

PUBLIC

**THE HOUSE OF ASSEMBLY SELECT COMMITTEE ON THE COST OF LIVING
MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON
THURSDAY, 26 APRIL 2012**

INQUIRY INTO THE COST OF LIVING

Major GRAEME McCLYMONT, DIVISIONAL COMMANDER, AND **Ms NELL KUILENBURG**, DEVELOPMENT AND RESEARCH MANAGER, SALVATION ARMY, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Ms White) - Thank you both for coming before the committee today. Did you receive from the secretary of the committee an information pack detailing the processes of the committee?

Major McCLYMONT - We probably did but I can't recall having seen it because it would have been sent to Stuart, who is currently somewhere in Europe.

CHAIR - This is being recorded by Hansard and any evidence you provide to the committee will be covered by parliamentary privilege but should you repeat that to the media, who are here, or anyone outside the committee process, it will not be covered by parliamentary privilege. Is that clear?

Ms KUILENBURG - Yes.

CHAIR - Do you have an opening statement you'd like to make before we begin?

Major McCLYMONT - You have a document which was our submission to the committee, on the cost of living. I do not need to repeat any of that because it is available to you. So I would rather just go into the main business.

CHAIR - Thank you. Obviously one of the key terms of reference that we are investigating is the application of concessions and whether they can be distributed more equitably. In your submission you made some comments regarding that. You have touched on the fact that you feel that many of your clients are unaware that there are concessions they are entitled to. How do you think we can improve the communication of the concession system?

Major McCLYMONT - I think we made a number of recommendation there. Information is available but it is not coordinated, it is quite disparate. People and various departments and authorities are aware of bits and pieces of that so we are suggesting there's a need to consolidate that to make it freely and easily available to people. My impression is that Government tend to require people to find out what they need to find out to gain benefits rather than government organisations taking a proactive approach to people. I think that we would be wanting two things - for a more proactive approach to be taken to people to enable them to find the information, and for that information to be available where these people are, instead of having to stumble into a government department and find out how

PUBLIC

things are. This is, of course, both a Commonwealth and State issue and my sense of things is that it is even more difficult to find out State provisions or concessions than it is Commonwealth concessions.

Personally, when I turned 60 years of age I thought I could be eligible for some State concessions and it took me quite a while to discover, going through the Internet and I am a reasonably competent person, that in fact I was not entitled to too much at all and I continue to work 70 or 80 hours a week. So it was a bit bad.

Mr STURGES - Is that all? What do you do in your spare time?

Laughter.

Major McClymont - I found that access to the information was quite difficult. Where do all the people go? Where do they congregate? That is where the information needs to be provided and we need to ensure that they get it.

Ms Kuilenburg - One of the biggest issues that we have discovered in doing some research around literacy and numeracy is that a lot of the people that we are talking about find it really difficult to understand the very formal forms that they have to fill out. In fact, they do not go and fill out the forms because they do not know how to fill them out. We are running a literacy project. Sometimes when I read some of those forms, when they use language that is not your everyday language, it is quite challenging. So I think the literacy levels of the people that we are talking about is a problem.

Ms Petrusma - I was very interested in your case study on Doorways on page 4 of the submission. Do you have any estimates of how many people have been through your Doorways program?

Major McClymont - We have included some statistics in here. They do not primarily relate to the Doorways case study because Doorways is a new process where the Salvation Army are attempting to build capacity rather than just deal with immediate issues. My sense of things is that some people are aware that we are doing that and perhaps slightly less people are coming to us now because we are probably a bit more demanding in the long term about what it is that they're hoping to provide for people. Often people will come and they want a handout.

Ms Petrusma - So you're trying to give them a hand up.

Major McClymont - Yes, that's the current rhetoric, as I understand it, but it does make some sense to me. I would much prefer to build capacity. For many, many years the Salvation Army has been involved in providing handouts rather than attempting to develop competency in people. In the last two or three years we've realised that we must change the model that we provide of our provision quite significantly, and we've done that. We almost triage people coming in. We should assess people very clearly as to whether they're in a situational crisis, whether they are in a phase crisis or whether they are in a state crisis. There are phases when people move from one phase of life to another. They might move from being employed to being an aged pensioner. They might move into unemployment, there may be a death in the family - these are the kinds of things that severely impact upon people and it takes them a little longer to get over

PUBLIC

that than a situational crisis. We believe that people in situational crises should be helped and given the kind of significant support that will enable them not to spiral down. It may well be that you're better off providing \$800 or \$1 500 to help them get through a situation than just the usual \$100 handout plus a bag of food.

The state crisis is the most difficult to deal with. Those are people who are almost experiencing a generational dysfunction. To work with them, we believe, requires quite long-term case management and a variety of properly assessed supports. We are finding that when we do that we can be quite successful.

Ms PETRUSMA - What do you mean by 'generational dysfunction'?

Major McCLYMONT - The lifestyle of one generation is perpetuated - third-generation unemployment and that kind of thing. There is abuse along with that as well.

Ms PETRUSMA - Just on Doorways, I note you say you would like to engage the State Government as a partner for further expansion of the Doorways. What are you seeking there? Obviously financial support, but anything else?

Major McCLYMONT - I think financial counselling is quite critical for all those groups of people I've mentioned. It can help people deal with a situational crisis more effectively. For those who are in state crisis, they really need long-term case management with some supervision, adequate assessment, integration into the community. There are quite a range of things that need to be carefully assessed and delivered intentionally. That takes a long time. It's not the kind of thing that State governments or governments of any ilk throughout the land, be they Commonwealth or State, really want to get into. I am speaking here from some years of experience, about 36 I think. Mostly governments over that period of time have been into fast fixes, and you're talking about a group of people for whom there is no fast fix.

Mr STURGES - I don't want to verbal you so if you don't feel comfortable answering this question, please feel free to say so. If after our work we are undertaking now we come to a conclusion that it might be better, rather than increasing the concession level we have at the moment - assuming there is the money available, so we must make all those assumptions - we should create a pool of money for organisations such as your own to provide that level of financial counselling, guidance and support for people who are eligible for concessions because the message I am hearing from you, and I have heard from other witnesses this morning, is that perhaps that support mechanism isn't there, that we are in this sort of quick-fix mode of 'we've handed out a few dollars, it's no longer our problem.' Would you see that there would be benefit in us giving some consideration to that?

Major McCLYMONT - I think you need to address the problems that I've expressed at each level differently. The Premier recently talked about releasing \$5 million and how that \$5 million would best be spent and I expressed a view that the \$5 million would best be spent in preventing people who are in situational crisis from falling down into the net. It's a pool of money that's there for a short period of time and it's not a huge pool of money so you need to do the best you possibly can do with that. Therefore I think some kind of preventative approach was appropriate for that. A pool of money that is available for people who are experiencing generational dysfunction needs to be there for

PUBLIC

a long period of time. It's going to go from a three-year term, maybe, but a five-year term would be better and so governments have increasingly found it difficult to put away a pool of money or to provide for that particular pool of money for the time that it's necessary.

Ms PETRUSMA - How many families would you say you come across who are in generational dysfunction? Are there a few hundred in the State you work with or more?

Major McCLYMONT - I'd have thought it was a big higher than that, wouldn't you, Nell?

Ms KUILENBURG - Yes, definitely. Counting children it would be thousands for sure.

Ms PETRUSMA - In thousands of families you would see this problem.

Major McCLYMONT - Can I give you just a couple of insights that have come across my desk in recent days. Rhonda McIntyre, who as some of you will know has just gone up to Sydney, mentioned to me that kids in East Devonport had been identified by a number of medical practitioners there as suffering from scurvy. That is outrageous.

Ms PETRUSMA - So they're not getting vitamin C. It's because they're eating a diet with no fruit and vegetables and everything else to get the vitamin C they need to prevent scurvy.

Major McCLYMONT - That's an aspect of generational poverty that I'm talking about. That's the face of it. When you delve into it that's what you discover. Our corps officer in Burnie was talking to me at the weekend. We provide a breakfast program at one of the high schools to 120 kids on a Thursday morning. She said there's one little kid there, about 12 or 13 who the teacher said was an absolute terror and yesterday they couldn't manage him at all. So Jude, who has a good relationship with this little guy, went up to the teachers and said, 'What's going on?' When she talked to the kid he said, 'I didn't have anything to eat yesterday, I didn't have any breakfast and that's why I had trouble at school yesterday.' She said every Thursday morning he comes up and she fills his bag with all the food that's left over. He takes it home where he is basically the main carer for a family of 10 kids and mum is hopelessly addicted to alcohol, and not able to look after her kids.

Ms PETRUSMA - How old is he?

Major McCLYMONT - He's 13. The problem for us in that is that if we bring all of this to the notice of the authorities -

Ms PETRUSMA - Child protection.

MAJOR McCLYMONT - he'd be put in child protection and so would those kids be, and the people in Shorewell wouldn't talk to us. We'd lose our connectedness with our community. So it is not as easy as the law would seem to suggest. Those are the faces of generational poverty and to work with families like that, the best goal that you can have is to ensure that the next generation doesn't go through what the previous generation went through.

PUBLIC

Ms KUILENBURG - Just yesterday I was looking at the SEIFA indexes of the various places and I was actually looking at Devonport as an area, and the worst cases were in the areas I expected, but Devonport was in amongst it and I got a real shock because you drive through Devonport and it looks fairly nice. You don't think that that's there. It is the same as New Norfolk and Bridgewater -

Ms PETRUSMA - It's mainly the East Devonport side. If you doorknock Devonport compared to East Devonport it's markedly different.

Ms KUILENBURG - If you look at the numbers, the numbers are actually quite disturbing. I was shocked, really, that Devonport fell into that.

Major McCLYMONT - In answer to your original question, I think the numbers may be up in the thousands rather than the hundreds but I think that they are also in identifiable areas as well.

Mr MORRIS - So there is a strong geographic connection.

Major McCLYMONT - Yes.

Mr MORRIS - So this is clearly the public housing connection, is it? That even if they are not in public housing, there is an attraction to the areas where there are large groups in public housing.

Ms KUILENBURG - Well it is about affordable rent too. They are in those places where they can afford the rent.

Mr MORRIS - That is right. So even if you have got private housing, it is either cheaper to buy or cheaper to rent if you are in those similar areas.

Major McCLYMONT - There is definitely an association with it, but my impression is that when you go down through New Norfolk and beyond that also into the Derwent Valley, you are encountering a different kind of thing altogether. There is a sort of disconnectedness from communities and we are working through it quite hard down there in the communities.

Mr STURGES - Can I go down another burrow but I think it is relevant to the conversation we are having. Just in relation to the effectiveness of the current concession system - and let us put aside any administrative hurdles that might be there - what is your opinion in relation to bundling the concessions that people may be eligible for? So rather than getting dribs and drabs, how it is administered and how it is provided, I have got to say I am not sure given the work that we have undertaken thus far it is far more complex than I initially thought. There are a couple of reasons I ask the question.

We have been advised that there a number of people in our community that are eligible and I think you have verified that just a minute ago; they are not sure what they are eligible for so therefore they are not getting it. There are those that are saying 'we don't have a car so therefore we may well be eligible for registration concession but not having a car we do not get it. We don't want a fishing licence. We do not want a hunting

PUBLIC

licence.' Given the fact that you are suggesting that concession data is collected by a central agency, I would just throw to you if we bundled, and we can find -

Ms KUILENBURG - So you could get bus vouchers if you didn't use the car.

Mr STURGES - If we bundle and, again, I am being very simplistic, just make it an amount of money to be used for services - certainly not for the procurement of alcohol or cigarettes or whatever. Again, we have not worked through the administrative process but it is something that I am keen to explore and wonder what you think.

Major McClymont - We are talking about smart cards in here. Smart cards are used by relatively smart people. I am not sure that, for example, older people's smart cards are a way to go and when it comes to bundling I think that there might be a set of core types of services that could be bundled but then there may be a range of others, some of which you have mentioned here, which probably should not come into that group. Transport is an obvious one. Some come in with housing and rental support, rates, electricity, water, all of that kind of stuff. They are central and basic to life and I would be happy to see that kind of thing bundled together in a simple way that particularly older people could use. I think younger people are generally reasonably confident with all of that type of stuff.

Ms KUILENBURG - Transport does come up as a major issue. The Salvation Army have what is called a Communities for Children program which covers all of the south-east of Tasmania, which is the municipalities of Brighton and Central Highlands, Southern Midlands and Brighton. Lack of transport, that is, people not being able to get to places to either visit a dentist or medical care, is the big thing that constantly comes up as an issue. I think the simplest way would be to have free community buses coming over to those areas so that people at least know on certain days they can get on a bus and it is not going to cost anything. We run family days for children and occasionally hire big buses and go into Hobart and there are kids that live in the Derwent Valley, they are four years old and they have never been into Hobart before. That, to us, just seems absolutely bizarre. It is like a half-hour car trip and yet these kids have never - let alone the issues around getting to a dentist or very serious health needs.

CHAIR - I guess, too, it is the affordability and the availability of services and we have heard evidence that the provision of universal services to assist people in the first instance so you are building connectiveness with the communities' capacity and then there are the tailored programs that your organisation might provide to target particular cohorts. Do you think that there is a requirement for more universal services to be available to assist people dealing with cost-of-living pressures?

