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Submission to

Parliamentary Select Committee on the Cost of Living

About TasCOSS

TasCOSS is the peak body for the Tasmanian community services sector. Its membership comprises individuals and organisations active in the provision of community services to low income, vulnerable and disadvantaged Tasmanians. TasCOSS represents the interests of its members and their clients to government, regulators, the media, and the public. Through our advocacy and policy development, we draw attention to the causes of poverty and disadvantage and promote the adoption of effective solutions to address these issues.

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Summary of recommendations

Effectiveness of the current concession system and related services, including social tariffs

TasCOSS recommends that:

- ❖ *The Tasmanian Government adopt a two-part concession structure in relation to the essential services of electricity and water.*
- ❖ *Aurora Energy ensure that APAYG provides a consistent advantage to its subscribers.*
- ❖ *The Tasmanian Government mandate the creation of, and provide adequate funding for, lifeline blocks for the essential services of electricity and water.*
- ❖ *The Tasmanian Government expand the eligibility or increase the rate of some existing concessions (water, transport) and investigate new schemes to assist Tasmanians facing hardship.*
- ❖ *Aurora Energy promote and expand payment plans and bill smoothing options for non-concession standard tariff customers.*
- ❖ *Aurora provide better protection from self-disconnection for APAYG customers.*
- ❖ *Aurora provide more extensive or clearer information for APAYG customers on tariff comparisons, energy use, and time slots.*
- ❖ *Aurora and the Tasmanian Government collect information on hardship-related self-disconnections to determine the extent to which these are currently under-reported.*
- ❖ *Aurora and the Tasmanian Government ensure that the cost of APAYG concessions be transparently and clearly reported in the Government's Budget Papers.*
- ❖ *The Tasmanian Economic Regulator 'declare' Aurora's APAYG services and regulate APAYG prices through regular price determinations.*

Alternative models of planning and service delivery of concessions

TasCOSS recommends that:

- ❖ *The Tasmanian Government investigate options for delivery of concessions that give concession holders greater flexibility and choice in accessing entitlements but that also ensure that individuals retain the ability to access the total basket of concessions with no reduction in, or forcible reallocation of, existing concessions.*

Impact of legislation such as the Monetary Penalties Enforcement Act 2005

TasCOSS recommends that:

- ❖ *The Department of Justice:*
 - *Reinstate, expand and publicise non-monetary ways of paying off fines.*
 - *Investigate the introduction of day fines.*
 - *Increase the use of specialist and problem-solving courts.*
 - *Expand and publicise fine smoothing options, with the goal of making payments less onerous and programs easier for people experiencing low literacy, low self-confidence, social isolation, or embarrassment to access.*

- *Review the data on non-paying offenders to determine the characteristics of those involved in order to be able to develop a more strategic plan of action for prevention as well as the needs of those currently failing to repay.*
- *Develop age-, disability- and gender-friendly enforcement policies and practices, as recommended by COTA and others, which recognise the special circumstances and needs of diverse groups of Tasmanians.*
- *Review the relevance/proportionality of all monetary penalties, as suggested by The Salvation Army.*
- ❖ *That the Tasmanian Government develop and promote best practice guidelines for government agencies responding to and managing debt over-commitment on the part of low income earners and other people with special needs.*

Impact of taxation policies on cost of living

TasCOSS recommends that:

- ❖ *The Tasmanian Government ensure that all state taxes are means-tested in order to ensure that they are progressive, that any new or re-designed State taxes are subject to a comprehensive assessment of their likely social impact before they are introduced, and that flat, universal special-purpose levies or charges are avoided where possible.*
- ❖ *That the Tasmanian Government institute progressive stamp duties for residential housing transfers.*

Likely impacts of increased contestability policies on reducing cost of living pressures

TasCOSS recommends that:

- ❖ *The Tasmanian Government postpone the introduction of full retail competition in Tasmania until such time as it can be demonstrated, supported by evidence, that such competition will benefit all Tasmanian households, including those living on low incomes.*

Additional recommendations

TasCOSS recommends that the Tasmanian Government address whole-of-government and capacity-building issues by:

- ❖ *Implementing a bill smoothing or progressive payment policy across State Departments to allow Tasmanians to better cope with large bills and fees such as land tax and motor vehicle registration.*
- ❖ *Funding and implementing programs to increase energy efficiency in residences of low income earners, including non-concession holders.*
- ❖ *Supporting measures to increase food security such as group buying programs, social cooperatives and community gardens.*
- ❖ *Developing peer support and volunteer networks to promote and broker access to emergency assistance funds, financial literacy and micro-finance, energy efficiency programs, community networks and complaints mechanisms and redress.*

