead the development of the Cost of Living Strategy.

Professor Adams will Chair the Cost of Living Expert Advisory Group in his role as the Social Inclusion Commissioner for Tasmania. Professor Adams will also provide briefings as required on the Cost of Living Strategy to Members of Parliament and State Government Heads of Agency.

The role of the Expert Advisory Group will be to oversight the development of, and endorse, the Tasmanian Cost of Living Strategy. The Expert Advisory Group will ensure the Cost of Living Strategy addresses all the objectives of the Terms of Reference; provide the Social Inclusion Unit with guidance on cost of living issues arising during the development of the Strategy; reconcile differences in opinion and approach that may emerge.

The Expert Advisory Group shall meet as often as required, at the discretion of the Chair. It will comprise up to five members with high level expertise in economics and cost of living research and analysis.

The Social Inclusion Unit, at the direction of the Social Inclusion Commissioner and the Expert Advisory Group, will be responsible for producing the Cost of Living Strategy. The Unit will manage the budget expenditure and other resources necessary to produce the Strategy. It will also provide the Secretariat support to the Expert Advisory Group, coordinate the Cost of Living Interagency Working Group, and manage any consultancies associated with developing the Strategy. The Unit will also keep DPAC's Deputy Secretary Policy informed of progress.

The Cost of Living Interagency Working Group will undertake the components of work required to meet the objectives of the Terms of Reference. The Working Group will comprise officers from the Department of Treasury and Finance (Treasury), DPAC, and other relevant State Government agencies.

The Advisory Group and Working Group will be time and task specific, concluding by June 2011.

Stakeholder Management & Communication

The Interagency Working Group will develop a communications strategy that identifies key stakeholders and outlines a framework through which to engage with the stakeholders.

Related Projects

- Review of Electricity Pricing in Tasmania
- Cross-Party State Taxation Review
- Water and sewerage reforms
- Tasmanians Concession Guide
- Tasmanian Food Security Council
- Community Development Finance Fund
- Tasmanian Homelessness Plan
- Community Capacity Building Grants Program
- Tasmanian Economic Development Plan
- Tasmanian Innovation Strategy

Appendix 2

NOTICE OF MOTION REGARDING A TWO-PART ELECTRICITY CONCESSION

29 SEPTEMBER 2010

That the House:

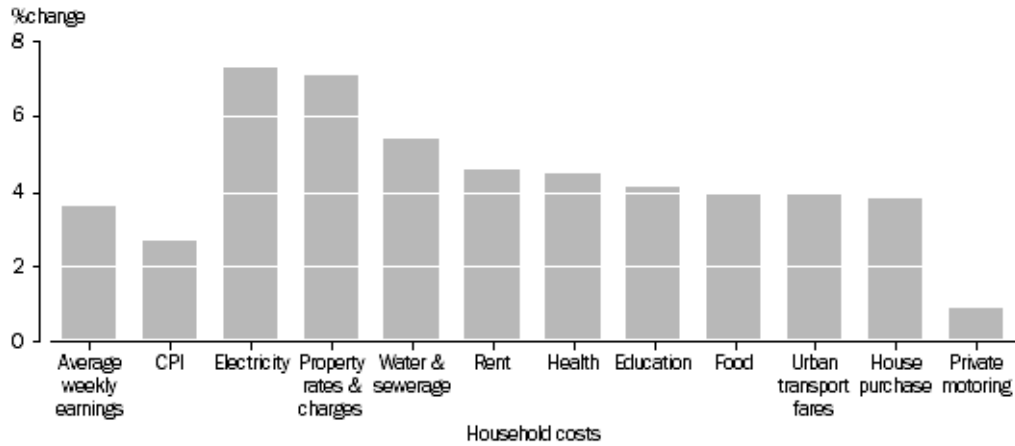
1. Acknowledge the need to review the State's concession system to reduce the financial stress being felt by those Tasmanians on pensions and low fixed incomes and to ensure that the value of concessions are maintained;
2. Acknowledge that welfare agencies have identified that 28 per cent of Tasmanians are living on or below the poverty line, and that 34 per cent of Tasmanians are reliant upon government pensions and allowances as their primary source of income;
3. Acknowledge that the real value of the electricity system needs to be maintained to ensure relativity when power prices rise as outlined in the Greens' election proposal for *Fairer Energy Concessions*;
4. Recognise that there is an urgent need to address cost of living pressures by providing responsible and targeted relief to those in our community who have limited capacity to absorb or mitigate the impact of rising power costs;
5. (1) Request the Treasurer to refer to Treasury for costing by 20th October 2010 the proposed two-part electricity concession detailed below:
 - a. Continuation of the current \$84.50 quarterly concession rate (renamed the 'base rate'), indexed to electricity prices
 - b. An additional contribution equivalent to 15 per cent of the 'base rate' for an additional Pension or Health Care Card holder
 - c. An additional contribution equivalent to 10 per cent of the 'base rate' for every dependent child and full-time student under the age of 24 years;(2) and that the completed costings are provided to Government for dissemination to the Social Inclusion Commissioner, and to be tabled in the House of Assembly within three sitting days;
6. Request the Social Inclusion Commissioner evaluate the costings referred to in Part 5 and the administrative arrangements to implement the proposal referred to in Part 5 for consideration for inclusion in an interim Cost of Living Strategy report to be completed and provided to the Premier by 31st January 2011 or as soon as possible thereafter;
7. Request that the Premier refer the following to the Social Inclusion commissioner and Cost of Living Advisory Panel for assessment for inclusion in the Cost of Living Strategy:

- a. The establishment of an annual Small Business Energy Efficiency Rebate Fund from which small businesses, as defined by those who are non-contestable power customers, can apply for the purposes of replacing and/or upgrading standard electric hot water systems with solar, heat pump hot water systems, (excluding natural gas systems); and
- b. The establishment of an annual Not-For-Profit Sector Hot Water Cost-Reduction Fund for the replacement of standard electric hot water systems with solar heat pump hot water systems, excluding natural gas systems, to which the following entities are qualified to apply:
 - i. Residential aged-care facilities and like facilities providing residential care or other services to people who qualify for a Health Care Card.
 - ii. Sporting clubs that own or lease or have secure rental of premises.
 - iii. Community-based clubs or associations.

Appendix 3

COST OF LIVING SNAPSHOT

AVERAGE ANNUAL GROWTH RATE, Selected household costs, 2005-10⁵⁶



Note: Average weekly earnings movement refers to Tasmania, August quarter 2005 to August quarter 2010.
 Consumer Price Index movements relate to Hobart, December quarter 2005 to December quarter 2010.
 Source: Average Weekly Earnings, Australia, Aug 2010 (ABS cat. no. 6302.0)
 Consumer Price Index, Australia, Dec 2010 (ABS cat. no. 6401.0)

The CPI (All groups) for Hobart has increased 2.7% a year on average since December 2005⁵⁷, with increases in the following selected groups:

⁵⁶ There are some caveats to be aware of in using the graph, in terms of the choice of categories used, and what the graph actually represents. The graph is based on the methodology used in the Victorian government's 2011 *Victorian Families Statement*, which is somewhat irregular in its composition as it illustrates a mixture of CPI groups, sub-groups and expenditure classes (e.g. 'Education', 'Health' and 'Food' are groups, whereas 'Urban transport fares' and 'Private motoring' are sub-groups, and 'electricity', 'water & sewerage', 'property rates & charges', 'rents', and 'house purchase' are all expenditure classes). The CPI data refers to all households, not just low-income households. Different weights are applied to the various groups, sub-groups and expenditure classes when constructing the CPI. These have not been taken into account when assessing the average annual price increases in the graph. Average weekly earnings movements refer to Tasmania, for the August quarter 2005 to the August quarter 2010. CPI movements refer to Hobart, for the December quarter 2005 to the December quarter 2010. It is also important to note that not all households would experience all increases, for example a household would be affected either by increasing rents or by home purchase, not both.

⁵⁷ According to [A Guide to the Consumer Price Index: 15th series, 2005, ABS Cat. No. 6440.0](#), pages 3-4:

"Although the CPI is also commonly referred to as a measure of changes in purchasing power or a cost-of-living index, in an economic context these terms are not strictly interchangeable with a measure of price inflation. Their measurement would require separate, purpose built indexes. A single index cannot be expected to adequately fulfil all these roles. An index designed to measure changes in the purchasing power of household incomes would need to be concerned with changes in the costs of all expenditures made from household income. Such a measure would include items like income tax and interest payments. A true cost-of-living index, among other things, would need to be concerned with changes in standards of living and with the substitutions that consumers make in order to maintain their standard of living when faced with changing market conditions (for instance, buying chicken rather than beef when beef prices are high). The CPI on the other hand is constructed by reference to a basket consisting only of actual goods and services acquired by households. Further, as the composition of this basket is held fixed from period to period, it cannot accurately reflect changing consumer preferences and substitutions made in response to changes in relative prices.