Major KUILENBURG - It is a really hard question. The Cars for Communities program that the State Government ran up until last year I think was fantastic. In New Norfolk the Salvation Army bought a bus with that and was able to offer free transport for all different kinds of things and I think that is great but I think if people can afford to pay then it needs to be free for concession holders only. I think there need to be some criteria so that people who can afford to pay will pay. That is just my -

Major McClymont - I personally think the issue of transport becomes quite critical. When we were talking about fines and - what was it a little bit later on?

PUBLIC

Ms PETRUSMA - Fines are in there at the end of page 7.

Major McClymont - Yes, the enforcement of monetary penalties I can quickly associate that with the provision of transport where in the past I have had to represent people in court who had been fined for not having a licence and they live on the fringe and there is no transport out of there so next time around they are looking around the corner to see if there is anybody there and they will get into their car because they have to wait two hours or there is no bus service until the next day and they get picked up for driving without a registered vehicle yet again, so the fine grows up and you represent them in court and the magistrate would say, 'This is the system,' and on and on that kind of things goes and the person who is poor becomes a criminal overnight when that process proceeds. Universal transport and transport that perhaps costs is absolutely vital in parts of Tasmania where people really do struggle to get from one place to another place.

Ms PETRUSMA - Just on fines, you have in here increased use of specialist and problem-solving courts, models such as Victoria's drug courts and Koori courts, to name a couple. Do you have any information on hand to explain those to the committee?

Major McClymont - They are mostly diversionary kinds of activities that part of and at the court's disposition so the court has the - the press knew[?2.28.09] I think there are some cases where the police have the capacity to direct people towards those kinds of activities prior to getting to court, which I think is a reasonably wise approach because it reduces the widening effect that happens in the situations.

Ms Kuilenburg - It stops them getting a criminal record.

Major McClymont - Wherever we are able to look at alternatives to custody, alternatives to court and alternatives to the legal system we are very, very much in favour of that.

Mr Sturges - If I may, and I am trying to get as many points on record as I can, you have made reference to the affordability of electricity and you have talked about the concept of a lifeline tariff. Could you just expand on that, please? It is on page 7 of your submission, in the recommendations.

Major McClymont - I actually didn't put this thing together. Stuart had this put together.

Mr Sturges - He has a propensity to do that, hasn't he, and then shoot through. I work with him.

Ms PETRUSMA - Anglicare did a lot of work on there.

Mr Sturges - Yes, but I just would not mind hearing what the Salvos have to say.

Major McClymont - I have a view that there should be some kind of baseline that people should pay and if they can have some level of provision, and it may not be that they can operate with, I don't know, 5 kilowatts per hour, they may have to operate with lower levels of electricity. You can't cut people's water supply off and I know that in some States they reduce the water flow. I am not sure that I am all that enthusiastic about that. I think reducing people's water flow is almost impacting on their human rights. I think

PUBLIC

people have a right to some basic provision and it needs to be provided. We would be very much opposed to any restrictions of water. I think the thing that really concerns us about electricity is that people who use the pay-as-you-go system generally pay more than anybody else, and that seems to us to be quite inequitable and it needs to be addressed immediately.

Mr MORRIS - In theory that should be at least not more expensive.

Major McCLYMONT - Absolutely.

Mr STURGES - Because they don't read the meter, do they?

Mr MORRIS - No.

Ms KUILENBURG - Perhaps it should be less because they're getting the interest on the money. They wait for our money for three months but they are getting interest on the pay-as-you-go users.

Mr STURGES - On that, have you any knowledge of - and I am talking about the Aurora pay-as-you-go system now - any clients that you deal with that have problem accessing topping up their cards? I raise it on the basis that I have had representation since I have returned to Parliament from constituents who are saying, 'We don't have a car. We are elderly and can't easily access topping up our pay-as-you-go card'. Are you hearing that?

Major McCLYMONT - A lot of those people, to some extent, their mobility is reduced so getting out is difficult for them anyway.

Mr STURGES - I am also getting it from young mums who are saying, 'We can't get down to the local shopping centre'.

Major McCLYMONT - If they don't have transport available to them and they don't have a car -

Mr STURGES - But it's not a big issue?

Major McCLYMONT - I am not sure, I would need to take that on notice and follow it up with our services to gain their impression.

Mr STURGES - Maybe if it is, you might let us know.

Major McCLYMONT - Yes, we can do that.

CHAIR - With respect to electricity again, the Salvation Army provides emergency relief on behalf of Aurora and you have a range of outlets where you do that. I am curious because there are particular communities - Bridgewater-Gagebrook is one of them - where Salvation Army doesn't have a presence, so for members of that community to try to access emergency relief can be quite difficult because they don't know where to go.

Ms KUILENBURG - UnitingCare, I think.

PUBLIC

CHAIR - It is UnitingCare, but for people to find that out can be very hard if it's not on your website or Aurora's website. Are you aware of that? Are you looking to improve the way you communicate that?

Major McClymont - It was my understanding that we were providing those resources through agencies through UnitingCare out there.

CHAIR - That's right, but if you don't know that, how do you find it? It's difficult to identify the physical locations where people can go without feeling that they're denigrated because they have to ask a range of people to identify where they can access emergency assistance.

Ms Kuilenburg - That's something we can look at.

Major McClymont - I am quite happy to include that information on our website - a link to places where support can be accessed.

CHAIR - Thank you, and I have asked Aurora if they could look at doing the same. That would be very helpful to make it a bit easier for people to get help when they need it.

Thank you both very much for your attendance today. If we have any further questions, we will be back in touch with you.

THE WITNESSES WITHDREW.

PUBLIC

Ms JO FLANAGAN, MANAGER, SOCIAL ACTION AND RESEARCH CENTRE, ANGLICARE, AND **Ms ANITA PRYOR**, RESEARCH AND POLICY OFFICER, SOCIAL ACTION AND RESEARCH CENTRE, ANGLICARE, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR - Thank you both for your attendance today. I will just check that you received from the secretary a document outlining the procedures of the committee and to remind you that it is recorded by Hansard and you are protected by parliamentary privilege whilst you are here but anything you do say outside will not be protected.

Thank you for your very comprehensive submission. Would you like to make an opening statement before we begin?

Ms FLANAGAN - Yes, I will make an opening statement then Anita will speak to the submission and then we wanted to tender some extra evidence that has emerged since the submission date. So if I could table these documents. I will explain them all as I go.

CHAIR - Okay.

Ms FLANAGAN - Thank you very much for having us and for your concern in this issue. I will speak a little bit about Anglicare but I am aware you are already familiar with us. I wanted to say that we do work around the State in a whole range of service delivery areas. It is difficult to quantify the number of Tasmanians using our services, but the fact that we have around 1 000 staff working mainly in coalface positions around the State, suggests the volume of the work that we do.

We have been drawn into discussions about cost-of-living pressures because of our commitment to working with people in hardship, and that includes financial hardship. We can see the cost-of-living pressures happen because of market pressures but it inevitably falls to government to address these market failures. We would argue that with regard to some essential goods and services, we are facing a situation of market failure here in Tasmania. Poor Tasmanians are excluded from key markets and they risk exclusion from others, and we are arguing that in the area of essential goods and services - and we would include housing in that definition - addressing cost-of-living pressures is central to the role and task of government.

Obviously, some of the most important responses to these issues lie with the Australian Government and we believe that reform of the income support system is absolutely critical to addressing these problems, and that is both through increasing the amount of money that people are given to live on and looking at the marginal tax rates that people have to pay on any casual earnings that they have while they are dependent on income support payments because at the moment it makes the transition into casual work or part-time work almost cost-neutral. It does not give them any financial benefits.

CHAIR - Sorry to interrupt. Do you think the raising of the tax-free threshold will change things there at all?

PUBLIC

Ms FLANAGAN - I have not seen any modelling on that. I am aware that it is a complex area and if the modelling is not correct you can create new poverty traps. So it would be interesting to see some analysis.

CHAIR - Okay.

Ms FLANAGAN - Having said that about the Australian Government, we are looking for leadership from the Tasmanian Parliament and I think, most importantly and this reflects on the conversation we heard you having with the previous witnesses, we think that the particular conditions in Tasmania, where we now have long-standing and high rates of disadvantage, call for these structural responses. We heard you having some discussion about short-term responses as opposed to these longer term responses and we would agree with what you have obviously heard before, that increasing funding allocations to emergency relief, important as it is, is only a bandaid response.

Anita is now going to draw out some other key points from the submission.

Ms PRYOR - To highlight a few areas of the submission - as you know, cost-of-living pressures are influenced by a combination of social, cultural, economic and environmental factors and a lot of this is outside of the Government's control. From research and from service delivery, we think the key issues for Tasmanians on low incomes include lack of affordable housing, expensive electricity, poor public transport, lack of access to nutritious food, and consumer protection issues, and we see that some of these are within the Government's control. So we are looking for leadership in those areas.

We did not highlight it much in the submission, but Jo has made the point and I want to make it again, that we think housing is such a key issue that it is almost a missing term of reference in the current inquiry. We think that such high numbers of Tasmanians are in receipt of government pensions and allowances, and such high numbers are low paid or underpaid, or have insecure employment, that we have higher cost-of-living pressures than other regions. Because of this widescale pressure, we think structural solutions are needed and we prefer the idea of structural costing that makes these essentials affordable for people, not just at the pension and allowance level, but those on low incomes.

Rather than focusing on handing out more concessions, streamlining concessions, offering more emergency relief or vouchers or food parcels, we're in favour of developing sustainable, affordable cost structures for all essential services. For us this means development of social tariffs and lifeline tariffs for essentials like electricity, water, sewerage, transport and telecommunications. We're looking for whole-of-population cost structures, and basic goods and services shouldn't need to be handed out as emergency relief for such high numbers of people.

Electricity - we think it's not okay that people are being forced into the welfare system to get assistance with electricity; there is something seriously wrong when that has to happen. We need community discussion about what is affordable and what adequate service is. We want the Tasmanian Government to support economic modelling to help develop cost structures that are affordable for all Tasmanians. We want community service obligations that oblige government business enterprises to meet affordability outcomes. We would like to see a review of community service obligations for

PUBLIC

government business enterprises, including Aurora. Like the previous witnesses, we have concerns about the popularity of pay-as-you-go meters for people on low incomes. We think the meters mask hardship and we think that concessions are embedded. We think these need to come under the Economic Regulator to ensure consumer protection.

Whilst we're looking for structural solutions, concessions are important in the interim. They're essential for electricity, water, sewerage, transport and telecommunications. We have found that concessions need to be better advertised and help must be provided for people on low incomes to ensure they gain access to eligible concessions and maximise the use of their limited income. At the moment this seems to be no-one's responsibility. It's left to the hands of financial counsellors at crisis point rather than proactive help.

Until affordable water cost structures are in place, water concessions are essential and need to be reviewed. We agree with the Tasmanian Council of Social Service that water concessions need to be set as a percentage of the bill rather than a standard rate until the target tariff is reached.

Just a short note on penalties. We note that a lot of people on low incomes accrue fines they cannot pay which are sometimes followed by extra financial penalties they still cannot pay. This is a problem. We're interested in the ideas and issues canvassed by the Law Reform Institute. We support exploration of a day-fine system as used in some European countries, where penalties and fees are rated according to the severity on a unit scale and people are fined according to their annual income. This means that people on different income levels experience comparable economic penalty for the same offence.

Contestability - from our research, increased contestability improves options and choices for people on moderate and high incomes but doesn't help people on low incomes. People on low incomes need clear, accountable community service obligations to improve their choices and options and of course these community service obligations need to be backed up by adequate funding of government business enterprises.

In conclusion, in order to reduce cost-of-living pressures for Tasmanians the Government needs to cross sectorial and ministerial portfolios. Without a cost of living unit - which might be good - the Social Inclusion Unit has been crucial and a critical means of creating a whole-of-government response to reducing cost-of-living pressures, which we see as core government business. From our view, the community service obligations of government business enterprises and the amount of funding provided to these enterprises needs to be examined with a view to ensuring that affordable essential goods and services are provided for all Tasmanians. We think cost structures for essential goods and services must ensure adequate access to a minimum for all, with profit strategies ideally based on an inclining scale of capacity to pay. So the profit-making strategies reflects people's capacity to pay and cannot exclude people access to the essentials.

We would suggest and support continuation of the Social Inclusion Unit, a useful and cost-effective means of addressing cost-of-living pressures as a core government business. We see a possible future role of the Social Inclusion Unit in mapping critical investment in specific geographical areas and in identifying whole-of-community effects of government budget cuts, which includes how multiple funding cuts will affect certain subsections of the Tasmanian community in multiple ways, with multiple impacts happening for some communities.

PUBLIC

We are looking for Tasmanian-specific solutions that match our social, cultural, economic and environmental contexts. We see these actions as supporting structural change towards a more affordable cost of living for Tasmanians. When we get these things right, we think that concessions, vouchers, food parcels and emergency relief measures will be redundant and that basic minimum access to essential goods and services will be affordable for all.

Ms PETRUSMA - Do you want to talk to those now, because I am conscious that we might look at your submission anyway.