- ❖ *Retaining the public housing system as a core government service, with additional funding to allow the system to operate sustainably and increase the supply of houses.*
- ❖ *Creating an Essential Services Commission embedded in legislation to review planned price increases and provide oversight on price movements, potential price shocks and cumulative risk.*
- ❖ *Engaging in active consultation with low-income and disadvantaged Tasmanians, and the community service organisations that serve them, to ensure that planning and implementation of measures designed to alleviate the cost of living will meet the needs and desires of those in greatest need.*
- ❖ *Encouraging all corporatised essential services to conduct consultation programs with low income earners with a view to developing appropriate products and services to suit their needs, along the model of the Vulnerable Customers Stakeholder Group established by Aurora to advise on issues facing disadvantaged Tasmanians and to open dialogue on these issues.*

Introduction

TasCOSS welcomes the establishment of the Parliamentary Select Committee on the Cost of Living, and appreciates the opportunity to make a submission to its proceedings.

TasCOSS concurs with the findings of the Social Inclusion Commissioner and others that the rising cost of living is putting severe pressure on many Tasmanians, including but not limited to those who are eligible for income support, pensions, or Commonwealth or State concessions. TasCOSS' own research has contributed in many instances to these findings.¹

In this submission, we will address the five issues identified by the Select Committee's Terms of Reference; we will also offer related recommendations in a separate section.

Effectiveness of the current concession system and related services, including social tariffs.

As the *Cost of Living Strategy* and the *Social Inclusion Strategy* both clearly spell out, growing numbers of disadvantaged Tasmanians are not adequately served by current concessions and related services. The experience and research of front-line service providers such as Anglicare and The Salvation Army indicates that the current concession system not only is not adequate to alleviate financial hardship, but in many instances does not even ensure access to essential services, in particular electricity. Of equal concern, many concessions are simply not available for the many Tasmanians who have low levels of disposable income but who do not qualify for a Commonwealth concession.

This situation is best addressed by a four -pronged strategy that brings together:

- A two-part concession structure for the essential services of electricity and water, combining fixed and percentage rates
- Introduction of lifeline tariffs for the electricity and water
- Better promotion of existing concessions
- Extension of existing concessions and investigation of new concessions

A two-part concession structure for essential services

At both the national and international levels, increasing attention is being drawn to poverty in relation to two essential services: energy and water. For example, a British household which needs to spend more than 10% of income on 'adequate warmth' (defined as 21 degrees) as well as other essential activities such as cooking and lighting is deemed by the UK government to be in fuel poverty.² In Australia, figures such as the NSW Energy and Water Ombudsman have warned that in the Australian context, rising electricity prices—the impact of which extends beyond simply heating

¹ See, for example, TasCOSS 2009, TasCOSS 2011.

² The Poverty Site, "Fuel poverty." <http://www.poverty.org.uk/80/index.shtml>;
<http://www.news.com.au/money/money-matters/families-in-fear-of-fuel-poverty-as-energy-costs-soar/story-e6frfmd9-1225840687578>

and cooling—have the potential to increasingly force even working families into “energy poverty.”³ Meanwhile, with water costs rising across Australia, preliminary evidence suggests that more people in mainland states are facing water-related financial hardship.⁴

In Tasmania, electricity prices for Tasmanian residential customers have risen sharply in recent years—around 6% during 2009-10, with a further 15% increase occurring through 2010-11. This upward trend is set to continue in the near term, with the Tasmanian Economic Regulator having already determined that prices will increase a further 8.7% on 1 July 2012. Concessions are not keeping pace with these rises, resulting in self-rationing, self-disconnection, and/or a backlog of unpaid bills for many low-income residential customers.⁵ The risk is greatest when low income is combined with energy inefficiency.

The Aurora standard tariff currently offers a flat concession rate of 111.7 cents per day. For a number of reasons, however, this concession is not adequate to meet the needs of many low-income and disadvantaged customers.

- The concession rate is comparatively arbitrary, and does not reflect research into the average energy use of a low-income household, particularly in poor housing stock.
- The flat rate of the concession also means that everyone on a pension gets the same amount of assistance—for example, a pensioner couple living in a small, well-constructed flat will get the same amount as a large family living in an old, run-down house.⁶
- The presence of a high standing charge makes it difficult for customers to save money by using less power.
- Eligibility does not extend to the working poor.

Meanwhile, Aurora Pay As You Go (APAYG) also offers a concession tariff, including the absence of a daily standing charge. Again, however, this concession is not adequate to meet many low-income and disadvantaged customers’ needs.