In recognition of the widespread interest in the extent to which the impact of price change varies across different groups in the community, the ABS compiles and publishes analytical indexes specifically designed to measure changes in living costs for four selected population subgroups: Employee households; Age pensioner households; Other government transfer recipient households; and Self-funded retiree households. The indexes are released annually in Australian Economic Indicators (cat. no. 1350.0)

These indexes represent the conceptually preferred measures for assessing the impact of changes in prices on the disposable incomes of households. In other words, these indexes are particularly suited for assessing whether or not the disposable incomes of households have kept pace with price changes. The most notable difference between these indexes and the CPI is that the living cost indexes include interest charges but do not include new house purchases, while the CPI includes new house purchases but does not include interest charges."

- Housing costs (including rents and utilities) have risen 4.6% a year on average since December 2005
- Health costs have risen 4.5% a year on average since December 2005
- Education costs have risen 4.1% a year on average since December 2005
- Food costs have risen 4.0% a year on average since December 2005

Within the housing group:

- Electricity costs have risen 7.3% a year on average since December 2005
- Property rates & charges have risen 7.1% a year on average since December 2005
- Water & sewerage costs have risen 5.4% a year on average since December 2005
- Rents have risen 4.6% a year on average since December 2005
- House purchase costs have risen 3.8% a year on average since December 2005

Within the transportation group:

- Urban transport fares have increased 3.9% a year on average since December 2005
- Private motoring costs have risen 0.9% a year on average since December 2005, with the automotive fuel component of this having risen 1.0% a year on average since December 2005. Average weekly earnings have increased 3.6% a year on average since August 2005

The CPI groups explained

The CPI covers a wide selection of goods and services, arranged into groups, sub-groups, classes and ultimately individual items.

There are 11 major groups, each representing a specific set of commodities:

- Food
- Alcohol and tobacco
- Clothing and footwear
- Housing
- Household contents and services
- Health
- Transportation
- Communication
- Recreation
- Education
- Financial and insurance services

The major groups are divided in turn into 33 subgroups, and the subgroups into 90 expenditure classes. An expenditure class is a grouping of similar items, such as various types of motor vehicles.

The following groups, sub-groups and expenditure classes relate to Figure 1 – Average Annual Growth Rate, Selected Household Costs, 2005-10 on page 3 of the Report⁵⁸.

<i>Group</i>	<i>Subgroup</i>	<i>Expenditure class</i>	<i>Examples of item coverage</i>
Food	Dairy and related products	Milk Cheese Ice cream and other dairy products	Fresh milk (including flavoured) and substitutes (e.g. soy milk) All types, including sliced and grated Ice cream in tubs or carton, powdered and condensed milk, cream, yogurt and dairy snacks
	Bread and cereal products	Bread Cakes and biscuits Breakfast cereals Other cereal products	All types of bread Cakes, pastries and biscuits All grain based breakfast cereals, including muesli All types of flour, rice, pasta and similar grain based products, including bran
	Meat and seafoods	Beef and veal Lamb and mutton Pork Poultry Bacon and ham Other fresh and processed meat Fish and other seafood	All cuts of beef and veal; fresh, chilled and frozen, including mince All cuts of lamb and mutton; fresh chilled and frozen All cuts of pork; fresh, chilled and frozen Pieces or whole poultry; fresh, chilled or frozen All styles of bacon and ham; fresh and canned Sausages, salami and other processed meats, game meats, fresh, canned or frozen All seafoods; fresh, chilled, frozen, canned or processed
	Fruit and vegetables	Fruit Vegetables	All fruit; fresh and chilled, canned, dried or frozen All vegetables; fresh and chilled, canned, dried or frozen
	Non alcoholic drinks and snack food	Soft drinks, waters and juices Snacks and confectionery	Carbonated and still non-alcoholic drinks and cordials, including water, fruit and vegetable juices Corn and potato chips, nuts, chocolates, lollies, gum, water based ice confectionery, individual serve milk based confectionery
	Meals out and take away foods	Restaurant meals Take away and fast foods	All meals eaten in restaurants, hotels, cafes etc offering full table service All take away and delivered meals and fast food suitable for immediate consumption
	Other food	Eggs	Fresh, powdered and preserved eggs or

⁵⁸ For a full list of groups, subgroups and expenditure classes see Australian Bureau of Statistics 2005, *A Guide to the Consumer Price Index: 15th Series, 2005, Appendix A2*

		<p>Jams, honey and sandwich spreads</p> <p>Tea, coffee and food drinks</p> <p>Food additives and condiments</p> <p>Fats and oils</p> <p>Food n.e.c</p>	<p>parts of eggs (whites, yolks)</p> <p>Jams, honey, syrups, sandwich spreads and dips</p> <p>Tea (leaves, bags etc) and coffee (instant, ground etc), chocolate based food drinks</p> <p>Sugar and artificial sweeteners, salt, spices, sauces and pastes and salad dressings</p> <p>All butter, margarine and cooking oils</p> <p>Foods not classified above, including canned and packet soups, baby foods, prepared meals (fresh and frozen requiring cooking/heating)</p>
Housing	<p>Rents</p> <p>Utilities</p> <p>Other housing</p>	<p>Rents</p> <p>Electricity</p> <p>Gas and other household fuels</p> <p>Water and sewerage</p> <p>House purchase</p> <p>Property rates and charges</p> <p>House repairs and maintenance</p>	<p>Rent paid to private and government landlords, including housing authorities (e.g. Defence Housing Authority)</p> <p>Electricity charges and connection fees</p> <p>Mains and bottled gas including connection fees, and other household fuels such as firewood, briquettes and heating oil</p> <p>Water supply and sewerage charges</p> <p>New homes (excluding land) and major improvements to existing homes, and fixed appliances such as ducted heating, hot water systems and ovens</p> <p>State and local council property based rates and charges except water and sewerage</p> <p>Materials and labour costs for repairs and maintenance to dwellings</p>
Health	Health services	<p>Hospital and medical services</p> <p>Optical services</p> <p>Dental services</p> <p>Pharmaceuticals</p>	<p>Medical insurance, doctor and specialist fees, other medical and practitioner fees and hospital charges</p> <p>Opticians fees, prescription spectacles and repairs</p> <p>Dentists fees including fillings, dentures and braces</p> <p>Pharmaceuticals Prescription medicines, vaccines and treatments, cold-relief products, vitamins, band-aids, antiseptic, sunscreen, skin treatment and therapeutic appliances</p>
Transport	Private motoring	<p>Motor vehicles</p> <p>Automotive fuel</p> <p>Motor vehicle repair and servicing</p> <p>Motor vehicle parts and accessories</p> <p>Other motoring charges</p>	<p>Purchase and long term hire/lease of new cars and motor cycles</p> <p>Unleaded petrol, lead replacement petrol, diesel and LPG</p> <p>Crash repairs, panel beating and routine servicing of motor vehicles</p> <p>Separately purchased parts and accessories for motor vehicles including motor oils and tyres</p> <p>Motor vehicle registration, driver license</p>

			fees, parking fees, driving lessons and tollway charges
	Urban transport fares	Urban transport fares	Bus, train, ferry, tram and taxi fares, not for holiday travel
Education	Education	Preschool and primary education	Private and government preschool and primary education fees
		Secondary education	Private and government secondary education fees
		Tertiary education	Private and government tertiary education fees

Appendix 4

ELECTRICITY COSTS IN TASMANIA

Background to Electricity Costs in Tasmania

Residential Consumption

Pricing

Aurora Energy Pay As You Go (APAYG)

Concessions

Household Expenditure

Financial Stress, Disconnections and Complaints

Future Pressures

Background to Electricity Costs in Tasmania

Tasmania entered the National Electricity Market in May 2005 and Basslink was commissioned in April 2006. As a result competition in the retail supply of electricity commenced in Tasmania in July 2006. Since this time Tasmania has been a net importer of electricity, although substantial rainfall during 2009-10 has replenished hydro storages and increased the State's capacity to export energy over Basslink in the future. In 2009-10, net imports comprised approximately 10% of Tasmania's electricity requirements, compared with 23% in 2008-09⁵⁹.

As at 30 June 2010 Hydro Tasmania and Aurora Energy Tamar Valley Pty Ltd (AETV) Power were the only significant generators and Aurora Energy remains the dominant electricity retailer. The Economic Regulator sets and monitors pricing as part of its role in overseeing the development and effectiveness of competition⁶⁰.