Ms FLANAGAN - The first one is this cost of essentials benchmark. This is a piece of work that we do for the Tasmania Together Progress Board each October and we have been doing it since 2001. We look at the cost of living for low income earners using two case studies. This year we expanded it to Scottsdale and Burnie. We have always done it in Hobart but we expanded it to get a broader look at regional and rural pressures. We also expanded the kind of houses that people live in, recognising that housing costs are such a big issue.

The key findings of interest to you would be that we found that people on the lowest incomes are paying up to 95 per cent of their income on a very modest basket of essentials. The point that we would make is that no amount of financial advice can massage that situation. You will see that the key information is in these two tables. Just to summarise them, housing costs are driving a lot of the pressure on household budgets. Where this is addressed through the provision of public housing, which is providing affordable housing for people, problems with poor access to infrastructure or high food costs can drive cost-of-living pressures back up, but the effect of lower housing costs remains beneficial.

You will see that buying your own home is now effectively beyond the reach of people dependent on the lowest incomes because over 100 per cent of their income is going on essentials. If you look at these tables, I know they are going upwards but they actually provide a hopeful picture in the long term, because they show the impact of government policy decisions. The continuous upward trend you see has been affected at different points and that has been because of increases to income support payment and/or family tax benefits by both the Howard and Rudd governments and the relief provided through the concession system by the Tasmanian Labor Government. Two examples in the period in which I have been involved in the collection of this data that had a big impact were the extension of the electricity concession to health care card holders, first for the two winter quarters and then for the whole year, and the second one was the provision of free school bus travel to the children of concession card holders. The other thing that has a big impact is the provision of public housing for those lucky enough to get it.

Tasmania Together, which was a community consultation process, set the goal of 62.5 per cent of income on essentials for these lowest-income households by 20 per cent and they hope to see it then continue to decline in measures after that until 2020. Our data shows that families living in public housing in Hobart and Burnie are spending less than the Tasmania Together goal of 62 per cent. That is not to say that they are not in crisis, that was just the goal of a trend. For them, that goal has been reached, and that is because they have more affordable housing, access to infrastructure in the form of public

PUBLIC

transport and access to affordable food. So I guess that is just a message of hope to people who work in government and in parliament that you can make an effective intervention.

Ms PETRUSMA - Jo, I see your two comparisons there for a low-income couple with two children. Have you done statistics on a low-income single parent with two children? Does that go above the 95 per cent or drop below?

Ms FLANAGAN - No, we chose those two case studies in 2001 and they are the ones that we have followed through, but we are now able to plug different kinds of housing data in and look at what their situation would be in public housing or the private rental market, and now we have Scottsdale and Burnie and we are able to see, for example, the high cost of food in Scottsdale, surprisingly.

Ms PETRUSMA - And they are surrounded by farms.

Ms FLANAGAN - Yes, by farmland. The message for decision-makers is the importance of investment in a concession system even though it is a short-term solution, and the importance of investment in public infrastructure such as public transport and public housing as a longer-term response, and to take heart from the evidence of the effect of these investments.

The next document I would like to refer you to is the Anglicare Tasmania annual rent survey which we have been doing for the last five years. We did this two weeks ago on the weekend of 14 April. We surveyed 2 620 properties and we estimate that is around 90 per cent of the properties available on the private rental market in Tasmania on that weekend. The key findings that would be of interest to you are that there was not one rental property advertised which was affordable for a young person over 18 who depends on Youth Allowance or Austudy, so these are all our young people -

Mr MORRIS - That's on their own?

Ms FLANAGAN - There was not one property available for those people who are pursuing education, training and apprenticeships -

Mr MORRIS - Yes, that is if they were having to fund it on their own?

Ms FLANAGAN - If they were in receipt of Youth Allowance, Austudy and Commonwealth rent assistance.

Mr MORRIS - And there was just that single income into the house?

Ms FLANAGAN - Yes. I am assuming you are implying without work.

Mr MORRIS - Yes, sorry. If that is the sole source of income for that household, it is not affordable.

Ms FLANAGAN - Yes. In all of Tasmania there was one room in a share house which was affordable for a young person on Youth Allowance or Austudy to share in, and that was in Queenstown. Only 0.3 per cent of properties were affordable for a single person who

PUBLIC

depends on Newstart allowance, that is eight properties, and one of those was that room in Queenstown. Only 2 per cent were affordable for a single parent with two children, only 3 per cent of properties were affordable for a single parent with one child, and only 5 per cent of the properties were affordable for a couple with two young children who were living on Newstart. I should say this survey was conducted by the majority of the Anglicare organisations around Australia, so we had data coming in from the entire eastern seaboard of Australia. There was almost no property available for young people on the eastern seaboard. But the problem for Tasmania is that we have such poor retention rates in education and training and there is some suggestion in the data that we have a higher rate of youth homelessness, so we felt we needed to look at what is happening with housing for young people.

The conclusion is that we know housing costs are critical to households being able to afford essentials. This survey shows that low-income earners have been forced into properties they can't afford. The issue that we would ask you to consider is that the private rental market is an inadequate response to the housing crisis. This survey shows that there are fundamental problems with relying on it as a response to the crisis in housing affordability. It shows that there is a lack of supply of affordable housing and a near absence of affordable housing near services or population centres, because when you break down the data and look where those eight properties are that people can afford they are in places like Maydena and George Town.

Ms PETRUSMA - How did you define affordable? That it was going to be more than 30 per cent of their income? Was that your criteria?

Ms FLANAGAN - Yes, we took their income and then 30 per cent off that was unaffordable for them. The other criteria we looked at were appropriate housing types, so we assumed a single person would take a one-room property, while a mother with two children would need two or three bedrooms. But they were the only issues around appropriateness. We didn't look at whether they were close to schools or services or anything like that. It was just those very blunt measures.

Mr MORRIS - With that assessment, did you also take into account what someone might receive in the way of rental allowance?

Ms FLANAGAN - Yes, we did - Commonwealth rent assistance.

Mr MORRIS - That is included in that?

Ms FLANAGAN - Yes. You will see that we did it for minimum wage workers this year for the first time and found that the situation wasn't great for the sole parent families and single people.

The next document I would like to tender is research done by Anglicare on cost-of-living pressures for low-income Tasmanians. You may be familiar with it, it was one of the supporting documents for the development of the Cost of Living Strategy. It is a bit hefty so we're providing you busy people who have a lot of reading with the brief version of it.

PUBLIC

Just to summarise the key findings of that research that would be of interest to you, essential services and goods that are provided through the marketplace in theory should provide good access and lower prices. That's what free markets should provide, but what we found was that low-income Tasmanians are often relegated to residual markets or excluded from markets, and the housing market is a really good example of that.

We found that the affordability of essential goods is reaching crisis point. We found that electricity costs are having a dramatic and detrimental affect on household budgets. There is reference in health literature to a concept called 'catastrophic expenditure', which means when you have to pay so much for one item that it has a devastating effect on your household budget. Some of these households that we interviewed were describing costs that were approaching the level of catastrophic expenditure; these costs would have a dramatic and ongoing impact on their household budgets.

We found that the rationing of essential goods and services is commonplace and disconnection from services, particularly widespread disconnection from telephones but also electricity, is more common than we suspected and than previous research has suggested. The research exposed the cost and problems of living in rural and regional areas, which is where the affordable housing is, and the problems of living on the developments on the fringes of cities, as well as the additional costs that come with not being able to get access to infrastructure or to shop around and get access to the markets that exist. It also exposed the impact of all of this on patterns of food purchasing and therefore on health.

What it exposed was the inadequacy of current efforts to address these pressures, that they are trying to manage it through short-term funding cycles that are largely focused on crisis help when people get desperate and on a concession system which helps with the short-term crisis but doesn't tackle the bigger problems. The key point from this research is the need for the Tasmanian Government to address the affordability of essential goods and services rather than directing its response in the crisis areas.

The final document that we've given to you is the submission we made to the State Budget consultation process. Much of the contents of this is reflected in the submission to this inquiry, but there were a couple of extra points we wanted to make that sat outside your terms of reference but we thought were important. One is the broader risks to vulnerable Tasmanians of the current program of cost-cutting being undertaken by government. An example of this that is included in the submission was sent to us by a worker on the north-west coast who is working with vulnerable young high school students who have disabilities and are feeling the effects of cutbacks to the school's operational budgets. They are also affected by the loss of the case managers from the community adolescent mental health service. Two separate departments are imposing budget cuts that impact on the same group of young people in a disadvantaged part of Tasmania, so they are already dealing with socioeconomic disadvantage.

Mr MORRIS - What do you think should be the appropriate government response?

Ms FLANAGAN - Look, we understand it's a contracting budget and that we need to make some tough decisions, but we feel that there could be a really good role for the Social Inclusion Unit here in mapping where the cutbacks are being made so that there isn't a disproportionate impact on disadvantaged communities. For example, if you're looking

PUBLIC

at Fingal or Dover you can imagine the effect if they lose their nurse and their police officer and the volunteer ambulance - it accumulates. We're suggesting that some mapping be done of where the impacts are hitting so that it's not the disadvantaged communities that are worst affected.

It has been successfully done in the UK. They looked at what was being done around local governments with the cost cuts they have had to make as a result of the global financial crisis, specifically in relation to their impact on people with disabilities. What they found was some councils were handling it a lot better than others and it didn't necessarily correlate with which were the rich councils and which were the poor ones. Some of the poorer councils are actually managing it much better. It is an important consideration because at the moment the only strategy we seem to have is a flat cut across the community across all services.

What we talk about in here is the notion of establishing a framework for a sustainable State Budget because we acknowledge that we were involved in the discussions that led to the expansion of the State Government. We were one of the community parties who came in and said, 'We want more money for this, we want more money for that', and that was a very good process to be part of, how the Government consulted and -

Mr MORRIS - And there was considerably more money made available.

Ms FLANAGAN - More money was invested in these things. We think the community should be engaged in consultations around the retraction of the State Budget because, at the moment, it just happens and we learn about it by press release. As a community, we need to have discussions about what we can afford and what we cannot afford and what we think is essential and needs to be funded and what is peripheral has to wait.

As I was listening to you talk to the previous witnesses is, it struck me that you know a lot more about this issue than people that we talk to in key decision-making roles and I would say that is because you are in touch with the constituents who are ringing up about constituency issues. People in the senior public sector or regulatory positions can be very fair-minded and well-meaning people but they rely on intermediaries to hear of these stories of hardship and problems. So you have to trust your instincts about where the problems are and what you know that you are hearing from the community.

We have covered a lot of issues but we felt the main thing we wanted you to take away from our presentation is that these are daunting issues and they touch on forces that are far beyond the power of the Tasmanian Parliament to impact on. But we believe that action can be taken to assist the community and that effective action has been taken in the past and it can be done again. So what we want to see is a long-term tripartite plan for how to deal with the financial crisis that we are facing, and an investment in long-term solutions.

CHAIR - Thank you very much, both of you. I am mindful of the time and it may be that we call you back at another stage because I would particularly like to investigate the work you have done around energy as you have a lot of policy development in that area particularly.

Ms PETRUSMA - I have quite a few questions I would like to ask.

PUBLIC

CHAIR - Yes. I am mindful of the fact that we do have other witnesses who are scheduled to appear before us. Thank you very much for everything you have presented. We may be in touch to call you back, if that is okay.

Ms FLANAGAN - Yes, of course. Thank you for your time.

THE WITNESS WITHDREW

PUBLIC

Mr JAMES GRAHAM WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR - Thank you and welcome. Did you receive from the committee secretary, a document detailing the processes?

Mr GRAHAM - Yes, I did.

CHAIR - Thank you. I remind you that the evidence given today will be recorded by Hansard and you are covered by parliamentary privilege but anything you say outside this committee will not be covered by parliamentary privilege.

Mr GRAHAM - Okay.

CHAIR - Thank you very much for your submission. Did you want to make an opening statement with respect to the submission?

Mr GRAHAM - No, it is probably just wrapping up rather than an opening one; would that be okay?

CHAIR - That is fine. You have highlighted in your submission to us, the importance of living within one's means and a range of other details as well. As a member of the community and also a member of the local council in the Derwent Valley, do you see, in that area particularly, because it has been brought to our attention as evidence we have received, that there are regional communities across Tasmania that do deal with a range of complex issues? In the Derwent Valley community where you are familiar, do you identify that there are families and cohorts in that community who are struggling, but is it because they are living outside their means or is it a societal change that we need to address here, as much as a cost of living issue? Is that what you were trying to say in your submission?

Mr GRAHAM - Yes. By way of illustration and for the sake of argument, if you were to start a conversation with a group of miners gathered together about a list of priorities in a list of five things, it would seem that petrol percolates up to basically number one. The mobile phone tends to be around number two. Electricity tends to be around number three and with some folk it will be basically making sure they get their lottery numbers in so that when their number comes up, and food might make its way in there somewhere along the line.