- The APAYG concession rate provides inconsistent advantage in reference to the standard concession tariff. The Aurora website indicates that for an average concession customer, APAYG provides better value for low-, medium- and high-consumption households during winter. However, APAYG provides worse value for all of the three household types in summer. APAYG also offers different levels of advantage in relation to the three sub-tariffs (standard, heating discount and off-peak). Taking all these factors into account, according to information on the Aurora website, average low- and medium-use households do better on an annualised basis on the standard concession tariff, but high-use households get a better annual deal on APAYG’s concession tariff. These conclusions are based only on the information available on the Aurora website; as the OTTER report indicates, more detailed comparisons provide even more diverging results.⁷

³ <http://www.news.com.au/money/money-matters/families-in-fear-of-fuel-poverty-as-energy-costs-soar/story-e6frfmd9-1225840687578>

⁴ See, for example, “Rising water bills hit WA hard,” *The West Australian*, 21 October 2011, <http://au.news.yahoo.com/thewest/a/-/newshome/10588866/rising-water-bills-hit-wa-hard/>

⁵ See Anglicare 2011, TasCOSS 2011.

⁶ Anglicare and TasCOSS 2010

⁷ Office of the Tasmanian Economic Regulator (OTTER) 2010.

- The APAYG system offers little protection against self-disconnection in the case of financial hardship, with the level of 'emergency credit' clearly aimed primarily at helping people facing logistical difficulty in recharging, rather than people in financial difficulty.
- The APAYG advantage relies heavily on customers changing their usage patterns to take advantage of cheaper time slots. However, not all customers are able to change their usage at will; these include housebound people with illness or injury and their carers, families with young children, and the elderly.

Similar inadequacies are evident in the area of water and sewage concessions. When the State Government introduced major reforms to the water and sewerage services sector in 2008, a water and sewerage concession was introduced as a community service obligation on the new water and sewerage corporations. The concession rate was initially set at \$130 per annum which, we understand, reflected an approximate proportion of the previous Rates Remission attributable to water and sewerage services. In the 2011-12 State Budget the existing government-funded 5% cap on water and sewerage price rises was increased for 2011-12 to 10% or '\$100 per year, *whichever is greater*' (italics ours). The concession rate was increased by 10%.

Now many householders, particularly those in the Hobart municipality, have found that their first quarterly bill in the 2011-2012 financial year increased by \$25 (equating to \$100 per year). For most, this is a much higher increase than 10%; in fact, the \$25 per quarter increase has meant that some quarterly bills increased by up to 30%.⁸ As a consequence, the 10% increase in the concession rate has not matched price rises, leaving many low-income households vulnerable to financial hardship. Furthermore, in an environment characterised by widely varying water and sewerage pricing across the State, concession customers are not receiving equitable levels of assistance. Different sized households with different water use needs also do not receive a concession commensurate with their use.

In response to all these concerns, TasCOSS and Anglicare have recommended a two-part concession, or concession on each part of the bill, for both electricity and water.

- A 'flat rate' concession (a certain amount per day) would apply to fixed charges—in the case of electricity the daily standing charge, in the case of water and sewerage the annual fixed water and sewerage charge.
- A 'percentage rate' concession of not less than 30% would apply to usage in excess of the lifeline block (see below), up to a capped amount. This cap would be set at a fair level, to ensure people receive enough assistance while providing a degree of budgetary certainty.⁹

The concession on fixed charges should indexed to increases in the price of the utility, not to the CPI. The cap on the concession for usage would also be indexed to increases in price rises. These two measures ensure that the whole concession will maintain its value over time.

⁸ See TasCOSS' Budget Priority Statement 2012 for itemised examples.

<http://www.tascoss.org.au/Portals/0/Homepage/TasCOSS%20Budget%20Priorities%20Statement%202012-2013.pdf>.

⁹ We have set the figure of 30% in part in line with council rates remission, of which remission on water and sewerage costs were previously part, which have been provided as a capped 30% rebate.

TasCOSS also argues that Aurora's concessions in particular should be more consistent. As noted above, depending on household volume of use and time of year, APAYG does not always provide better value than the standard concession tariff for its concession users. One system should provide a concessionaire with better results across the year, regardless of the volume of use.¹⁰

Recommendations:

- ❖ *That the Tasmanian Government adopt a two-part concession structure in relation to the essential services of electricity and water.*
- ❖ *That Aurora Energy ensure that APAYG provides a consistent advantage to its subscribers.*

Low-cost 'lifeline' blocks for essential services from government trading enterprises

As the Cost of Living Companion Reports, in particular Companion Report 2, make clear, focusing on concessions overlooks many Tasmanians—self-funded retirees caught by the global financial crisis, the working poor, the underemployed, and people who experience abrupt changes in circumstances, older Tasmanians who are supporting children and other family members unable to meet cost of living pressures—who are not eligible for concessions but who are also hard hit by cost of living increases. For example, COTA has noted that while older people who are not on pensions may be able to access the Commonwealth Seniors Health Card, income thresholds for eligibility have not increased since 2001, meaning that fewer people are eligible for the card.¹¹ It is therefore necessary to consider universal safety net measures to help those in invisible need.