Residential Consumption

Tasmania has the highest residential consumption of electricity in the nation. In 2008-09, the average consumption per connection was 9.50 MWh compared with 6.81 MWh nationally. This can largely be attributed to the colder climate and the propensity for electric heating, and the limited availability of natural gas for cooking, space heating and water heating⁶¹. In comparison to other states and territories, Tasmania has a relatively low penetration of natural gas. However, the number of natural gas customers has increased steadily since its introduction in 2005-06, from 747 to 8 042 in 2009-10⁶². Growth in the natural gas industry is expected to continue.

⁵⁹ Office of the Tasmanian Economic Regulator, January 2011, *Tasmanian Energy Supply Industry Performance Report 2009-10*, Executive Summary page. V

⁶⁰ Office of the Tasmanian Economic Regulator, January 2011, *Tasmanian Energy Supply Industry Performance Report 2009-10*, page 197

⁶¹ Office of the Tasmanian Economic Regulator, January 2011, *Tasmanian Energy Supply Industry Performance Report 2009-10*, Table 8.3, page 124

⁶² Office of the Tasmanian Economic Regulator, January 2011, *Tasmanian Energy Supply Industry Performance Report 2009-10*, Table 10.6, page 150

Pricing

Substantial electricity price increases have been experienced right across Australia in recent years. Comparative figures published by Aurora Energy show that Tasmania's electricity costs rose 27.1% in the three year period from 2007-08 to 2009-10, compared with 33.4% in New South Wales (NSW), 46.6% in Victoria (Vic.), 32.3% in Queensland (Qld), 23.6% in South Australia (SA), 32.5% in Western Australia (WA), 25.8% in the Northern Territory (NT), and 30.2% in the Australian Capital Territory (ACT)⁶³.

Retail energy prices in Australia increased at a higher rate than the inflation rate during this time, with effects felt nationwide⁶⁴: in the twelve months to the September quarter 2008, electricity prices for the eight capital cities rose 10.1% compared to a 5.0% rise in the All Groups Index⁶⁵; in the twelve months to the September quarter 2009, electricity prices for the eight capital cities rose 15.6% compared to a 1.3% rise in the All Groups Index⁶⁶; and in the twelve months to the September quarter 2010, electricity prices for the eight capital cities rose 12.4% compared to a 2.8% rise in the All Groups Index⁶⁷.

In the twelve months to the September quarter 2008, Hobart's electricity prices recorded the highest increase (16.7%) of all capital cities, compared with Melbourne (16.5%), Adelaide (12.2%), Sydney (8.9%), Brisbane (8.3%), Canberra (6.7%), Darwin (4.0%) and Perth (0.0%). However, in the following 12 months to the September quarter 2009, Hobart had dropped to the second lowest rate of electricity price rises (5.7%), compared with Perth (26.3%), Sydney (21.7%), Darwin (20.9%), Brisbane (15.5%), Melbourne (10.2%), Canberra (7.1%) and Adelaide (3.7%). In the 12 months to the September quarter 2010, Hobart recorded a price increase for electricity of 6.1%, compared with Melbourne (20.3%), Perth (18.3%), Brisbane (13.0%), Sydney (9.1%), Adelaide (5.5%), Darwin (4.7%) and Canberra (1.8%)⁶⁸.

Previous to this, from 2003 to 2007, quarterly electricity bills remained relatively stable in real terms. The amount customers were paying increased only marginally more than the Consumer Price Index (CPI) over the same period.

In January 2008, the new price determination allowed for price increases in Tasmania in response to Aurora Energy's increasing costs. This resulted in significant increases for all customers⁶⁹. The biggest contributors to the price change were a large jump in the third step of the light and power tariff and a doubling of the fixed charges under the hot water tariff. Price changes from 1 July 2009 can be attributed to tariffs moving from a declining

⁶³ State and territory economic regulatory authorities, as at August 2010, except for Victoria after 2007-08, where electricity prices were no longer regulated by a Victorian regulatory authority. These figures are sourced from cost comparison and electricity retailer websites. For further information go to www.auroraenergy.com.au

⁶⁴ Aurora Energy 2010, Report shows Tasmanian power prices among nation's lowest, , media release, Aurora Energy, Hobart, 10 September 2010, viewed 14 January 2011, <http://www.auroraenergy.com.au/news/default.asp?file=10-september-2010.txt>

⁶⁵ Australian Bureau of Statistics 2008, *Consumer Price Index, Sep 2008*, cat no 6401.0

⁶⁶ Australian Bureau of Statistics 2009, *Consumer Price Index, Sep 2009*, cat no 6401.0

⁶⁷ Australian Bureau of Statistics 2010, *Consumer Price Index, Sep 2010*, cat no 6401.0

⁶⁸ Australian Bureau of Statistics 2010, *Consumer Price Index, Sep 2010*, cat no 6401.0, Table 14

⁶⁹ Office of the Tasmanian Economic Regulator, January 2011, *Tasmanian Energy Supply Industry Performance Report 2009-10*, page 182

block tariff structure (where an increase in consumption corresponds with a decrease in the energy rate), to a flat tariff (where all consumption is charged at the same rate)⁷⁰. With the introduction of these new tariffs from 1 July 2009, residential customers experienced a 7.2% price rise⁷¹.

A further price increase of 6.0% occurred in July 2010, which the Tasmanian Economic Regulator approved due to significant increases in transmission costs⁷². This was followed by an 8.8% price rise from 1 December 2010.

Despite the ongoing price increases, power prices for residential customers in Tasmania have increased at a slower rate than experienced in the other states and territories, and remain among the lowest in Australia. It is difficult to make direct comparisons between prices in each state as there are a number of factors which should be taken into account. When comparing Tasmania to other states and territories these factors include:

- Mainland states are capacity constrained whereas Tasmania is energy constrained. This means that mainland states, particularly where thermal generation predominates, can offer cheaper off-peak rates than Aurora Energy.
- Due to the comparatively low off-peak rates offered by the mainland states, off-peak electric water heating is an economical option, whereas in Tasmania there is little difference between the off-peak or any-time hot water rate.
- Consumption patterns differ between states. Tasmania has limited availability of natural gas and colder weather places demand on heating.
- Tariff structures differ between states⁷³.

Based on the average consumption in each state and territory as at 23 January 2011, the average price range Tasmanian households pay for electricity was 20.9-22.8 c/kWh. South Australians paid the most, at 23.9-27.2 c/kWh, followed by Western Australia at 21.7-23.0, with Tasmania ranking third. The Australian Capital Territory prices were the lowest at 16.3 c/kWh⁷⁴.

In 2009-10, in terms of low pricing and high reliability, Tasmania ranked third for both in the cost rankings, with electricity prices improving from a ranking of fifth the previous year⁷⁵. Compared with other states and territories, Tasmania's electricity prices are in the mid range for customers with average consumption, while at higher consumption levels, prices are below the national average. However, this largely depends on the mix of tariffs that customers are on and how customers' usage is split between various tariffs, such as Hot Water and Light and Power tariffs. In states and territories with fully contestable retail

⁷⁰ Office of the Tasmanian Economic Regulator, January 2011, *Tasmanian Energy Supply Industry Performance Report 2009-10*, page 181

⁷¹ Aurora Energy 2010, *Aurora Annual Report 2009-10: Electricity Pricing in Tasmania*, page 20

⁷² This increase was as a result of the Economic Regulator's decision to allow the pass-through of previously approved network tariffs to customers. 'The key driver for increases in network charges is the significant increases in transmission costs, which have increased on average by around 27%'.

⁷³ Office of the Tasmanian Economic Regulator, January 2011, *Tasmanian Energy Supply Industry Performance Report 2009-10*, page 176

⁷⁴ Office of the Tasmanian Economic Regulator, Media Release 25 January 2011: *Comparison of 2011 Australian Standing Offer Energy Prices*,

⁷⁵ Office of the Tasmanian Economic Regulator, January 2011, *Tasmanian Energy Supply Industry Performance Report 2009-10*, Table 1.2, page 4

markets, customers may be able to take advantage of cheaper prices offered by competing retailers⁷⁶.

Electricity customers entitled to receive a concession pay prices in the low range of those available in Australia⁷⁷.

Aurora Energy Pay As You Go

Pre-payment meters were introduced to Tasmania as a trial in 1995, and have been available for general use since 1997. Tasmania is the only state in which their use is widespread, although there has been limited uptake in SA⁷⁸, and a number of remote communities in WA⁷⁹.