It would seem to me that from what I have experienced from living in my municipality for about the last 15 years, it is pretty easy to shift the responsibility onto somebody else rather than take the responsibility for ourselves. The way we conduct our affairs, the way we behave, and it often comes down to - I will give you an example. I do not get to watch much TV but there is a great ad on TV now where the kids go to school and mum is buying a jeep. Mum is going out to buy a jeep and all of a sudden that makes this kid in the schoolyard very cool because his mum is going to get a jeep. Of course when Johnny goes home and tells his mum that Mary down the street is getting a jeep that does not take too long before all of a sudden there are a whole lot of jeeps on the street.

PUBLIC

Mr STURGES - All on the tick.

Mr GRAHAM - All on tick. What I am saying is that by way of illustration again, if you pull up to the pump in the local community and you are the guy that is trying to do the right thing by the little not so much the gas guzzler, but the economy vehicle, and everybody else is filling up their four-wheel drives. What I have observed by that is that what they are purchasing is a lifestyle in that they need the space for all the gadgets they have got. They need the space for the car seat for the kid, they need the space for the trolley that they take the kid out in. So virtually what is happening is that these same folk that are saying they cannot make ends meet because they cannot pay their Hydro bill are the same people that are running their houses day and night with as much electricity as possible.

What I am saying is that I think if we want to tackle this we have to let people know that they are in the mix and we have to get better at communicating to folk that they have to take responsibility at some stage to decide there's a point at which you have to live within what is coming in.

I can remember in our municipality even 15 years ago it was pretty hard to buy - because I had to - I tried to buy food on the tick. I went to the shop on the High Street, the corner shop, and said I cannot really make ends meet now, could I put some stuff on the tick and he said sure you can, as long as you pay for it weekly. That was Joe on the corner. I knew that I had to strike a deal so that I could make ends meet, even 15 years ago. Now there is no pain to the hip pocket. If you want your food on credit just go in and fill up as many shopping trolleys as you want because there is no real pain associated with it anymore. Then you can just virtually go to the bottle shop and use the same card there as you use somewhere else and then you can go and get your petrol. There is this disconnect about the pain that is involved in all this. The only pain that really gets inflicted is when the bills come in and they have to prioritise. Do I pay my petrol card off or do I pay my food card off or do I pay whatever, and I suspect there is this disconnect about what is really their capacity to make ends meet because we have managed somehow or another to shift the responsibility and it is somebody else's problem and it is not necessarily mine.

CHAIR - How do we solve that?

Mr GRAHAM - You have to engage people in this conversation to begin with at a one-on-one basis. When people in strife come to you and tell you their story you need to be realistic enough and they need to have a safe enough place to tell their story so that somebody can help them walk their way through the maze starting with little adjustments to the way they behave in terms of spending, the way they behave in terms of eating, the way they behave in terms of just living daily. I think it is probably an educational program that needs to be mirrored from their peers, and their immediate peers are the people that make them. So if we start about the adults, a great ad on the TV now is where the kids go home and a little kid pops in to see his neighbour girl and it is the drinking one, have you seen that, 'Oh, I don't think I'll have another one now'. I mean, the advertisers are starting to get the message through to young people. We could probably start a conversation at least about what it actually means to live within your means.

PUBLIC

I am finding that when I speak to folk in our municipality it is a very fine line between being the guy - and when I say 'guy' that is a general term - that takes a couple of green bags full of stuff to the Salvation Army and delivering it there hoping that it is going to go out and go to someone who needs some help and being the guy that has to go back there in a month's time to get the bag back because you are going to need it. It is only about two pay cheques. That is how fine the line is. It is so, so fine and so critical and a lot of folk don't really realise until something from out of the blue hits them and they are their client. They just can't make ends meet and that is probably about as realistic as it can be. It is such a fine line.

I can share my own story. I am 63 years old. I was cruising through life and I thought I did all the right things. I was working and preparing for my future as a retiree somewhere. Out of the blue you make a determination on whether or not you want to get house insurance, is this going to be the Rolls-Royce version or do you get the jalopy version or you pick something in the middle and you hope you're okay. Who would expect a fire to just rip through the roof? The smart money was on the contents so of course I have a shortfall now. So here I am, it came out of the blue and I am not one of those guys who is so close to the line where it is a couple of pay cheques but I am feeling it and it just came out of the blue.

I heard a great story from a young person. I hang out with a lot of street kids and I hang out where a lot of these stories are raw to the bone and a kid said to me, 'My mum and dad do right by the system. They go out and do the right thing by the system and they still can't buy me the Nikes or the whatever' and somehow or another he felt that the system was screwing them because he couldn't get what he wanted but he knew how he could get what he wanted so he just went out and took them wherever he could get them. Here is a boy of 13-years old who figured out that somehow or another even when you are in the system and you try to do the right thing you can still end up being on the short end of the stick.

It is not research. These are just everyday occurrences that I bump up against and that is not what those people with acquired brain injury and disabilities that I work with in my day job bump up into. But for whatever reason they are all expected to live within their means and somehow or another they manage to, but it just means they are not going to the cinema five times a month, they might only go to the cinema two times a month but they, for whatever reason, need to live within the means that they have been given.

Mr MORRIS - James, let me ask on that point, because you have worked with people who are on fixed incomes how much do you, as someone who supports them, work out what concessions they might be entitled to? Do you have the Tasmanian concessions booklet there and go through it with each person what concessions they might be entitled to?

Mr GRAHAM - Yes. Basically now the whole sector is more a person-orientated system, as you will note in what I submitted. Up until recently most folk didn't really have their own individual support plan and part of that individual support plan would have been basically their accommodation, probably what they would need for their day services, probably what they would need for a little bit of socialising and stuff like that. Once you take out their residential room and board and you take out whatever else they are doing

PUBLIC

through the system through the week, it does not leave a lot of money on the weekends to go to the cinema now.

The Companion Card came out I believe with the Tasmanian Together Process. A companion card was one of the initiatives that came out of that. That is not honoured by everybody throughout the State. You could rock up to, for instance, bowling or something like that and then a support worker, if they want the support worker to be involved, would be out of pocket there. So a support worker makes that decision on their own part.

It seems to me that for most people who have been in the system already, everybody is around them would know basically everything they are entitled to. Could they use more? Probably. Would it be used around costs of living and standard of living and wellbeing? It would allow people to maybe do a few more things that would be seen as being contributing to their health and wellbeing from more an emotional and feel-good thing. There could always be some more money around for that.

If you suffer an acquired brain injury by risky business, it is a little different to suffering an acquired brain injury by a stroke or a serious car accident. If it is a car accident and there is a fair amount of money involved with the payout, you could end up with your own vehicle, you could end up with 7/24. The same type of acquired brain injury, acquired in a different area, does not necessarily get you the vehicle, does not get you the 7/24. So you have to think about that too, when you put that into the mix.

The budgets that most folk are on are pretty well managed and pretty well accounted for. If the person has the capacity to do that for himself, all the better with the kind of support that I contribute to a person's life or their journey through life. I am basically there only to assist them to do the things they cannot do for themselves. So, if in their individual support plan, we have identified that a person has the capacity to manage their own affairs and be able to sign off on all those things that are involved, that facility is available.

CHAIR - To summarise what you were saying in your earlier evidence, James, you were talking about a cost of living versus a cost of lifestyle type of society. From what you are saying now on income management of people who have a limited fixed income that you deal with regularly, do you think that there is a responsibility for us to encourage greater education and awareness about financial literacy and the responsibility people have to manage their money, so that we are dealing with essential services, cost of living stuff and it is not a cost of lifestyle getting out of control problem? Is that what you were saying?

Mr GRAHAM - I am not talking about welfare here or anything like that, I am talking about a person's wellbeing and if a person chooses a lifestyle that is not conducive to their good health and wellbeing, obviously their costs of living associated with that would be higher than a person that would be prepared to readjust their values, readjust the way they behave and take some responsibility for their own health and wellbeing. That, to me, is a lifestyle issue, but if you are on that track, chances are your conversation around your costs of living will be a different conversation, I would imagine. If you could build into that lifestyle and that health and wellbeing, some way of taking responsibility for the way you handle the means that you have, it would only have to be a good thing how we

PUBLIC

develop the mechanism to get the message out there. For my generation, at 63 years old, it was part of our fibre, basically. We were not a generation of consumers and nobody had to teach us how to recycle, we knew how to do it. Society has changed but those core values and how one behaves and how one expects their own health and wellbeing to contribute to the way they spend their means almost would be commonsense. The problem with commonsense is that it does not seem to be that common. But if our decision-makers were to revisit some of that and come up with a way that socially would be acceptable to get the message out there that enough is enough and it is a big ask. And really, when you take it right back to the Federal level living within their means, the State Government living within their means, if we don't see it at that level it is very hard to convince anybody else to do it. We have a lot to account for.

CHAIR - We are going to have to wrap up, I am sorry. Thank you very much for your submission.

Mr GRAHAM - Can I just finish off with what I have now?

CHAIR - Yes, unless you want to table it.

Mr GRAHAM - No, I would like to just say it. In 1968 there was an ecologist - and back then to be an ecologist kind of made you the outside looking in - named Garrett Hardin who foresaw a current predicament and wrote an article in the *Science* journal back then that was entitled 'The Tragedy of the Commons'. Hardin began pointing out that despite - and this is 1968 - extraordinary advances in the field such as science, medicine and engineering, there remains a class of problems that cannot be solved by technical means but instead requires a fundamental shift in our values and in our resulting behaviour. To illustrate his point, Hardin painted a typical, or a hypothetical, scenario: picture in your mind an open pasture. It is to be expanded and expected that each herdsman will try to keep as many cattle as possible on the commons. This approach works fine for all the herdsman, Hardin explained, as long as the capacity of the land exceeds the number of the cattle that makes use of it. At some point, however, the ratio reverses, the land is no longer sufficient to support all the cattle and the day of reckoning arrives.

This is the tragedy of the commons. Each man, wrote Hardin, is locked into a system that compels him to increase his herd without limit. In a world that is limited, ruin is the destination towards which men rush, each pursuing his own best interest in a society believing that freedom of the commons and I guess, when we would start thinking about how big the concession pool here is, how big the pasture is and how big the herd is, I think we have got to the point where, if we are the herdsman, some of us have to start taking that responsibility for whoever may need what is going on in there, we have at least done our best to live within our means and not necessarily have to go to that pasture as often as some other folk have to.

I just leave you with that and that was in 1968.

CHAIR - Thank you very much, James.

Mr GRAHAM - That's all right, thank you for having me.

THE WITNESS WITHDREW.

Mr MILES HAMPTON, CHAIR, TASMANIAN WATER AND SEWERAGE CORPORATIONS, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Ms White) - Miles, I do apologise for the delay but we will have 15 minutes to examine your evidence. I just want to ask that you received from the committee secretary a document detailing the process of the committee. Essentially what it said was that you would be covered by parliamentary privilege when you are giving evidence to us but outside the committee you will no longer be covered by parliamentary privilege and that everything will be recorded by Hansard.

Mr HAMPTON - Fine, thank you.

CHAIR - Thank you very much. Would you like to make an opening statement?

Mr HAMPTON - Yes, I would but I am also happy to take any questions at any point in time.

What the vast majority of the community don't understand about the Water and Sewerage Corporations space is that in a large measure everything that is being implemented by the corporations is actually reflective of legislation or regulation, and for highlights in that legislation and regulation, we are obliged to move to equity - customers receiving the same service pay the same price. We are obliged to remove cross-subsidies. We are obliged to tackle the infrastructure deficiencies that we have in the infrastructure that has been handed across to us to manage. Also, we were obliged to carry over the charging regime of councils for a period. The original intention was for three years. So that is the background to our space.

In the absence of exercising some push-back, projected capital expenditure requirement would increase our revenue requirement by approximately 80 per cent over a 10-year period. Removing cross-subsidies would increase the residential component by over 40 per cent. Achieving the target rate of return that was being talked about when we were established, would increase our revenue requirement by 50 per cent and just put a modest 3 per cent CPI, although, after yesterday's news, that maybe seems ambitious.

Laughter.

Mr HAMPTON - But perhaps over a longer time, a rise of 3 per cent is a sensible number.

Mr MORRIS - It may be a rare thing.

Mr HAMPTON - Yes. You add all that up and you would be talking about 200 per cent tariff increase over a 10-year period, and that is on the assumption that everybody is paying at the start, equity, but they are not because we inherited the situation where some of our residential customers are paying \$400 for their water and sewerage services and some residential customers are paying \$4 000.

Ms PETRUSMA - So that \$4 000, if that is not businesses, that is residential -

Mr HAMPTON - That is a residential property, assessed on the value of the property in the way that councils did it before.

Ms PETRUSMA - So where is this house? Who is this customer?

Mr HAMPTON - There are several of them but that one is in southern Tasmania. We have inherited this situation where, in the absence of exercising some push-back, some determination, our headline increasing revenue requirement is over 200 per cent. That, however, does not tackle the transition of this customer who is only on \$400. The average residential customer across the State today is paying, let us say, about \$900. That is the average customer.

Let me come back to my introductory comment. If you are going for equity, then the residential customer receiving the same service pays the same price. So the person who is paying \$4 000, in time, will come down to pay \$900 in today's dollars and the person who is only paying \$400, in time, will go up from \$400 in today's dollars to \$900. Quite clearly, that person who is paying \$400 up to \$900, that is huge in percentage terms but remember, that is all in today's dollars. That does not include the 200 per cent increase that I flagged was necessary over the next 10 years if we were to do everything that everybody seems to expect us to do.