One mechanism for extending a universal safety net is the lifeline block: the provision of a small amount of an essential utility at a very low price, with future price increases linked to the CPI, rather than increases in the price of the utility. Consumption above the lifeline amount would ideally be priced using an inclining block tariff structure, but could also be priced at a flat fee structure. There would be no concession on the lifeline block, since it constitutes a form of concession in itself.

- The amount of electricity included in the lifeline block would be the amount needed each day to run an average fridge, prepare a hot meal, heat and light a single room, and provide hot water for bathing, assuming average usage and average energy efficiency in Tasmanian conditions.
- The amount of water would be the amount needed for drinking, bathing, and kitchen hygiene, again assuming average usage and average energy efficiency in Tasmanian conditions.¹²

While Tasmanians facing financial hardship might need to restrict their usage of electricity and water to the lifeline amount, at least they would be more likely to have money left over for food and rent.

¹⁰ These comparisons should also be far more clearly explained, especially for concession customers. Arriving at them from the information available on the Aurora website, where they are not spelled out, requires 12 separate sets of calculations—a challenge for less numerate customers. See <http://apayg.com.au/tasmania/cost-comparison.asp#standard>

¹¹ COTA Australia 2012, p. 10.

¹² For example, Queensland sets a rough baseline of 'reasonable' water use at 750 litres per four-person household per day, with a maximum of 300 litres per person/1200 litres per household per day. Tenants Union of Queensland (2011), presentation to QCOSS and QUU water forums, <http://www.qcoss.org.au/sites/default/files/TUQ%20Tenants.pdf>

The development of a lifeline block should not be subject to blocking by government business enterprises and state owned companies. These entities, as the concept of ‘community service obligations’ recognises, have responsibilities to the Tasmanian community as a whole that extend beyond their immediate commercial interests, and need to be held to account for delivering services and products that suit the needs of low-income and disadvantaged Tasmanians. Modelling by Aurora in response to an earlier iteration of this proposal found that two thirds of pension customers (that is, concession customers) would see small savings under a lifeline model, but that one third would see price increases. However, this modelling assumed that the total concession spend by the Tasmanian Government would remain the same.¹³ In fact, the development of a lifeline block should be backed by a fully funded community service agreement to protect the business interests of current and future electricity and water providers. The cost of the subsidy will be at least in part paid back by savings in other areas of the Tasmanian Government’s Budget, such as in expenditure on health services, that will result from all Tasmanians being able to cook, bathe, and warm themselves, even if their circumstances change abruptly.

Recommendation

- ❖ *That the Tasmanian Government mandate the creation of, and provide adequate funding for, lifeline blocks for the essential services of electricity and water.*

Better promotion of concessions

The *Cost of Living Strategy* and other publications have pointed out that many Tasmanians in need are not taking up concessions for which they are eligible. For example, a survey of Anglicare emergency relief clients in 2009 found that although 90% of surveyed clients were eligible for electricity concessions, only 50.7% were receiving a concession.¹⁴ This situation appears to stem from at least two factors:

- A lack of awareness of concessions on the part of potential eligible recipients.
- Under-acknowledged barriers faced by eligible clients in the taking up of concessions—for example, lack of literacy and numeracy, social isolation, or embarrassment.

These problems need to be addressed both through better provision of information about concessions, and through collection of information on how better to ensure that all eligible Tasmanians receive the assistance they need.

Recommendations:

- ❖ *That the Tasmanian Government promote and fund avenues to increase awareness of concessions, including through the peer support and voluntary networks advocated by the Cost of Living Strategy, in order to ensure that all eligible Tasmanians are aware of*

¹³ Anglicare 2011, p. 64.

¹⁴ Flanagan 2009, p. 104-105.

assistance available to them as well as to find out more about how to overcome under-acknowledged barriers.