Aurora Energy Pay As You Go (APAYG) is a prepaid electricity service available to Tasmanians as an alternative to standard tariffs. It offers 'time of use' pricing⁸⁰ which allows APAYG customers to tailor their electricity consumption to cheaper times of the day and week and maintain greater control over their electricity costs. This pre-paid system has the potential to save money, but is dependent on how and when electricity is used – to fully benefit from the potential savings customers would need to be able to shift their pattern of use to cheaper timeslots which are very late at night and very early in the morning, not the peak times for power and water use.

As at 30 June 2010, 40 089 (17%) of residential customers were using APAYG. Pensioners and health care cardholders represented a higher proportion of the total number of customers using APAYG than those on standard tariffs.

The number of APAYG customers has decreased since the peak in January 2008 due to a number of reasons including price increases⁸¹.

In a 2009 Anglicare survey of emergency relief clients, almost half (45.7%) of the participants used Aurora Pay As You Go (APAYG). The survey found that while these participants were less likely to report difficulties in paying their electricity bills, they were more likely than participants using other payment methods to go without heating their home or have the electricity supply disconnected. Groups of participants most likely to be using APAYG included: households with two children (64.3%), people on Parenting Payment Single (59.6%), public housing tenants (57.5%), single parent households (56.8%), and people aged

⁷⁶ Office of the Tasmanian Economic Regulator, Media Release 25 January 2011: *Comparison of 2011 Australian Standing Offer Energy Prices*,

⁷⁷ Office of the Tasmanian Economic Regulator, January 2011: *Comparison of 2011 Australian Standing Offer Energy Prices, Executive Summary*

⁷⁸ There are relatively few pre-payment meters used on the mainland. At 30 June 2010, South Australia had 3 475 prepayment meters.

⁷⁹ Ross, s and Rintoul, 2006 , 'Pre-payment meter use in Tasmania: consumer view and issues': a research report carried out for the Tasmanian Council of Social Service by Urbis Keys Young, TasCOSS, Hobart, pages 1-2, [http://www.tascoss.org.au/Portals/0/Publications/TasCOSS per cent20PPM per cent20Research2006.pdf](http://www.tascoss.org.au/Portals/0/Publications/TasCOSS%20PPM%20Research2006.pdf)

⁸⁰ APAYG 'time of use' pricing is currently unavailable to residential customers on standard tariffs. Pricing is set in four time blocks during the day which varies between summer and winter, weekdays and weekends. This allows APAYG customers to shift their electricity usage in order to take advantage of cheaper rates.

⁸¹ Office of the Tasmanian Economic Regulator, January 2011, *Tasmanian Energy Supply Industry Performance Report 2009-10*, page 125

24 years and under (56.8%). Groups least likely to use APAYG were people renting privately⁸².

A 2006 TasCOSS-commissioned survey of APAYG customers found that 23% of customers had run out of electricity in the previous year. Single parent households (43%) and households where at least one person was unemployed (33%) were most at risk of running out of electricity⁸³. Of the 345 respondents who reported that they had run out of electricity, most (58%) had simply forgotten to recharge their APAYG card, but one in five (21%) had found it hard to find the money for household bills⁸⁴.

Comparisons between APAYG and standard tariffs are difficult to make as standard tariff customers are charged by consumption for each tariff per quarter while APAYG customers pay according to time of year and time of use⁸⁵. However, on average APAYG prices are higher than prices for standard tariffs. This is principally due to differences in average increases in network costs, the technological costs required to support pre-payment meters, and the costs associated with maintaining a point of sale agent network⁸⁶.

In July 2009 the Tasmanian Government guaranteed that APAYG price rises for concession holders would align with standard tariff increases, to ensure that low income households would not be further disadvantaged⁸⁷. APAYG rates increased 8.8% from 1 January 2011, which equates to approximately \$100 per year for low consumption customers and \$210 per year for high consumption customers. Standard regulated tariffs increased by 8.8% on 1 December 2010⁸⁸. Following the introduction of these higher power prices and a changed timed tariff structure for electricity charges, paying in advance using the pre-payment APAYG option is likely to prove more expensive than being billed quarterly. It is estimated that households could be paying up to \$8 a fortnight (or \$216 a year) more by continuing to use this pre-payment option than being charged standard tariffs by Aurora⁸⁹. However, pensioners and welfare recipients eligible for concessions are still likely to find APAYG a cheaper option⁹⁰.

While APAYG is a popular payment method for households on low income because it prevents customers being confronted with large quarterly power bills, other pre-payment options are available to standard tariff customers to help them manage bills. These include

⁸² Flanagan, K 2010, *Hard Times: Tasmanians in Financial Crisis*, Anglicare Tasmania, page 94

⁸³ Ross, s and Rintoul, 2006, 'Pre-payment meter use in Tasmania: consumer view and issues': a research report carried out for the Tasmanian Council of Social Service by Urbis Keys Young, TasCOSS, Hobart, page 3, [http://www.tascoss.org.au/Portals/0/Publications/TasCOSS per cent20PPM per cent20Research2006.pdf](http://www.tascoss.org.au/Portals/0/Publications/TasCOSS%20PPM%20Research2006.pdf)

⁸⁴ Ross, s and Rintoul, 2006, 'Pre-payment meter use in Tasmania: consumer view and issues': a research report carried out for the Tasmanian Council of Social Service by Urbis Keys Young, TasCOSS, Hobart, page 35, [http://www.tascoss.org.au/Portals/0/Publications/TasCOSS per cent20PPM per cent20Research2006.pdf](http://www.tascoss.org.au/Portals/0/Publications/TasCOSS%20PPM%20Research2006.pdf)

⁸⁵ For a full comparison refer Office of the Tasmanian Economic Regulator, January 2011, *Tasmanian Energy Supply Industry Performance Report 2009-10*, pages 183-185

⁸⁶ Office of the Tasmanian Economic Regulator, October 2010, *Annual Report 2009-10*, page 31

⁸⁷ Aurora Energy 2010, *Aurora Annual Report 2009-10: Customer Care and Billing System*, page 27

⁸⁸ Office of the Tasmanian Economic Regulator, December 2010, *2011 Aurora Pay As You Go price comparison report*, page 3

⁸⁹ Office of the Tasmanian Economic Regulator, December 2010, *2011 Aurora Pay As You Go price comparison report*, page 2

⁹⁰ Office of the Tasmanian Economic Regulator, December 2010, *2011 Aurora Pay As You Go price comparison report*, page 2

making regular direct debits from bank accounts⁹¹ or using Aurora Energy's direct debit, CentrePay⁹², EasyPay⁹³ or PrePay⁹⁴ options. TasCOSS believe these are better alternatives to APAYG, but they tend not to be as widely publicised⁹⁵. Whilst APAYG provides a safety net in the form of \$15 worth of emergency credit to ensure that a supply of electricity is still available to customers when credit is low or has been exhausted⁹⁶, it lacks flexibility beyond that. The Aurora Hardship policy applies to all residential customers⁹⁷. For APAYG customers, this means that if they are unable to recharge their meter, they will not have access to electricity unless supported by emergency relief services. Standard tariff customers, on the other hand, have the benefit of extended payment options, including payment plans. This 'provides the flexibility which is crucial to cash flow management in a financially constrained household', and allows them to remain connected to the power supply⁹⁸.

Concessions

Electricity concessions in Tasmania are the most highest in Australia after the NT⁹⁹. Aurora Energy has an agreement with the Tasmanian Government to provide a concession on residential electricity prices to pensioners and Health Care Card holders. In addition to this, a Hardship Policy was developed in conjunction with Anglicare, the Salvation Army and the Tasmanian Council of Social Service to assist those customers who struggle to pay their bills and risk disconnection.¹⁰⁰ As part of this, Aurora distributes funding to emergency relief providers to assist customers facing hardship due to electricity costs. The number of payments made under this program rose from 1 276 in 2008-09 to 2 226 in 2009-10. To cope with demand, funding was doubled in July 2009 and is now worth \$270 000 a year. In 2010-11 it is anticipated that funding will increase to \$286 400, in order to rise in proportion with expected increases in electricity prices. During the year, low income earners holding pensioner concession or health care cards benefited from \$23 million in bill concessions¹⁰¹.

In 2009, more than 74 000 Tasmanians were eligible for this concession. This amounted to about \$319 each a year for those in receipt of a Commonwealth Concession Card or Commonwealth Health Care Card. Of those eligible, more than 17,000 were APAYG

⁹¹ Payment is made automatically from a nominated bank account on the due date. As an added bonus, all customers who pay their electricity bill by Direct Debit using their savings or cheque account receive the Aurora Direct Debit Discount of \$5 (5.5c per day GST inclusive) off the total bill for a standard 91-day statement period.