So that poor person - and they will be poor or they may just be fortunate - who is only paying \$400 or \$500 now, could be seeing an increase from that \$400 or \$500 to the \$900 and then another \$900. You could be talking about a \$1 500 increase or a 300 per cent increase over a period of time.

Mr MORRIS - But on the current \$50 limit, it will take at least two decades to get there.

Mr HAMPTON - Remember, it is \$50 per service. So it is \$100 per annum, plus the 10 per cent.

Mr MORRIS - A decade and a half.

Mr HAMPTON - A very long period of time. What have we done about it and what evidence are we seeing? We have done a lot of things to try to curtail the rate of increase. We have, in fact, pushed back, with the Economic Regulator, the kind of target rate of return, so we are no longer talking 7 per cent, we are talking 3 per cent on old assets and roughly 4.5 per cent on new assets. I may have a personal view that the 4.5 per cent is still too ambitious given the intergenerational asset, but that is a personal view.

Cost increases on a like-for-like basis - we can't do anything about depreciation and we can't do much about interest but where we are directly managing the expenses we have said to our management teams in the four corporations: CPI minus 1 per cent so that we take some of the pain.

We are the ones who raised the \$50 per service and 10 per cent on volumetric charges as a proposition firstly to our owners for transition so that we didn't have a massive price shock. The easiest thing for us to do, and we actually had a good number of our owner-councillors and a good number of the community say to us, 'Do it all in one go and get it

all over and done with'. If we had done that, the shock and awe in the community would have been - but it would have been over and done with, wouldn't it?

Mr MORRIS - It would have, yes.

Mr STURGES - Well and truly.

Mr HAMPTON - There are still people who say to me today, 'You should have planned to do it in one go,' but the corporations raised the - there was no magic in the \$50 per service, it was a dollar a week or thereabouts and we took that to our owners, our owners supported it and with their support we took it to the Government, the Government endorsed it for the third year of our establishment, which is the current financial year, and we have gone forward with exactly the same side constraint to the Economic Regulator for the next three years and it does appear that the Economic Regulator is quite happy with where we have landed in that space. Maybe we actually got that one right rather than completely wrong.

What we have said to those who are going to come down, those who are paying \$4 000 and have an expectation of coming down to \$900 and then going up in real terms, they are going to have to be patient and this is both residential and non-residential customers. Anyone paying above the target tariff will have no reduction in dollar terms for the first three years.

Ms PETRUSMA - So that includes businesses?

Mr HAMPTON - It includes businesses as well, so that anyone paying above the target tariff will be frozen where they currently are and obviously if the target tariff climbs up above where they are then they will start to pay the higher amount and then in three years' time we are looking at a 5 per cent reduction. Because of the uncertainty we are not quite sure how the consumers are going to respond to statewide two-part pricing.

Mr MORRIS - About October, we'll start getting an idea.

Mr HAMPTON - Yes. To the maximum extent possible we have sought to negotiate with the two regulators who have significant influence on our capital programs, the Environmental Regulator and the Health Regulator, to negotiate what are the priorities and what can we afford to do. We know they would both like us to be going faster and we are saying, 'Hold on because every \$10 million that we spend on capital programs is another \$1 million that we need to charge our consumers if the organisation is to be stand-alone'. We have done a lot to try to ease the burden and as a result of the work that we have done, we are now projecting forward at 6 per cent increases in the headline revenue requirement rather than 10 per cent, which is where we started. That is still going to mean a massive increase and an even more massive increase for those who are at the \$400 level.

We have suffered from a major problem since we were established in that we didn't have a billing system until more recently of any robustness, and so when we were issuing bills if people were not paying them we didn't actually have a process of changing them - not a very satisfactory arrangement for a commercial organisation. We now have a billing system. We have basically issued reminder notices to every customer who is in arrears

by more than \$50. Why \$50? Let me tell you, we would be issuing 30 000 or 40 000 bills to chase those people and we are taking the view that we will pick them up in the next billing quarter so why go to the cost of chasing them for an amount of \$50 or below.

We have a significant number of Tasmanian customers who have not paid their bills. Now that we are sending out reminders, a good number are starting to pay. Where we have a demonstrated hardship where a customer comes in, whether they be in arrears or not but they claim hardship, we examine that with them and with some we are putting in payment plans over a period of time. We don't put up a great big sign of it but if in fact it is quite clear to us that the customer will not get in front, in other words, their arrears are that great, the kind of approach we are taking is, if you can demonstrate to us that you can at least meet your current commitment, say, for six or 12 months, then you can actually pay it on a monthly basis and at a point in time we will waive your arrears.

Mr STURGES - We are talking about making payments here and you have made mention of the fact that you have a commercial billing system in place - congratulations! - is there a process within the corporations for low-income earners in particular, or recipients or whatever you want to call them, to go and make periodic payments in advance?

Mr HAMPTON - Yes, they can do that now.

Mr STURGES - Is there now capacity - and if this is pinning you, you can come back on this - within Southern Water for customers to actually go to the head office and make cash payment now? Because there wasn't a couple of months ago.

Mr HAMPTON - I can't answer that question.

Mr STURGES - I was a little miffed actually. My office is not far away from the head office of Southern Water and a constituent came in and said, 'I wanted to make a payment in advance' and my understanding is that he was told there wasn't a capacity to do that. I may be going back probably three or four months now, I can't remember the exact time but it can't be longer than 12 months because I have only been back 12 months, and he was also told that there was no capacity to accept cash and I found that a little strange.

Mr HAMPTON - Our customers can pay us in a whole range of different ways. They can pay us at post offices, they can -

Mr STURGES - They can go into your head office now at Southern Water and actually pay in advance if they wanted to make a \$20 advance payment to do that?

Mr HAMPTON - I can't tell you that they can come in and pay it in cash because I am not quite sure whether they can -

Ms PETRUSMA - You can pay at post offices in cash, though.

Mr HAMPTON - You can pay at post offices in cash.

Mr STURGES - But you can't go to the head office and pay it.

Ms PETRUSMA - Most people would find a post office more convenient.

Mr HAMPTON - That is a good question and I will follow it up.

Mr MORRIS - Do you have capacity for people to make deductions through Centrepay?

Mr HAMPTON - Through their Centrelink payments?

Mr MORRIS - Yes, directly from them.

Mr STURGES - Periodic reductions.

Mr MORRIS - Yes, periodic reductions.

Mr HAMPTON - We certainly have the capacity to take periodic reductions and we are doing a lot of them. Whether we have anything from Centrelink payments, I am not sure.

Ms PETRUSMA - Can you do fortnightly payments?

Mr HAMPTON - Yes, and some people are working out that maybe their annual bills are going to be \$900 so if they pay \$80 a month it is much easier for them to manage and they are quite comfortable with that.

CHAIR - Is it possible for you to get back to us on that?

Mr MORRIS - Yes, if you could let us know and if you don't have capacity for people to set it through Centrepay, it would be good if you could investigate whether that could be done.

Mr HAMPTON - Certainly.

Ms PETRUSMA - In your submission you talk about pooling projects regionally and statewide where possible. Could you give us an example of some pooling projects that you are doing at the moment because you say that provides the lowest cost for capital inputs and infrastructure upgrades?

Mr HAMPTON - In our shared services corporation - Onstream - while we have restructured that quite significantly just simply to focus on the core shared services, wherever possible, for example, where we are purchasing goods and services for the three corporations we are pooling that purchase so that we maximise our purchasing power so that we keep our costs to the lowest possible. In terms of tendering our energy requirements, we pool them and seek to get the best possible price by maximising what we have on offer to the energy providers. Wherever it makes sense, wherever there is a significant expenditure, for example, we employ dam safety consultants, we get the same dam safety consultant to look at all the dams in all of the corporations to try to maximise our efficiency. So even though we are three separate corporations, wherever we felt it sensible and material we have sought to take advantage of the purchasing power as if we were only one corporation.

Ms PETRUSMA - You also talk about levying developer charges to ensure that consumers' annual charges do not have to cover expansion of the water and sewerage networks. How does that work in reality?

Mr HAMPTON - The reality is that, going back in time, 29 different councils had 29 different ways of charging proponents for projects and typically subdivision is the one that most people think of and what the charges were. They all had different ways of doing that. Sometimes they were similar, sometimes they were dissimilar, but the amounts were extraordinarily dissimilar across the State. Indeed, in some municipalities developer charges were almost nonexistent. What that really means, of course, is that the normal customer is cross-subsidising those developers. We are charged with not cross-subsidising; that is in the legislation and we do not disagree with that. There might be some disagreements about the methodology we are applying to determine developer charges but the legislation is quite clear, we are charged with no cross-subsidisation. So we have introduced developer charges and applied them rigorously in the municipalities that they were not being applied. We have consistent policies across the State. There might be some slight interpretational differences but, fundamentally, the policies are the same, and it would not surprise you that in some parts of the State where there have not previously been developer charges, we are not regarded as very development-friendly.

Laughter.

CHAIR - Mr Hampton, water is an essential service and it has been raised with us that there could be a risk, now that you have a statewide billing system, that people would be cut off from having access to water if they were unable to pay their bills. Do you foresee that you would ever implement that type of policy?

Mr HAMPTON - I actually don't think we're allowed to. What we are allowed to do, only once we have gone through a very detailed process of chasing payment, is to restrict supply.

CHAIR - So a lower volumetric flow?

Mr STURGES - Drip-feed, literally.

Mr HAMPTON - We will drip-feed. We will not remove supply completely but the pressure flow in an individual household would be diminished. My understanding is that, as of today, we have done this once in Tasmania.

Ms PETRUSMA - So it's like a little bit of water coming through?

Mr HAMPTON - Yes, that's right.

Mr MORRIS - It should be an interesting case study. We have had a couple submissions from Anglicare and others calling on the creation of lifeline tariffs and social tariffs in the case of water and electricity in particular. I am not quite sure exactly where the two separate but I assume the social tariff is basically the old free water component, I guess, or a very cheap water component these days, for a set amount of water which would roughly equate to a minimum reasonable quantity for a household. A lifeline tariff is somewhat newer to me but I presume it is where someone gets in strife and you offer

them a tariff of 20 cents a kilolitre for the next three months or something. Where is the thinking with that? I know we now have a flat charge of 90 cents or 92 cents a kilolitre for consumption charge coming. What are your thoughts about the social tariff idea so that those low-income Tasmanians who want just a minimal supply of water can do so at a reduced rate? The consequence is that everyone else pays the rest.

Mr HAMPTON - The legislation/regulation that surrounds our space requires us to move to two-part pricing and to go from the first kilolitre of consumption, so we do not have the choice of a free water allowance as such, if it is free, because it would be built in.

Mr MORRIS - Or even reduced price.

Mr HAMPTON - We don't have the choice of a reduced price or a fixed kilolitre allowance, which for a standard household for normal use would be about 140 kilolitres. We do not have that choice.

Mr MORRIS - Does the billing system have the capability of handling such a thing?

Mr HAMPTON - I would expect it would.

Mr MORRIS - Okay. In the case of a lifeline tariff, I guess you have your respective system but if someone came to you and said, 'I'm in strife financially, I'm meeting my commitments, what can you offer me?', is such a thing as a lifeline tariff a possibility, say, for a three-month period?

Mr HAMPTON - I think, in a sense, we have probably achieved the same thing in the way that I described earlier where if somebody comes in and let's say they owe us \$2 000 - there wouldn't be many in that space so let's say \$1 000 and the tariff is \$900 a year. If over a 12-month period they paid us \$150 a month then we might say, 'Okay, you're now demonstrating capacity to pay so we will scrub' - so I think we are achieving the same outcome, albeit it in a different way.

Mr MORRIS - In a backwards-looking way rather than forward -

Mr HAMPTON - In a sense we are trying to encourage people to develop a pattern of payment so that the rest of the community are not subsidising them forever, and once they have done that we have been prepared to write off their debt. Not that we have written off huge amounts, we are not talking about millions of dollars, but we are talking of hundreds of thousands of dollars.

CHAIR - Thank you very much for your time.

THE WITNESS WITHDREW.

Mr DALE EASTLEY, CHIEF EXECUTIVE OFFICER, AND **Mr MICHAEL BOWMAN**, KEEPING COOL CAMPAIGN OFFICER, MS SOCIETY TASMANIA, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR - Gentlemen, the committee hearings are recorded by *Hansard* today and all the evidence you do give will be covered by parliamentary privilege but anything you repeat outside the committee process of course will not be covered. It is that clear?

Mr EASTLEY - Yes.

CHAIR - Thank you very much for your written submission. Would you like to make an opening statement to begin with?

Mr BOWMAN - I will make an opening statement and Dale and I will answer any questions. I am the Keeping Cool campaign officer and Dale is the CEO. As indicated in our letter to you of 16 March, we seek the inclusion of our current application which is also to the budgetary community consultation process relating to an energy concession for people with neuromuscular conditions who are users of air conditioners, heat pumps and medically-received cooling, and this is to be included as a new concession in the possible bucket of concessions. I will address that at the end, if I may. I have spoken to three of the five of you so you would have a grasp of what this application is about, but I will just make a few starting points.

The first one is that this summer in Tasmania is a good example of how Tasmanian weather is not dissimilar to that of other States and yet this concession exists in Victoria, New South Wales, WA, Queensland and South Australia with a current campaign in the ACT to get it as well, but not in Tasmania. I thought I would give you each a copy of an e-mail that I read this morning. It is very brief and it is from a person with MS who came to Tasmania to live in what he thought was a cooler climate and how he has the need for assistance. He may not be a qualifier in that he is probably not a pensioner; he has the ability to build his own home.

Attached to the e-mail are two articles from the *Mercury* of 6 February and 28 February describing Hobart's weather and how hot it has been and how extreme the conditions have been, sometimes cool and sometimes very warm. The point we simply make is that we are not dissimilar to the normally perceived warmer States and there is a real need for this sort of assistance for Tasmanians. In all the approaches that I've made to parliamentarians, staff and public servants, not one person has said the concession is not appropriate in the terms of its merits. Funding is another issue but in terms of merit I think it is pretty clear that this should happen.

We are suggesting there should be strict conditions applicable to people who may apply for the concession. They need to be in receipt of a health care card and there needs to be a doctor's confirmation of the medical condition, so it's not a broad thing we are after. It's limited to those in particular need.

The essence of our submission is the efficiency of this approach. If people in need are able to access this concession and therefore use an air conditioner to reduce the potential drain on services such as hospital and ambulance if they fail to use it, that is of benefit to

the community. In addition to that there is the dignity of the sufferer of neuromuscular conditions given due consideration where they can get assistance to afford an air conditioner. Therefore what we're seeking is the granting of this concession by government and in my original letter I did indicate that we supported the submission made by TasCOSS. I presume you've seen that. It is very detailed and beyond our capacity to do that but we support the submissions they make.

In paragraph A of this we suggest that this is a new concession that should be brought in. If that's the case, we support the TasCOSS submissions that government investigate the schemes to give choice and ensure that individuals retain the ability to access the total basket of concessions, and we say this should be one of them. This is a new scheme which could well be in the basket of concessions. We're happy that that should be investigated and proceed from there.

Mr GROOM - In terms of the interstate arrangements you mentioned, what sort of discounts are you talking about in the other States?

Mr BOWMAN - For this scheme?

Mr GROOM - For this and similar schemes.

Mr BOWMAN - What we're seeking is the lowest of all of them. They're all significantly higher than this.

Mr GROOM - Do you know what they are?

Mr BOWMAN - They're in our -

Ms PETRUSMA - Michael, on that, you said that you were going to have it on here but it actually wasn't on our copy of your submission that we received. On page 5 it says, 'the attached sets out the medical energy concessions that exist in other States in addition', but we never received that as part of your submission. Are you able to send that in and table it?

Mr BOWMAN - Yes, I can certainly do that.

Mr EASTLEY - They do vary. In Victoria they are the most generous and they vary around Australia depending upon circumstances, but we can certainly provide you with that information.

Mr GROOM - Okay. I'm asking these questions to try to get a feel for comparisons and then obviously we will need to try and quantify what this concession is worth. You mentioned that according to the proposal you're submitting there'd be strict criteria, but do you have any sense of what sort of numbers of people in Tasmania it anticipates will fit within it?

Mr BOWMAN - Yes, in the executive summary - 850.

Mr EASTLEY - We're not looking at a huge number of people here and we're looking to make sure that there's a clear community criteria that the people need to meet and we are

obviously representing the other organisations who are part of the neuromuscular group but we are definitely not trying to make this a blanket thing for anyone who has MS because MS, in particular, has quite a range of people's capabilities. In the early stages people can still continue to work so obviously they would be excluded from this. What we're wanting to do is look after those people who cannot continue to work and potentially they would have to have a health benefit card and they definitely would need support from their GP.

Mr GROOM - Yes, so you're talking about less than 1 000 people.

Mr EASTLEY - Absolutely.

Mr BOWMAN - Page 2 of the submission, 850 people, and further down that page the anticipated initial take-up is 215, based on figures experienced in Victoria.

Ms PETRUSMA - How did you come up with your initial cost? How did you work it out?

Mr BOWMAN - I did not work it out, it was done by Michael Summers from MS Australia in Victoria, and he has run the previous two campaigns in Queensland and South Australia.

Mr EASTLEY - He is the major researcher. This has been in other States up to 10 years and he has been doing ongoing updates of support for variations to those concessions in the other States. There is a lot of historical data that supports this. It is not just figures that we plucked out of the air.

Mr BOWMAN - I think I gave each of you the survey report by Michael Summers. It is based on that data, applied to Tasmania.

Mr EASTLEY - We have gone at the bottom end of that spectrum deliberately so we did not create an undue expectation amongst this group. The other part of this is to see that it sits within the context of what this group here today is looking at in terms of a bundle of concessions, and it may be that we fit into category B or C, which is the ultimate classification, because we do not want to be seen as something new and outside of that framework because it is just not administratively effective.

I suppose the other thing is that people particularly in this neuromuscular group take pride in being able to manage themselves and also do not, in the general sense, tell many people that they actually have this condition. You could be sitting in this room with somebody who has MS and you wouldn't know it, so we go to a real extent of making sure all the correspondence we send to those people is very much de-identified. All our vehicles and the staff's clothing and all those things are very plain so you would not know who was visiting. That is why we come back to this question about dignity for people and we want to be able to maintain that. If somebody fronts up in an ambulance on a hot day and you are in a suburban area, someone is definitely going to ask why the ambulance was there that day.

But we do come back very much to understanding that we potentially could create an opportunity here where, if we could keep someone out of the hospital system and out of

the ambulance, it then becomes very much a cost-effective solution, and that is the other basis we put forward today.

Mr STURGES - In the other States, is this concession paid on a quarterly basis or just all up in one lot, once a year?

Mr EASTLEY - My understanding is that it is paid as a concession as part of our electricity.

Mr STURGES - Okay, so if you are billed quarterly -

Mr EASTLEY - Yes, that just comes off as a concession. It's on the same basis we have in this State with our concessions, and they've been looking for efficiency and effectiveness as well.

CHAIR - Which goes to the point we discussed when we met about providing a concession for air-conditioning when people may not have an air-conditioner or a heat pump and you said people might be able to save up to purchase an air-conditioner and I said, 'It'll probably go straight to their power bill. For people without the capacity to save, they'll probably just address their immediate issues and not plan ahead.' I wonder whether or not the provision of this concession could be directed to purchases of air-conditioners as an alternative way of providing people with a cooling mechanism. I realise this is a national campaign and a concession, of course, would have to be distributed through Aurora through their electricity bills, but has that been something you have looked at all, the provision of heat pumps and reverse cycle air-conditioners?

Mr EASTLEY - I know from the feedback we have that if we could get a concession for the running costs, they would find ways and means to be able to purchase a heat pump. As part of our normal operations, we have people who we believe are in a deserving situation. We provide financial assistance and there is no restriction in terms of how that could be applied. If this came through I would look to see whether or not we could have a specific fundraising activity that could be focused in on people to build up these reserve funds in place so that we could provide it.

I will give you a good example where I was looking at some applications today. We had a little fundraiser last year which was about how do we provide potentially scholarships for people with very clear criteria so it is about addressing it. One example is this lady who has had all the obstacles under the sun but she has been able to do her degree by correspondence out of Brisbane. She would love to be able to get there for her graduation, and you can guess what I have said - that there is a solution. It is one of those ones where we are looking to support someone who has been looking to support themselves and it would be a lovely day for her and her family so we are going to pay her the \$3 000 to actually get her there.

Mr STURGES - Hear, hear.

Mr EASTLEY - That is the sort of organisation we are.

Ms PETRUSMA - Dale, are you aware that the Federal Government would be giving a \$140 payment from 1 July to be going to thermo regulation as well?

Mr EASTLEY - Dale can deal with the carbon tax issue.

Ms PETRUSMA - Yes, because of the carbon tax increase. That is coming into play from July. Jenny Macklin has sent out a letter.

Mr EASTLEY - Yes, I was aware of that. That will obviously offset their costing in that situation but I think it is a separate issue.

Mr BOWMAN - I don't think it is going to change anything else in any other State.

CHAIR - Any further questions?

Mr BOWMAN - Can I just make one comment about that discussion paper you referred to? This is what we originally sent to the Government in relation to the budgetary thing and it talks about the discussion paper that is attached to that. I will send you that as part of this process but there might be a few quoting there but I will send you each one.

Ms PETRUSMA - You have said that the range in other States is \$158 to \$502 per annum so is it Victoria that offers \$502?

Mr EASTLEY - Yes. The reason for that is that they have just reviewed it again.

Mr GROOM - Are these indexed?

Mr EASTLEY - It hasn't been to date. Whether or not it is in this current review, I don't know. What they recognised was the inadequacy of it because it hadn't kept pace.

Mr BOWMAN - So ours is very modest by comparison.

Mr GROOM - Yes, I understand that.

CHAIR - Thank you very much for coming.

THE WITNESSES WITHDREW.

Dr PETER DAVIS, CHIEF EXECUTIVE OFFICER, AND **Ms SARAH BADDELEY**, GROUP MANAGER, CORPORATE AFFAIRS AND COMMUNITY PARTNERSHIPS, AURORA ENERGY, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Ms White) - Welcome both of you to the committee and thank you for your submission. I will just check that you received from the committee secretary the document outlining the processes of the committee but I have a suspicion you are already familiar with those and just remind you that everything will be recorded by Hansard and that you are covered by parliamentary privilege whilst giving evidence but as soon as the committee hearings are finished you will no longer be covered by privilege. Would you like to make an opening statement?

Dr DAVIS - Yes, thank you very much. Aurora is very pleased to have an opportunity to be heard by the committee. I think the terms of reference that the committee is dealing with are very relevant to some of the challenges that we face in the electricity sector but also the challenges faced by our vulnerable customers. As electricity prices continue to rise in Tasmania and across Australia, we realise this is a very significant issue.

I think it is also timely that the Government is considering this issue because the Government is considering the recommendations of the expert panel inquiry into the Tasmanian electricity sector, so it is quite good timing.

Hardship and our impact on Tasmania's most vulnerable has been an area of significant focus for Aurora, particularly since 2009 as prices have started to increase at a rate in excess of inflation, which we acknowledge.

National market developments and local research findings from Anglicare, plus the report of the Social Inclusion Commissioner, have informed our thinking and so Aurora has taken a number of actions to try to assist vulnerable customers. We are quite proud of the role that we play in administering a number of concessions, the principal ones of which are the electricity concession scheme for pensioners and health care card owners. In addition to that we have a hardship policy, which is reasonably groundbreaking. That involves a relationship with the Salvation Army, implemented and funded by Aurora, and it is an important vehicle to enable residential customers, in particular, who are experiencing difficulty in paying their electricity bills on time and are under risk of disconnection, to access a range of things that give them assistance. This is not just money, but it is also financial counselling regarding payment plans and of course the financial support. The Salvation Army is effectively a lead agency for us there and they are able to make the decision as to who is most worthy in terms of this assistance.

We have also recently formed a vulnerable customer stakeholder group and Sarah Baddeley, who is sitting with me, chairs that group. It involves a broad range of community organisations and it gives us insight into the sorts of issues that those organisations and the people that they represent are facing so that we can improve our service and communication with those most needy customers.

I guess the one that tends to get into the press a little is that we sometimes have difficulties with people who are unable to pay so we have a bad debtors' and

disconnections policy that aims to have disconnection as a last resort. It is primarily there to provide support services and case management for customers in crisis. Disconnection should always be seen as the last resort and not an immediate reaction to customer non-payment.

We have a range of things - we have the concessions, the discounts, the financial counselling and alternative payment arrangements and repayment options and we consider that they make quite a good package of matters that help Tasmanian customers who are finding it difficult. In our submission we have noted that the concession provided by the Tasmanian Government is in fact the most generous in Australia by quite a long margin. In fact for the more than 80 000 people who receive this concession, it is over \$400 per annum that they receive directly as a concession.

Concessions is one thing - and I know that is the terms of reference for this committee - but of course what other things can customers do or what can we do to help people. There is a lot of discussion about full retail competition as potentially a solution, and there is another series of inquiries that have engaged in this, and Mr Groom and I have exchanged correspondence on this one. To the extent that full retail competition provides benefits to customers, then Aurora is supportive of it, but there is a range of significant issues that need to be addressed and full retail competition is dealing with the 8 per cent of the cost stack, so it is not the main game, and as we have said to expert panel and others, the wholesale market issues need to be addressed as well.

Finally, I think the issue of tariffs is important and, given the introduction of the national energy consumers' framework from 1 July, we are seeing more national oversight into this area and Aurora is working very hard to comply with all that. We have provided a detailed written submission; in it you will find that there is some commentary on where Tasmanian electricity prices sit compared to interstate jurisdictions. When you apply the generous concessions, you will find that the Tasmanian prices are actually in the middle/lower range. If people don't get a concession it is generally in the middle of the pack but the problem is as soon as you get into an argument, or a discussion about where do Tasmanian prices sit compared to somewhere else, for the customer who is struggling to pay their electricity account, that is not really relevant. So the issue is how do we deal with the opportunity for them to save energy or be more efficient, or alternatively receive some sort of assistance.