⁹² Centrepay allows customers to have fortnightly deductions made from their income support payment, which are then deducted from their next electricity bill

⁹³ EasyPay allows customers to make regular, even payments, spreading the cost burden across the year and avoiding those big bills over winter.

⁹⁴ PrePay is a secure and convenient way to make advance payments against electricity charges.

⁹⁵ Flanagan, K 2010, *Hard Times: Tasmanians in Financial Crisis*, Anglicare Tasmania, page 100

⁹⁶ OTTER News, December 2010, page 2

⁹⁷ The Aurora Hardship Policy can be accessed at

http://www.auroraenergy.com.au/pdf/about_aurora/hardship_policy.pdf

⁹⁸ Flanagan, K 2010, *Hard Times: Tasmanians in Financial Crisis*, Anglicare Tasmania, page 100

⁹⁹ Aurora Energy 2010, *Power Pricing Clarification*, media release, Aurora Energy, Hobart, 23 June 2010, viewed 14 January 2011, <http://www.auroraenergy.com.au/news/default.asp?archive=yes&file=23-june-2010.txt>

¹⁰⁰ Aurora's Hardship policy can be accessed at http://www.auroraenergy.com.au/pdf/about_aurora/hardship_policy.pdf

¹⁰¹ Aurora Energy 2010, *Aurora Annual Report 2009-10: Hardship Policy*, page .39

customers¹⁰². As at 1 August 2010, one in three residential customers received a concession. Holders of a Tasmanian Pensioner Concession Card or Health Care Card received a rebate of 92.55 cents per day for the fixed charge component of Tariff 31¹⁰³. This equates to a concession of \$340 per annum, which is one of the most substantial concessions available in Australia. In addition, the Tasmanian State Government made a one-off payment of \$100 to customers eligible for a concession as at 1 September 2010¹⁰⁴.

In 2007-08, Tasmania had the highest proportion (34.1%) of households dependent on government allowances and benefits of all states and territories (compared with 23.2% nationally)¹⁰⁵. Eligibility for concessions is generally broader in Tasmania than in other states. Despite this, according to the 2009 Anglicare survey of emergency relief clients, take up rates are low. Only half (50.7%) of participants were in receipt of the State Government's electricity concession¹⁰⁶, although most would have been eligible. Of the people not receiving the concession, most (57.0%) said it was because they didn't know about it. Single parents and renters were the least likely to know about the electricity concession. Of those participants not receiving a concession because they didn't know about it, 70.4% were on Parenting Payment Single, 66.7% were single parents, 67.2% were renting privately, and 64.1% were public housing tenants¹⁰⁷.

Of all participants holding a Health Care Card, two-thirds (66.7%) did not receive an electricity concession, and of all participants holding a Pensioner Concession Card, 28.3% did not receive a concession. More than half (59.0%) of participants who had had their electricity disconnected in the previous year due to a shortage of money did not receive a concession¹⁰⁸.

Participants least likely to be in receipt of an electricity concession included: those aged 24 years and under (75.0%), those on Newstart Allowance (63.9%), men (61.6%), Aboriginal people (56.4%) and those aged 25-34 years (56.1%)¹⁰⁹.

Some participants using APAYG falsely believed that in using this payment method, they were not eligible for a concession¹¹⁰. Concessions are in fact available to all eligible customers no matter what payment method they choose.

A range of concession schemes are available across the states and territories. All provide a reduction in electricity charges for pensioners and other concession card holders:

¹⁰² Aurora Energy 2009, *Rates reduced for Aurora PAYG concession customers*, media release, Aurora Energy, Hobart, 26 July 2009, views 14 January 2011, <http://www.auroraenergy.com.au/news/default.asp?archive=yes&file=26-july-2009.txt>

¹⁰³ Tariff 31 refers to light and power charges.

¹⁰⁴ Office of the Tasmanian Economic Regulator, January 2011, *Tasmanian Energy Supply Industry Performance Report 2009-10*, p.179

¹⁰⁵ Australian Bureau of Statistics, 2009, *Household Income and Income Distribution, Australia 2007-08*, cat no 6523.0, Table 16

Data is also presented in Tasmania *Together* Indicator 1.1.2: Proportion of households where primary source of income is government pensions or allowances.

¹⁰⁶ Concession Card holders are entitled to an electricity concession if the electricity account is in their name.

¹⁰⁷ Flanagan, K 2010, *Hard Times: Tasmanians in Financial Crisis*, Anglicare Tasmania, pp104-105

¹⁰⁸ Flanagan, K 2010, *Hard Times: Tasmanians in Financial Crisis*, Anglicare Tasmania, pp104-105

¹⁰⁹ Flanagan, K 2010, *Hard Times: Tasmanians in Financial Crisis*, Anglicare Tasmania, pages 104-105

¹¹⁰ Flanagan, K 2010, *Hard Times: Tasmanians in Financial Crisis*, Anglicare Tasmania, page 105

Table A2.1: Summary of electricity concessions available by state¹¹¹

State	Concession available
NSW	\$112 per annum
Vic. ¹¹²	17.5 per cent off winter quarter bills (electricity all year round/gas May to November) 13 per cent off off-peak tariff consumption charges (all year round)
Qld	52 cents per day, maximum of \$190 per annum
SA	\$150 per annum
WA	Rebate on supply charge of 38.23 cents per day
Tas	92.55 cents per day, all year round \$100 one-off payment in September 2010
ACT	Summer rebate of 25.15 cents per day (November to May) Winter rebate of 92.2 cents per day (June to October) up to a maximum of \$194.87 per annum
NT	\$1.179 per day off the fixed charge, 4.7 c/kWh off consumption charges, all year round

Household Expenditure

In 2003-04, Tasmanian households spent approximately \$99 per week on housing¹¹³, which includes utilities (electricity, gas and other household fuels, water and sewerage), rents, house purchase, property rates and charges, house repairs and maintenance. This represented 13.0% of the total household expenditure on goods and services, up from 11.9% in 1998-99¹¹⁴.

Tasmanian households spent the highest proportion of their average weekly expenditure (3.7%) on domestic fuel and power of all states and territories. This was higher than the national average of 2.6%¹¹⁵.

¹¹¹ Office of the Tasmanian Economic Regulator, January 2011, *Tasmanian Energy Supply Industry Performance Report 2009-10*, Appendix 4

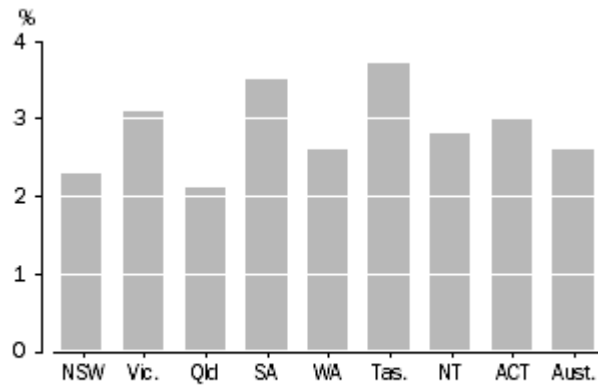
¹¹² Changes announced in a media announcement by the Victorian Premier, February 2011

¹¹³ For further details on CPI groups, see Australian Bureau of Statistics 2005, *A Guide to the Consumer Price Index, 15th Series, 2005, Appendix 1*, cat no 6440.0

¹¹⁴ Australian Bureau of Statistics 2006, *Household Expenditure Survey, Australia: Summary of Results, 2003-04*, cat no 6530.0, TAS Data Table 3

¹¹⁵ Australian Bureau of Statistics 2006, [Household Expenditure Survey, Australia: Detailed Expenditure Items, 2003-04](#), ABS cat. no. 6535.0.55.001, Table 5

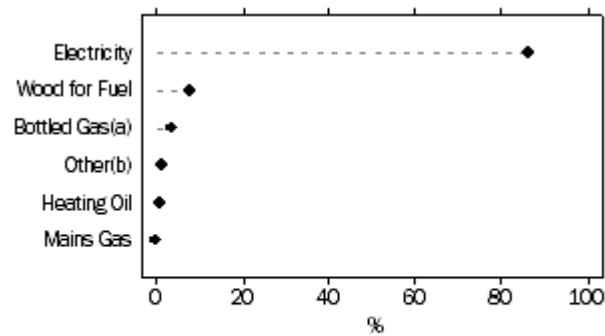
*DOMESTIC FUEL AND POWER,
Average weekly household expenditure, 2003-04*



Source: Household Expenditure Survey, Australia: (Detailed Expenditure Items, 2003-04 ABS cat. no. 6535.0.55.001)

Of the weekly household expenditure on domestic fuel and power, most was spent on electricity (86.2%), followed by wood for fuel (7.7%) and bottled gas (excluding for BBQs) (3.7%)¹¹⁶.