CHAIR - Thank you very much. Who would like to start?

Mr GROOM - I would like to start with the national customer framework. We have seen that go through the Parliament in the last session and I am interested in any comments or observations you have as to what that means for Aurora in terms of your current arrangements. To what extent does it require you to change any of your hardship arrangements, what is the process that you go through, what impact does it have for the customer who is struggling to meet their power bills?

Dr DAVIS - The national customer framework process is quite complex. I guess the thing that is pleasing is that we found that there aren't really very many things that we are doing that are out of whack, that needs to be changed in response to that. What is required though is to make sure that a lot of processes are properly documented and that we can demonstrate that there are safety nets, and that our treatment of customers is in

accordance with the legislative framework. There is a number of codes of practice that we have developed ourselves over the years and some of those are now being encoded through the national framework. I think it is more of a compliance issue and I am not convinced that there will be a significant obvious benefit for customers struggling to pay bills but there is an assurance that there is a legislative framework to protect our behaviour.

Ms BADDELEY - I think that is accurate. In terms of the hardship policy or program itself, there have been changes in the way that Peter has alluded to. We probably took it as a time to look at the hardship policy that we had - it has been around since about 2004-05. The NECF requires that people formally enter and exit the program, which is a formality that we didn't have in our arrangements. So we have now turned the hardship policy into a program with formal exit and entry arrangements and we have maintained our hardship fund, which is the fund Peter referred to that is administered for us by the Salvation Army.

We prepared a draft approach to the hardship program, and that was one of the first items on the agenda of the vulnerable customer stakeholder groups. So through that process we sought feedback from those stakeholders, the likes of TasCOSS, Anglicare, Migrant Resource Centre and Salvation Army, and they provide us with some very useful, practical feedback on how the program, once it is up and running from 1 July, should come into effect. We now have this new formalised structure that adds to our previously informal and voluntary program that has had the benefit of that feedback. But we see that it is going to be something that will continue to evolve with time and as arrangements change and as we get more feedback on what is working and what is not.

Mr STURGES - I hear what you are saying, that you are developing it with a group, but how do you formally enter the agreement? Is that facilitated through the Salvation Army?

Ms BADDELEY - Under our current hardship policy arrangements, the pre-NECF arrangements, the Salvation Army work with us and they make a suggestion on how we allocate the fund between various social agencies throughout the State. Those social agencies - for example, [inaudible] centre in Smithton - might get a client who comes in who is facing hardship with Aurora. They know the parameters in which to administer the hardship funds, they will assist the customer in ringing us and our call centre will become aware that they are a hardship customer through their conversation, and they may or may not access the fund, depending on the circumstances. That is the conversation that is usually specific to that customer - that is pre-NECF.

Under NECF, the new arrangements, there will be a series of formal criteria that enable people to formally enter into the arrangement. Usually whether they are a concession card holder is a basic criteria; then there will need to be a formal acknowledgment, 'Are you aware that you are entering Aurora's hardship program to help you manage your electricity costs?' - yes, no. We'll provide you with some energy-efficient information - yes, no.' It is just a little more structure; they will then go on to be able to access the hardship fund that we currently have and we will work with the social agencies in the way that we always have. But it is that formal view where you are becoming part of the program. The program is aimed to support and manage.

Mr GROOM - To be clear about that, does Aurora have a role to play in terms of identifying someone, or is that completely external? Do you just respond to a request, for example, for someone to be considered a hardship customer?

Ms BADDELEY - The majority of hardship customers come directly to us through the call centre. That was just the example I was giving where they actually might be referred through a social agency because they are second support.

Mr GROOM - When you see patterns, for example, of someone struggling to pay a bill, or whatever, is there any process by which Aurora is involved in identifying someone, or is it up to the customers themselves? Does Aurora have a role in that?

Ms BADDELEY - Obviously we will become aware of customers who are becoming deeply in debt. Deeply in debt does not necessarily always mean they are in hardship because they might have a capacity to pay but are just choosing not to. We do have a proactive approach to debt management, we make contact with customers if they are in increasing levels of debt, but when it comes to hardship the main source we find is customers coming directly to us and we have a conversation on their capacity to pay the bill.

Mr GROOM - If you had someone who appeared to have a debt problem or was struggling to pay, you are not going to discuss with them whether they are potentially within the criteria of a hardship customer, you would let them raise that issue with you? I am just trying to understand -

Ms BADDELEY - The level of proactivity.

Mr GROOM - Yes.

Ms BADDELEY - It is hard to recount the individual conversations. Certainly if it looks as if they have a legitimate incapacity to pay issue we will make them aware of the hardship arrangements we have in place.

Mr MORRIS - We have had a call in a couple of other submissions for pay-as-you-go tariffs to be regulated and I would like you to comment on that. Could you also provide this committee with the full breakdown of your costs - you say that your actual retail component of electricity is 8 per cent, so presumably that is the same or thereabouts with pay-as-you-go. You obviously have purchase of meter, installations of meter - can you provide a full breakdown of the costs of pay-as-you-go for customers that allows us to understand how you arrive at the tariff that you have?

Dr DAVIS - I could give you a level indication today but if you need a full breakdown, which I think is where you are going -

Mr MORRIS - Yes.

Dr DAVIS - then that would have to be a written submission.

Mr MORRIS - That would be terrific.

Dr DAVIS - Certainly there is a perception that somehow pay-as-you-go should be cheaper -

Mr MORRIS - There's a certain logic to it.

Dr DAVIS - because we don't have the meter readers and that type of thing.

Mr MORRIS - And you get paid up-front.

Dr DAVIS - And you get paid upfront. So there are certainly a number of benefits associated with pay-as-you-go from the utility's perspective, and one of them is that the cash is paid in advance, rather than in arrears, so you get the benefit of the working capital and we don't need to send a meter reader around every quarter, so we make some savings there. However there is a whole range of additional costs that pay-as-you-go meters introduce to the utility which standard black meters don't. For example, the customers charge their cards using a smart card, they go to a point of sale agent, which might be a newsagent or service station. We have to pay that organisation to do the receiving of the money, the smart cards themselves have a cost, the meters are far more expensive than the standard meter - they are a very sophisticated meter with a smart card reader. So when you add up all those costs we end up not in front on pay-as-you-go, even though conceptually there are savings.

The key reason we have such a big adoption of pay-as-you-go in Tasmania is that it puts the control in the hands of the consumer. The customers can see on a regular basis how much they are using and they have an opportunity to modify their behaviour and they can do that by sometimes using some of the more energy-intensive appliances in a low-cost period, like late in the evening. So we find customers are very satisfied with it. Periodically the issue of our pricing of pay-as-you-go comes up in debate with Parliament, or wherever, and the problem is it is not quite an apples with apples comparison.

Mr MORRIS - That is right, which is why I asked the other question about the rate.

Dr DAVIS - For some customers, pay-as-you-go will be more expensive, for others it will be cheaper. The main thing is that they have the control and the reason it is very hard to make the comparison between that and standard electricity is that pay-as-you-go is structured around the time of use. There are different times of the day with a different price, weekend, weekday, and then summer and winter, and it all goes through one meter. So whether it is light and power or heating, it is all going through that one meter and the price is adjusted according to the time of use, whereas in the case of standard electricity, there are often two, sometimes three, meters which have particular circuits dedicated to them and they are more of a flat price.

Mr MORRIS - But it is only the cost of electricity that varies as far as you are concerned. All your other costs are effectively fixed, aren't they - or percentage based?

Dr DAVIS - Yes. In terms of the price stack, approximately 40 per cent of our costs come from energy which we mostly buy from Hydro Tasmania and some we generate ourselves at AETV. Then we have to pay Transend for the transmission through the transmission network, then there is the regulated distribution charge which is our own poles and wires, and then finally you get to the retail margin cost-to-server allowance at the end. For the customers that are competitive, and that is certainly the majority of the

volume in Tasmania, that is set through market forces, but in the case of the mums and dads who currently don't have the opportunity to choose their electricity retailer, that is set through a regulatory process, and that's the 8 per cent.

Mr MORRIS - That's right.

Dr DAVIS - Pay-as-you-go is in that same little block.

Mr MORRIS - But even with pay-as-you-go you only have 40 per cent which is associated with electricity itself.

Dr DAVIS - With the energy?

Mr MORRIS - Yes.

Dr DAVIS - But you still have the transmission and distribution because the electricity still has to get to the person's house even though they have a pay-as-you-go meter. It is really just a different way of dealing with the payment in the retail component at the very end.

Mr MORRIS - It would be handy if we had as deep a breakdown as possible because it will be pertinent to us as to whether we recommend to the Regulator or the Government to consider pay-as-you-go for regulation as opposed to leaving it unregulated as it is now.

Dr DAVIS - The Energy Regulator has looked at that in the past to determine whether or not it should be a regulated product because for a long time it has been an unregulated product and the argument has been that if customers are unhappy with pay-as-you-go they can drop back to a black meter. In fact, when there was some negative publicity about it -

Mr STURGES - That's a very simplistic argument for somebody who earns big money, though, isn't it?

Dr DAVIS - I don't think that's a reasonable comment. What's the big money issue got to do with it?

Mr STURGES - I do, because at the end of the day, pay-as-you-go meters are used extensively by people who are low-income recipients - agreed?

Dr DAVIS - Not necessarily.

Mr STURGES - Well, those I know are certainly not on big money. My comment wasn't targeted at you, by the way, it was targeted at those people who tend to take a broad-brush approach and say that it doesn't have any effect. The constituents I represent, many of whom have pay-as-you-go, do it because they don't have the cash reserves to pay on a quarterly basis. As you said, they like to have control over their energy use.

Dr DAVIS - The issue I was trying to address, Mr Sturges, was the fact that when the regulator determined that it didn't need to be regulated because it was an optional product, he regulated the safety-net tariff, which is the standard product. If customers were genuinely unhappy with pay-as-you-go, or felt they were being ripped off in some

way, the safety net exists for them to go back. But to your point, they actually aren't in that case, they are pretty happy with pay-as-you-go because it enables them to control the price.

Mr GROOM - Can I just test that? From my anecdotal exposure to people I would say that most people feel satisfied with the product but I would also say that most people would have no idea whether it is more or less expensive - completely blind - and the only reason they use it is because it is the only way they can cope with the power bill. We have had this debate quite a few times, it has been the subject of what I will say are very good report by the Economic Regulator. I think the detail of that report on this particular product is excellent, albeit very complex, but that's the nature of the product. Are you satisfied that people who utilise this product are aware that in some instances it might actually be costing them more? Do you think that needs to be communicated more effectively?

Dr DAVIS - It is a really interesting question, Mr Groom, because the circumstances for everyone are different. We do make people aware that for some people - for instance, the very low-income earners - pay-as-you-go is not suitable and we provide a whole lot of information. The problem is that when general information gets out people make decisions and I think in this room, in another committee, I made the point that a couple of years there was some negative publicity about pay-as-you-go and I think we had 10 000 customers jump off PAYG and back onto black meters because they thought they'd be better off. But of course the ability to time their payments was now lost to them and they found themselves worse off and we then found them in a sort of credit management situation.

We have to be very transparent about the fact that they are not directly comparable and you may or may not be better off, but the issue is that you have bite-size chunks and there is the opportunity because of the time of use to move consumption. Not everyone can have that opportunity so some customers who, for instance, are home all day and are running electric heaters during peak times probably won't be better off, and that is a number of low-income people, but we have to be very transparent and make that information as clear as we can. It is not a simple yes or no answer.

Mr GROOM - But even that acknowledgment that you have now made a couple of times that in fact it is not simple and that certain categories might in fact be worse off from a dollar cost perspective - is that made clear?

Dr DAVIS - I think it is made clear. My concern is that, even in the reporting of this discussion in this committee, if the media run, 'CEO admits pay-as-you-go might be more expensive', which is true, there is the risk that people might make the wrong decision. That is the point, because it sends a message -

Mr GROOM - But surely they're entitled to know that.

Dr DAVIS - Absolutely, they are entitled to know that but it's how it is interpreted and reported. I think if the message was, 'Everyone needs to choose a product that's most suitable for them and it may or may not be pay-as-you-go', that's a slightly different way of presenting it to, 'Pay-as-you-go is more expensive', because for some customers it will be more expensive and for many, many customers it won't be.

Ms PETRUSMA - Peter, I notice in Victoria they offer a 17.5 per cent discount all year around - that's their concession, which is on page 7 of the submission - so would it be easier to have a percentage discount in Tasmania? Does that offer more benefit to customers, given the current rebate that you get at the moment?

Dr DAVIS - That is a policy issue for government but what that does is ties the concession to usage, to load, and that might mean people with larger houses or less efficient use are getting a higher subsidy and concession.

Ms PETRUSMA - That's right, because at the moment if you have a large household with six children and you're on a concession card, you're getting the same amount as a single person.

Dr DAVIS - That's right.

Ms PETRUSMA - So it's to look at what's fairer then. If you need to use more power and if we got a percentage discount, is that better than the current concession system?

Dr DAVIS - The assumption you make is correct except for the fact that there will also be people who will have energy-intensive appliances. I don't know how many low-income people have a swimming pool, not many, but they might have two televisions or whatever and they might have quite a high consumption, and if you then index the discount on a percentage basis they will get a higher proportional rate even though they may not be in hardship. So the issue is that there is not necessarily a direct correlation between volume and -

Ms PETRUSMA - You are saying the health care holders, or something like that?

Dr DAVIS - Even in that space, though - you'd be amazed how many people get a health care card.

Ms PETRUSMA - But if they're paying a \$2000 a quarter bill because they have all these things, they would soon reduce their -

Dr DAVIS - It would need to be modelled pretty carefully, and it is a philosophical issue about whether you are giving compensation to the person or in reflection of the scale of their assets.

Ms PETRUSMA - Would it be easy to go to a percentage discount, would it just be changing your billing system and putting a percentage discount in instead of giving the current concession?

Dr DAVIS - I imagine that it could be done in the billing system, yes. I don't know if I'd ever use the word 'easy' to describe any changes to concessions and billing but I can't see why that wouldn't be possible.

Ms PETRUSMA - You say that the current concessions are one of the most generous in Australia, but which is the most generous?

Dr DAVIS - I think it is the Tasmanian one.

Ms PETRUSMA - So it is not Victoria which gives a 17.5 per cent discount?

Dr DAVIS - No.

Ms BADDELEY - I think the expert panel found that Tasmania had the most generous concession payments.

Ms PETRUSMA - You stated that it was amongst the most generous and I just wondered what was the most generous.

CHAIR - Another way that has been brought to our attention of providing relief to customers, as opposed to the percentage model that doesn't give an incentive for people to change their behaviour, has been the lifeline block as proposed by Anglicare - I suppose you're familiar with it?

Dr DAVIS - Sarah's more familiar with it than I am.

CHAIR - I wonder if you could give your opinion on whether or not that would be an appropriate model for Aurora to adopt, and is it feasible?

Ms BADDELEY - Sure. We worked quite closely with TasCOSS who were leading it on behalf of Anglicare on the lifeline tariff structure model in response to the final tariff strategy that was set in April last year. We sought their submission on our draft tariff strategy and they provided feedback about the lifeline tariff structure. The modelling we undertook and released in the final strategy responded in detail to that, and I beg your forgiveness, I am not our retail tariff strategy specialist, so I might have to refer to my papers.

In general we found the very point that Peter has been making, which is that low income is not always associated with low consumption, so the lifeline tariff meant that those who used little could benefit but those who used more would not benefit from this structure. We provided TasCOSS, through a number of meetings, with detailed modelling that is set out in our final tariff strategy about the tipping point for various consumption levels and the various winners and losers from the lifeline-type tariff structure.

CHAIR - TasCOSS raised this today and argued that you made a number of assumptions that they didn't necessarily agree with and therefore differed with your conclusions. However, putting aside whether or not low-income earners use less power, if there was a lifeline tariff, essentially they could then use essential service electricity to run the house on and for anything above that they would be still be entitled to a concession to help reduce their other consumption costs. Is it possible to implement that type of structure in your organisation? Putting aside the assumptions that were made by yourself and TasCOSS, that type of lifeline tariff would obviously be a widespread tariff across all your users, so is it viable financially, is it sustainable for you as an organisation to implement that type of tariff?

Dr DAVIS - As to whether it is possible, the answer would be yes, because we have a sophisticated tier-one billing system that can accommodate a multitude of different tariffs

and people are on a range of tariffs already, so that is possible. As to whether financially it would work or not, we would have to model that. It is sort of like dealing with tax; you need to change the marginal tax rate at the bottom and fix everyone up the stack. It would have to be modelled to see what it would do.

The issue at the end of the day is the amount of money that the Tasmanian Government pay in concessions already. In our submission we showed that over the past decade it is almost \$164 million, an enormous amount of money. In the last financial year there was \$27 million in concessions. It is a great deal of money and it might be possible to cut it in a different way but it is already quite a substantial contribution.

CHAIR - The argument TasCOSS made was that people could modify their behaviour if they understood that there was a certain percentage of their power they could consume at a lower tariff and that would enable them to live within their means. Obviously we would have to be mindful of people budgeting to the extent where they rationed their power.

Dr DAVIS - I think the implication is that the utility is earning less income on the first number of kilowatt hours so by implication, to achieve a particular revenue amount, you have to earn more on the upper end. So what would happen is that higher usage users would effectively be cross-subsidising the lower-income users and that may or may not be necessarily the people in hardship and who are low-income earners.

Mr GROOM - What if you looked at a different tariff structure issue? For example, I have seen some comparisons that show that our fixed charge versus the usage component is higher than some comparable tariff structures elsewhere. Is that another way of avoiding the thing you're describing? If you reduce the fixed charge and had a higher usage charge then you are incentivising efficiency and that addresses that to some extent.

Dr DAVIS - The fixed charge is largely associated with the fixed infrastructure and bringing electricity there, which is the regulated network, poles, wires and transmission and so on. If you were to reduce the fixed component further then presumably there would have to be an increase in the variable components so you'd get greater variability. Both Transend and Aurora operate under a revenue cap which means that any shortfalls get picked up in subsequent periods, so I think there is the risk of increased volatility in tariffs - some years it would be going up and other years it would be going down - but they're all possibilities.

Ms PETRUSMA - I want to talk a little on the life-support discounts and concessions. You acknowledge that the discounts that you provide for life-support customers have not kept pace with electricity price increases over recent years. What percentage do you think is needed to take that into account? Do you have any estimate on that?

Dr DAVIS - It is probably not appropriate for us to conjecture on this. I think the key point we were making in our submission was not so much that it hadn't kept pace but the fact that Aurora is probably the only utility in Australia that actually funds this out of its own pocket. At the moment it is a concession that we introduced as a utility - it is not a government concession - so Aurora is doing it to be a good corporate citizen, if you like, and I guess the submission suggests that perhaps it would be better if this was grabbed amongst all the other concessions rather than Aurora doing it as a handout. I think it is

timely that it is reviewed, and in that review it could be determined what level it should be.

You do have the issue also that life support overlaps with pensioner concessions as well, so some people will be getting more than one concession and others won't, and some won't be getting any. If we haven't done any modelling as to how much it would need to increase but I guess it is a relatively straightforward thing to look at the inflation that has occurred each year. I don't have in my head how much the CPI has moved since that concession was last adjusted but it is a relatively straightforward projection -

Ms PETRUSMA - On life support services, have you looked at thermoregulatory dysfunction going on there as one of the conditions?

Dr DAVIS - We heard the previous people submitting to the inquiry and yes, we have had conversations with them. The issue is really outside our jurisdiction as to who should receive a medical-type rebate or concession, and who should not, but we have certainly had conversations with the MS Society and others about the fact that they have constituents who are doing it tough and so that is a factor that we have been in discussion about but we haven't made any decisions in that regard. Again, I think it is probably more in the province of this committee rather than Aurora as a utility.

Ms PETRUSMA - You also say that you underwrite the NILS scheme, how much do you provide to NILS?

Dr DAVIS - The way NILS works is that we effectively underwrite the loans, so we pay the interest on the loans. NILS being a no-interest loan scheme, if a customer comes in - or a person who has sought support from the Salvation Army, for instance - and they want to buy a refrigerator, the bank lends them the money and Aurora pays the interest on that loan. Can you remember the total amount of that?

Ms BADDELEY - This financial year, we have provided NILS Tasmania with \$25 000.

Dr DAVIS - But it is an underwriting issue and it is one that we're very proud of. We have been involved with NILS since it started and I think they have recently given their 10 000th loan. So, again, there is a range of things that Aurora seeks to do to make life easier for people doing it tough, and that is an important one.

CHAIR - Could I go to the hardship provisions that you provide, and obviously you have a relationship with the Salvation Army. One of the points I raised with them, and I think I have raised it previously with your organisation, is that the outlets for accessing that emergency relief aren't clearly identified on either of your websites. They are endeavouring to provide that list on their website after our discussion today - does that come up through your vulnerable persons stakeholders group at all?

Ms BADDELEY - That specific issue hasn't but we had an item on the agenda of the last committee meeting about the working arrangements for the hardship fund and both we and the Salvation Army think that there are a number of process improvements we could make to make it more transparent. One of the great challenges of the fund is that it will be oversubscribed. It has obviously increased by a large degree over the last few years but the requirement for emergency funding is impacting on people outside of electricity

in terms of their needs. So the Salvation Army has a challenge, as the administrators of the fund, in determining which of the social agencies receive the funding.

We have commenced a review; we are working closely with them at the moment to look at the way that we work the arrangements together, the way that they are working with social agencies and the judgments about which social agencies receive and what allocation of funding is made. So that would make absolute sense as a detail to that process improvement, that we transparently outline where the funding is being allocated.

CHAIR - That would be great if you could look at that. The other question is: how well do you promote the direct-debit Centrepay options for people to make those payments throughout the year as opposed to engaging a pay-as-you-go meter?

Dr DAVIS - I think the direct-debit approach and the use of Centrepay whereby funds are taken out before they spend them on other things, is something that seems to work very well. Call centre people are trained to proffer those options.

Ms PETRUSMA - Do you call that EasyPay?

Dr DAVIS - No, that's not EasyPay. A direct debit is basically straight out of the customer's bank account and Centrepay is the one where it comes out of their allowance from Centrelink before it goes into their bank account, and both of those are quite helpful, and we do promote those.

There are some utilities around the world where 100 per cent of their customers are on direct debit but we are a very long way away from that. A relatively small number of our customers use direct debit but it is something that we try to encourage.

CHAIR - I guess the other component that goes hand-in-hand with that is promoting energy-efficiency measures, whether when a bill is sent out you can include some very simple language around those types of things. I know you have your *Little Blue Book* and *Little Green Book* and they are very complex - great detail but very few customers would probably read them and I presume there was a bit of money spent on the development of those.

Dr DAVIS - Energy efficiency is really critical. We are trying to position our retail business as an energy expert so that customers can get information to help them manage their bills and reduce their costs. There is a range of channels being used. For those who access a computer we are putting new information on the internet through our website. We provide some information on the bills - the little blue book you referred to - and we also publish *Warm* magazine, which I think is going out to all Tasmanian customers very shortly, and that is very much focused on reducing energy consumption in the home.

We try to do as much as we can. Again, the challenge we face is that we are trying to keep electricity costs down. In the past I can recall we used to have energy advisers who ran around doing energy audits for people but it is hard to get to 200 000 customers and it is also quite expensive to have field-based staff so we are trying to use an information dissemination method. People ask why would we do that. It is actually in our interests if customers feel they are getting good value from electricity, that it is efficient and when

the bill comes in, it is manageable. It is in our interests and the customers' interest to promote energy efficiency.

Ms PETRUSMA - I note that last year you had 988 disconnections, do you find that disconnections are increasing or because of the strategies you are using, they are staying about the same?

Dr DAVIS - Disconnections tend to be about the same every year. There is a regulatory cap put on them so there is only a certain number of disconnections we are allowed to make and we tend to try to use disconnections as a last resort in any case.

Ms PETRUSMA - That might be why I couldn't understand the next paragraph on page 11 because it says:

'Aurora also has a commitment with the Tasmanian Economic Regulator in relation to the maximum number of connections that will occur on an annual basis.'

It should have said 'disconnections'.

Dr DAVIS - It should say 'disconnections', I apologise for that.

Mr GROOM - It would be remiss of me not to ask this question. There has been a lot of speculation recently about the next uplift in tariffs; what is your understanding of what the anticipated increase will be on 1 July?

Dr DAVIS - There has been a lot of discussion in the media and I found it interesting that one week the *Mercury* published a 26 per cent price rise and then a few weeks later they published a 15 per cent price rise and didn't even reference their own statement from earlier on. I have heard members of parliament suggest a number in the 20 per cent. I think the regulator has just put out his assessment of the carbon tax impost, so it does look like a number of that order.

Mr GROOM - Which order?

Dr DAVIS - Twenty per cent or more. There is a range of matters - we still do not have the final determination from the Australian Energy Regulator, which is the distribution element. We also still haven't got the amount that needs to be carried forward as part of the revenue price cap for distribution. So there are still some uncertainties, but when we model it, it is that sort of order, but it might be a little less or a bit more.

Of course you have the expert panel's commentary about the wholesale energy price and the difference between using a long-range marginal cost and a market price. There are still some uncertainties so I can't say at this point what the price rise will be on 1 July but we have certainly advocated, with the Australian Energy Regulator, that we should be able to smooth the price rise associated with the distribution reset, and that certainly helps a bit. There is a range of things that still need to be worked through.

Ms PETRUSMA - Does that 20 per cent include the carbon tax increase as well?

Dr DAVIS - Yes, and that is only a very broad-brush number.

Mr GROOM - What is the status of your distribution pricing determination?

Dr DAVIS - The final determination is due on 30 April so we will quite soon hear from the Australian Energy Regulator.

CHAIR - Thank you very much for your submission and evidence provided today. Is there anything you want to say before we finish up?

Dr DAVIS - No. We wish the committee well in their deliberations, it is a very important area, so thank you for the opportunity to appear.

THE WITNESSES WITHDREW.