*DOMESTIC FUEL AND POWER,
Average weekly household expenditure, Tasmania, 2003-04*



(a) Excludes gas for BBQs

(b) Includes other domestic fuel and power, and bottled gas for BBQs

Source: Household Expenditure Survey, Australia: Detailed Expenditure Items, 2003-04 (ABS cat. no. 6535.0.55.001)

¹¹⁶ Australian Bureau of Statistics 2006, [Household Expenditure Survey, Australia: Detailed Expenditure Items, 2003-04](#), ABS cat. no. 6535.0.55.001, Table 5

Financial Stress

Despite the fact that electricity prices in Tasmania have been increasing at a slower rate than experienced in other states and territories, and despite the fact that prices remain relatively low compared to other states and territories, the impact of recent price rises has been keenly felt by consumers. Electricity and food are consistently the key cause of household financial crisis in Tasmania¹¹⁷. In 2009-10, only two-thirds (65.7%) of residential customers paid their account by the due date. Prompt payment decreased from 66.7% the previous year despite the introduction of a late payment fee, interest charges and a discount for payments via direct debit. Aurora Energy charged 84 980 residential customers a late payment fee in 2009-10 compared to 81 907 the previous year. The total amount of residential late fees in 2009-10 was \$428 351 compared to \$399 672 the previous year¹¹⁸.

The 2010 Household, Income and Labour Dynamics in Australia Survey (HILDA)¹¹⁹ found that up until 2006, the most commonly reported financial problem in Australia was the inability to pay utility bills on time. This was reported by 17.7% of respondents in 2001, 14.3% in 2003, 12.3% in 2005, 11.5% in 2006 and 11.2% in 2007. In 2007 this problem was overtaken by 'asking for financial help from friends or family', which had previously been the second most common problem. The survey noted that while levels of financial stress¹²⁰ appeared to fall substantially between 2001 and 2006, indications are that this decline was halted in 2007, with events since then suggesting the beginning of an upward trend¹²¹.

A 2009 Anglicare survey of clients of emergency relief services in Tasmania found that almost one-third (30.3%) of participants reported that the cost of electricity was a big problem for their household, with 18.4% citing the electricity bill as the main reason for needing assistance. Those people most likely to experience problems with electricity bills were people on a Disability Support Pension (40.4%), people with three or more children (45.8%) and couples with children (40.3%). Approximately one-third (31.1%) of respondents reported that they had an overdue electricity bill, while 67.9% had been unable to pay a utilities (electricity, gas or telephone) bill in the previous year. A shortage of money

¹¹⁷ Madden, Kelly, Anglicare, 2002: [Regional Incomes and the Cost of Living for Low Income Households: How does Tasmania Compare?](http://www.anglicare-tas.org.au/index.php?option=com_docman&task=cat_view&gid=58&Itemid=127) http://www.anglicare-tas.org.au/index.php?option=com_docman&task=cat_view&gid=58&Itemid=127

¹¹⁸ Office of the Tasmanian Economic Regulator, January 2011, *Tasmanian Energy Supply Industry Performance Report 2009-10*, page 128

¹¹⁹ Melbourne Institute of Applied Economic and Social Research, University of Melbourne, 2010, *Families, Incomes and Jobs Volume 5, 'A Statistical Report on Waves 1 to 7 of the Household, Income and Labour Dynamics of Australia Survey (HILDA)'*. This is a large-scale, nationally representative, longitudinal survey of Australian households, with information on labour force status and history, current and financial year income, wealth, family relationships, child care, health status, financial stress, housing, education, retirement intentions and work/family attitudes. The first wave of data was released in February 2003. The program for waves 9-12 is expected to run from July 2008 to June 2014.

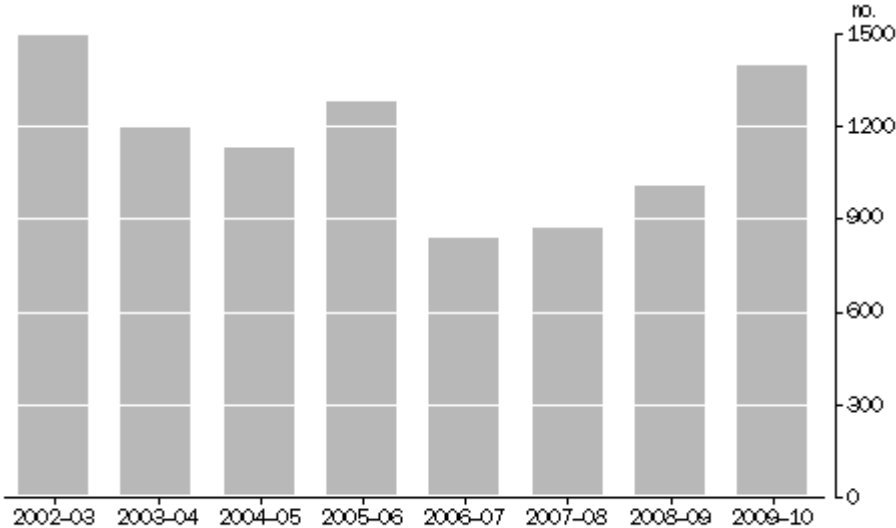
¹²⁰ Financial stress refers to an inability to meet basic financial commitments because of a shortage of money. Measures of financial stress therefore provide direct evidence on the adequacy of economic resources of individuals and households. The HILDA Survey obtains information from all respondents on inability to pay bills, having to dispose of possessions, going without meals, being unable to heat the home and obtaining material help from others, which facilitate the construction of measures of financial stress.

¹²¹ Melbourne Institute of Applied Economic and Social Research, University of Melbourne, 2010, *Families, Incomes and Jobs Volume 5, 'A Statistical Report on Waves 1 to 7 of the Household, Income and Labour Dynamics of Australia Survey (HILDA)'*, page 41

meant that 57.4% of respondents had been unable to heat their home in the previous year, and 28.3% had their electricity supply disconnected¹²².

In contrast to the rest of Australia, the rate of disconnection in Tasmania has been increasing over recent years, compared to decreases in other states and territories¹²³. In the 2009-10 financial year, 1 396 (0.62%) residential customers had their electricity supply disconnected. This was a 37.9% increase from the previous year when 1 012 (0.45%) residential customers were disconnected. Of those disconnected, 544 (38.9%) were concession holders and 218 (15.6%) had been disconnected more than once within a rolling 24 month period. In the last twelve months, the number of repeat disconnections increased 16.6%, from 187 at the end of June 2009 to 218 at the end of June 2010¹²⁴. Of the repeat disconnections, more than one-quarter (28.4%) were concession cardholders¹²⁵. Most disconnections tend to be related to inability to pay¹²⁶.

Residential Disconnections, Tasmania



Source: Office of the Tasmanian Economic Regulator, January 2011, *Tasmanian Energy Supply Industry Performance Report 2009-10*, Table 8.6

Customers utilising payment plans are at lower risk of being disconnected. At the end of 2009-10 there were 2 736 customers on payment plans. This was an increase of 24.9% from 2008-09, when 2 190 customers were on payment plans. Whilst the number of plans may have grown, customers have also been realising the benefits with overdue accounts

¹²² Flanagan, K 2010, *Hard Times: Tasmanians in Financial Crisis*, Anglicare Tasmania, pp97-98
¹²³ Office of the Tasmanian Economic Regulator, January 2011, *Tasmanian Energy Supply Industry Performance Report 2009-10*, page 129
 NOTE: When comparing rates, it should be noted that many mainland consumers have access to natural gas as an alternative fuel source. As such, their electricity accounts are comparatively smaller and therefore “more easily paid”. Aurora Energy accounts are generally whole-of-energy supply and therefore can be substantial. The Tasmanian climatic and environmental issues must also be taken into account. Further, average lower per capita income in Tasmania makes affordability more of an issue
¹²⁴ Office of the Tasmanian Economic Regulator, January 2011, *Tasmanian Energy Supply Industry Performance Report 2009-10*, page 130
¹²⁵ Office of the Tasmanian Economic Regulator, January 2011, *Tasmanian Energy Supply Industry Performance Report 2009-10*, page 129
¹²⁶ Office of the Tasmanian Economic Regulator, January 2008, *Tasmanian Energy Supply Industry Performance Report 2007-08*, page 131

gradually paid off and disconnection avoided. At the end of 2009-10, less payment plans were in arrears (39% of plans) compared with the previous year (47% of plans)¹²⁷. Anecdotal evidence suggests that the failure of payment plans may not necessarily be due to the customer's inability to repay debt. Rather, it may be due to their inability to simply pay for the electricity their household consumes¹²⁸.

Complaints

The Energy Ombudsmen received 414 new complaints during 2009-10. This was an increase of 36% from the previous year. Almost half (43.2%) of all complaints were in regard to billing. Most of the billing complaints related to estimated accounts¹²⁹ and high bills¹³⁰. Complaints regarding billing increased 30.9% from the previous year¹³¹.

Complaints regarding credit increased by 33.3% from the previous year and accounted for 17.4 percent of all complaint issues. The majority of complaints related to disconnections/restrictions and payment difficulties reflecting the increased number of energy customers under financial stress¹³².

Future pressures

Electricity prices in Tasmania have been flagged to rise by 32% over the next three years (2010-11 to 2012-13). Following a 6.0% rise from 1 July 2010 and a further 8.8% rise from 1 December 2010, an additional increase of 8.5% will take effect from 1 July 2011, followed by a further 8.7% from 1 July 2012, assuming an inflation rate of 2.5% for each of 2011-12 and 2012-13¹³³. Due to the concern expressed in responses to the Electricity Price Investigation Draft Report, that financial hardship may result from the proposed increases, Tasmania's Independent Economic Regulator has recommended a smoothing of price increases over this period, with increases of similar amounts expected. Despite this smoothing effect, price rises will continue to impact heavily on low income households and those already under considerable financial stress:

"Tasmanian households spend more on household electricity than other Australian households due to our cool climate and the limited availability of natural gas. Tasmanians also have the lowest average household income and spend a greater proportion of that income on domestic fuel and power than other Australians. A significant rise in the price of

¹²⁷ Office of the Tasmanian Economic Regulator, January 2011, *Tasmanian Energy Supply Industry Performance Report 2009-10*, page 131

¹²⁸ Flanagan, K 2010, *Hard Times: Tasmanians in Financial Crisis*, Anglicare Tasmania, page 95

¹²⁹ In 2009, Aurora Energy changed its policy regarding meter readers accessing properties with unrestrained dogs. Consequently, since October 2009, more accounts are based on estimates rather than actual meter reads.

¹³⁰ Aurora Energy explains that the higher bills were the result of higher than usual electricity usage brought on by the protracted wet winter of 2009.

¹³¹ Office of the Tasmanian Economic Regulator, January 2011, *Tasmanian Energy Supply Industry Performance Report 2009-10*, pages 151-152

¹³² Office of the Tasmanian Economic Regulator, January 2011, *Tasmanian Energy Supply Industry Performance Report 2009-10*, page 152

¹³³ Office of the Tasmanian Economic Regulator, October 2011, *Investigation of maximum prices for declared retail electrical services on mainland Tasmania: Final Report*, Table 13, p. XLII. See www.economicregulator.tas.gov.au

electricity could exacerbate the financial stress already experienced by many Tasmanian households"¹³⁴.

Power prices will continue to rise because of population growth, the replacement of old infrastructure, the federal government's policies to encourage renewable energy and the uncertainty about a carbon price. The impact of climate change is expected to worsen cost of living pressures as the imposition of a price on carbon, environmental pressures and other effects cause increases in the costs of electricity as well as food, water, health services and transport.¹³⁵

Rates and Charges, effective from 1 January 2011 ¹³⁶

Aurora Pay As You Go - Standard rates

Rates charged for electricity change depend on the time of year and time of use during the day.

Summer* rates and charges (Including GST)				
Time of Use		Type		
		Standard (cents/kWh)	OffPeak (cents/kWh)	Aurora Heating Discount (cents/kWh)
Monday – Friday	6.30 am – 11 am	23.70	23.70	23.22
	11 am – 4.30 pm	18.44	18.44	18.08
	4.30 pm – 10.30 pm	23.70	23.70	23.22
	10.30 pm – 6.30 am	10.75	10.75	10.52
Saturday – Sunday	6.30 am – 11 am	18.44	18.44	18.08
	11 am – 4.30 pm	18.44	18.44	18.08
	4.30 pm – 10.30 pm	18.44	18.44	18.08
	10.30 pm – 6.30 am	10.75	10.75	10.52
Daily standing charge		121.28 cents/day	124.81 cents/day	120.08 cents/day

Winter* rates and charges (Including GST)				
Time of Use		Type		
		Standard (cents/kWh)	OffPeak (cents/kWh)	Aurora Heating Discount (cents/kWh)
Monday – Friday	6.30 am – 11 am	23.74	23.74	19.43
	11 am – 4 pm	19.06	19.06	19.43

¹³⁴ TasCOSS submission (May 2010) to Draft Report: Investigation of Maximum Prices for Retail Tariffs on Mainland Tasmania 2009-2010 - Office of the Tasmanian Energy Regulator: 2010 Electricity Retail Price Investigation Draft Report http://www.economicregulator.tas.gov.au/domino/otter.nsf/8f46477f11c891c7ca256c4b001b41f2/2da6a8f97e8a7947ca2576f0001a639d?OpenDocument#Draft_per_cent20Report

¹³⁵ SGS Economics and Planning, 2008 *Social Impacts of Climate Change in the ACT - Final Report*, prepared for the ACT Chief Minister's Department, May 2008.

¹³⁶ Aurora Energy, *Rates and Charges (Tasmania)*, viewed 14 January 2011, <http://www.apayg.com.au/tasmania/rates-and-charges.asp>

	4 pm – 8pm	19.06	19.06	13.57
	8 pm – 6.30 am	15.06	13.91	13.57
Saturday – Sunday	6.30 am – 11 am	19.06	19.06	19.43
	11 am – 4 pm	19.06	19.06	19.43
	4 pm – 8 pm	19.06	19.06	13.57
	8 pm – 6.30 am	15.06	13.91	13.57
Daily standing charge		121.28 cents/day	124.81 cents/day	120.08 cents/day

* Seasons align with Tasmanian Eastern Daylight Time (daylight savings). Rates effective from 1 January 2011. Prices are inclusive of GST.

Fees (including GST)

- **Installation fee:** fee of \$77.53
- **Moving in/moving out fee:** this fee only applies if you are moving in or out of a residence that already has Aurora PAY AS YOU GO installed – \$30.00
- **Replacement Fee for lost or damaged Smart Card:** \$20.00
- **Removal fee:** \$77.53 (after 3 month trial period)
- **Deposit fee for accuracy test of meter:** \$98.49
- **Reconnection fee:** this fee only applies if you need to be reconnected due to illegal use or meter tampering - \$77.53

Aurora Pay As You Go - Concession rates

All customers with a concession card are entitled to concession rates. Note: concession customers do not pay a daily standing charge.

Summer* rates and charges (Including GST)				
Time of Use		Type		
		Standard (cents/kWh)	OffPeak (cents/kWh)	Aurora Heating Discount (cents/kWh)
Monday – Friday	6.30 am – 11 am	23.70	23.70	23.22
	11 am – 4.30 pm	18.44	18.44	18.08
	4.30 pm – 10.30 pm	23.70	23.70	23.22
	10.30 pm – 6.30 am	10.75	10.75	10.52
Saturday – Sunday	6.30 am – 11 am	18.44	18.44	18.08
	11 am – 4.30 pm	18.44	18.44	18.08
	4.30 pm – 10.30 pm	18.44	18.44	18.08
	10.30 pm – 6.30 am	10.75	10.75	10.52
Daily standing charge		0.00 cents/day	0.00 cents/day	0.00 cents/day

Winter* rates and charges (Including GST)				
Time of Use		Type		
		Standard (cents/kWh)	OffPeak (cents/kWh)	Aurora Heating Discount (cents/kWh)
Monday –	6.30 am – 11 am	23.74	23.74	19.43

Friday	11 am – 4 pm	19.06	19.06	19.43
	4 pm – 8pm	16.87	16.87	13.57
	8 pm – 6.30 am	13.57	11.41	13.57
Saturday – Sunday	6.30 am – 11 am	16.87	16.87	19.43
	11 am – 4 pm	16.87	16.87	19.43
	4 pm – 8 pm	16.87	16.87	13.57
	8 pm – 6.30 am	13.57	11.41	13.57
Daily standing charge		0.00 cents/day	0.00 cents/day	0.00 cents/day

* Seasons align with Tasmanian Eastern Daylight Time (daylight savings). Rates effective from 1 January 2011. Prices are inclusive of GST.

Fees (including GST)

- **Installation fee:** fee of \$77.53.
- **Moving in/moving out fee:** this fee only applies if you are moving in or out of a residence that already has Aurora PAY AS YOU GO installed – \$30.00
- **Replacement Fee for lost or damaged Smart Card:** \$20.00
- **Removal fee:** \$77.53 (after 3 month trial period).
- **Deposit fee for accuracy test of meter:** \$98.49
- **Reconnection fee:** this fee only applies if you need to be reconnected due to illegal use or meter tampering - \$77.53

Comparison with standard charges

The following rates apply to customers with standard metering billed quarterly. Find out more about [fortnightly cost comparisons](#)

	Type				
	Light & Power (cents/kWh)	Hot Water (cents/kWh)	HydroHeat (cents/kWh)	OffPeak (cents/kWh)	OffPeak - Afternoon Boost (cents/kWh)
Energy rate	22.648	13.659	13.659	10.357	10.997
Daily fixed charges	80.336	15.560	15.560	19.716	19.716

Appendix 5

PARLIAMENTARY COMMITTEE OR ALTERNATIVE PUBLIC MECHANISM

The logic of the Parliamentary Committee/public mechanism is:

1. Cost of living is a matter of great importance to Tasmania
2. Cost of living is a complex and contested issue but one where there is not a sensible policy discussion underway
3. The implications for the role of Government and its finances and public administration are potentially profound
4. These are rightfully matters that the Parliament should engage with to set the standard of public debate
5. The Social Inclusion Commissioner will provide support to the Committee.

POSSIBLE TERMS OF REFERENCE

1. Inquire into the establishment of an Essential Services Commissioner to:
 - a. develop a set of criteria for the assessment of pricing and policy changes of state government 'essential' goods and services on the cost of living for vulnerable Tasmanians;
 - b. to undertake those assessments prior to price increases; and
 - c. in the context of (a) and (b) to advise on appropriate pricing and other actions to mitigate cost of living pressures. Essential goods and services could include utilities, transport, health, education, housing and local government rates etc.
2. Establish parameters for a major Review of Concessions and Benefits in Tasmania to determine:
 - a. the adequacy of existing concessions and benefits in mitigating cost of living risk;
 - b. the adequacy of existing targeting in terms of distributional equity;
 - c. options for improved targeting; and
 - d. options for maintaining the real value of concessions relative to cost of living pressures for particular individuals, groups and places.
3. Examine the desirability and feasibility of introducing a 'smart value card' to:
 - a. pool concessional 'value' and enable increased choice and responsibility for clients; and
 - b. consolidate and streamline the administration of concessions in Tasmania.
4. Examine the current and potential role of Local Government in reducing cost of living pressures.
5. Advise on an appropriate Council of Australian Governments agenda for a national approach to cost of living, as appropriate.
6. Examine the extent to which policies associated with local employment, procurement, increased utility choice etc would improve cost of living.

Appendix 6

MINISTERIAL STATEMENT 2008 REVIEW OF CONCESSIONS,

Michael Aird, 3 September 2008

Madam President,

There are many ways by which a government works to help those most in need in our community.

Through its concessions program, the Government is directly able to assist those Tasmanians experiencing social disadvantage and also reduce the impacts of poverty.

Concessions enable better access to services and encourage participation in educational, social and recreational activities.

The Government's concessions program extends across a range of services including housing, transport, electricity, heating, education, licences, vehicles, health, parks and property and is worth more than \$330 million every year to eligible Tasmanians.

Madam President, it is important that the Government periodically review its concessions system to ensure that assistance is provided to those in the community who need it most.

Recently, the Department of Treasury and Finance, in consultation with the Department of Premier and Cabinet, completed a review of Tasmanian State Government Concessions.

A number of key community organisations provided input into the Review – including the Tasmanian Council of Social Service, Anglicare, Centacare and the Salvation Army – and I would like to take this opportunity to thank those organisations for their contribution.

The scope of the review was considerable, covering both the individual concessions provided in Tasmania and the overarching framework through which they are delivered.

The Review's recommendations are wide ranging – covering the development, promotion, delivery and monitoring of concessions, the eligibility criteria for concessions and specific recommendations for individual concessions. The recommendations arise from the application of five Guiding Principles established by the Review - efficiency, equity, simplicity, consistency and appropriateness.

The Review found that for the most part, the Tasmanian concessions system is working well and assistance is targeted at appropriate areas – such as housing, energy, health and transport.

Madam President, a key finding of the Review is the need for greater assistance through the concessions system for holders of a Health Care Card.

In the 2008-09 Budget the Government implemented the Review's recommendations to extend the Motor Vehicle Registration concessions, the Driver Licence Concession, the Pensioner Rates Remission and the Fire Service Contribution Concession to Health Care Card holders, effective from 1 July 2008. Previously, these concessions were only provided to Pensioner Concession Card holders.

The extension of these concessions means that up to 46 000 Health Care Card holders can now access additional concessions worth up to \$540 each year. That is an estimated \$20.7 million over four years back into the pockets of those Tasmanians most in need.

These concessions are in addition to the Government's decision to increase the Electricity Rebate for Health Care Card and Pensioner Concession Card-holders by 70% from 1 January 2008 worth almost \$10 million per annum.

Madam President, the Government has also already implemented another of the Review's recommendations. Following concerns raised by community groups in their submissions to the Review, the *2008-09 Tasmanian Government Concessions Guide* has been redesigned to make it easier to use and understand so that all Tasmanians are aware of their entitlements.

The Guide is an important tool for ensuring Tasmanians are connected to the information they need. It is available on the Department of Premier and Cabinet website and through a wide variety of outlets across the State including *Service Tasmania* shops, Centrelink and Local Government. The Guide has also been distributed to community organisations and service providers by the Government's Social Inclusion Unit.

Madam President, it was very important that these recommendations were implemented as soon as possible to enable eligible Tasmanians to take advantage of the new benefits at the earliest opportunity.

The Government has also accepted the following recommendations of the Review:

- Treasury to undertake a review of the State's concessions system every five years against the Guiding Principles to ensure that the level and targeting of concessions provided by the State Government remain appropriate for the Tasmanian community;
- all State Government agencies to identify and cost those services not currently included within the annual Concessions Guide that fit within the definition of a concession;
- DPAC and *Service Tasmania*, in consultation with other relevant agencies, to evaluate and identify opportunities for *Service Tasmania* to enhance its role in relation to the promotion and delivery of concessions on a cost effective basis;
- the current arrangements that link many Tasmanian Government concessions to the Pensioner Concession Card and Health Care Card be maintained, subject to any major changes by the Australian Government to eligibility criteria for these cards;
- the Department of Health and Human Services to report back to the Budget Sub-Committee by 31 December 2008 following a more detailed review of the Heating Allowance and potential alternatives options for providing heating assistance to those most in need. DHHS will also review the Funeral Allowance with regard to the sensitivity and flexibility of the application process for recipients;
- the Department of Education to report back to the Budget Sub-Committee by 31 December 2008 following a more detailed review of the range of concessions provided by TAFE Tasmania in light of the Tasmania *Tomorrow* reforms and the Guiding Principles of the Concessions Review; and
- all concessions should be set as a percentage discount, be indexed to maintain their real value, or otherwise periodically reviewed to ensure that the level of assistance remains appropriate.

I have asked that Treasury, in conjunction with relevant agencies, assist with the implementation of these recommendations during 2008-09.

Madam President, the Review also considered that a number of concessions did not meet the Guiding Principles and accordingly recommended that those particular concessions be abolished.

These concessions were the First Home Buyer Duty Concession, the Intergenerational Rural Transfers Exemption, the Recreational Game Licence Fee Concession, the Recreational Angling Licence Fee Concession and the Recreational Fishing Licence Fee Concession.

Madam President, following deliberation the Government has chosen not to adopt the recommendations to abolish these concessions and they will continue to remain available to eligible recipients in their current form.

Notwithstanding this, the Government has requested that the relevant agencies undertake an assessment of options to improve these concessions in accordance with the Guiding Principles of efficiency, equity, simplicity, consistency and appropriateness.

Agencies will report back to the Budget Sub-Committee by 31 December 2008.

A copy of the Review of Tasmanian State Government Concessions is publicly available on the Department of Treasury and Finance's website (www.treasury.tas.gov.au).

Madam President, I felt that it was important that I announce the detail of the Concessions Review in a statement to this House.

The support the Government provides in the form of concessions to those most in need in the community cannot be underestimated and the Government will continue to work to ensure that our concession system meets the expectations of our community.

Useful References on Cost of Living

The following indicative list identifies references that consider a range of policy issues and interventions to address cost of living issues, as well as appropriate links to the evidence base.

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