- ❖ *That the Tasmanian Government and government business enterprises and state-owned companies collect information on concession uptake by local government area, and that such information be published half-yearly.*

Extension of existing concessions and investigation of new concessions

Extension of existing concessions

Tenant protections in relation to water. Tascoss is concerned that tenants are not protected from rising water charges. Water and sewerage concessions are available only to property owners for their principal place of residence; tenants are not eligible for any concession, regardless of whether they hold concession cards. Nevertheless, TasCOSS notes that under current legislation, owners are allowed to pass volumetric charges for water metered to rental properties directly on to tenants. This situation is clearly inequitable, particularly as many tenants have little capacity to act to decrease their water usage either through the installation of water saving devices (such as dual flush toilet cisterns or water-saving shower heads), or through ensuring that leaks are repaired in a timely manner (since all capital improvements are the responsibility of the property owner). TasCOSS believes that the State Government must extend eligibility for a part-concession (applicable to charges based on metered usage) to tenants holding an appropriate concession card; we note that the South Australian Government, for instance, provides a 25% concession on total water bills to tenants (with both a minimum and maximum annual cap). TasCOSS also welcomes the proposal in the latest Residential Tenancy Act Review paper that water usage charges only be passed on to a tenant if a specified list of water saving devices is installed on the property (dual flush toilets, water efficient shower heads and taps).

Transport concessions. Among the groups most likely to depend on public transport are recipients of NewStart and the Youth Allowance, who have not benefited from the rise in age and disability pensions.¹⁵ The Tasmanian government may need to consider increases in transport concessions for these categories.

Investigation of new concessions

Research by TasCOSS, Anglicare and the Social Inclusion Unit has made clear that some disadvantaged Tasmanians face substantial non-negotiable expenditures that might be addressable through the concessions system or in other ways. For instance:

- There are a number of medical conditions that require the use of large amounts of electricity or water in a domestic setting, for instance for temperature control, life support equipment, or frequent bathing or washing of bed linen and clothing. Several Australian states provide assistance to households requiring exceptional water use for medical/health reasons; TasCOSS recommends that the Tasmanian Government consider introducing additional volumetric concessions or rebates for both electricity and water that would assist households in these situations.

¹⁵ Flanagan 2009, p. 76.

- Low income households without access to reticulated water supply can face substantial expenses for the purchase of water in times of low rainfall or unanticipated high demand. TasCOSS recommends that the Tasmanian government investigate ways in which assistance can be provided in these instances for the purchase either of water or of storage capacity.
- High food and petrol prices cause substantial hardship for many disadvantaged Tasmanians, TasCOSS recommends that the Tasmanian Government actively promote schemes such as the Seniors Card with the objective of inviting more businesses to share in the role of supporting communities.

Recommendation:

- ❖ *That the Tasmanian Government expand the eligibility or increase the rate of some existing concessions (water, transport) and investigate new schemes to assist Tasmanians facing hardship.*

Additional issues

Mandatory promotion of payment plans and bill smoothing options for standard tariff customers.

Many households on low incomes who are not eligible for concessions choose APAYG because it prevents them from being confronted with large quarterly bills, even though they are aware that it may cost more and although it leaves them vulnerable to self-disconnection. Other pre-payment options for standard tariff customers such as CentrePay, EasyPay or PrePay have tended not to be as well publicised.¹⁶ TasCOSS recommends that Aurora concession customers should be offered better bill smoothing options for standard tariffs, and that payment plans and bill smoothing options be well publicised and promoted.

APAYG

TasCOSS argues that APAYG customers need better consumer protections and better consumer information. We also believe that the APAYG system should be more transparent and better regulated.

Better protection from self-disconnection: TasCOSS is concerned that the current imbalance between standard tariff concessions and APAYG concessions serve as an inducement for concession customers to switch to a system that lacks protections from disconnection. Research conducted for TasCOSS indicated that one in four surveyed APAYG households reported having completely run out of electricity in the last 12 months, some two to three times or more. Running out of electricity was particularly common among single parent households and households where at least one person was unemployed. Given that use of emergency credit, particularly on more than one occasion over a 12 month period, is a potential early indicator of disconnection, such an indicator could be utilised by Aurora Energy as a catalyst for intervening and offering assistance to these households before self-disconnection occurs, or is repeated.¹⁷ Both Aurora and the Tasmanian Government should also

¹⁶ Flanagan 2009, p. 100.

¹⁷ Urbis Keys Young 2006.

collect information on hardship-related self-disconnections to determine the extent to which these are currently under-reported.

Better consumer information: TasCOSS believes that Aurora should provide more extensive and/or clearer information on:

- *Comparisons of tariffs.* It remains extremely difficult for consumers to make an informed comparison between their costs under standard tariffs and APAYG tariffs. We accept that some difference in tariff may be desirable to manage demand peaks, but as it stands, the APAYG tariffs are too complex to allow comparison to be easily made by consumers. The issue of whether an informed choice is possible is not answered by the question of whether Aurora provides sufficient information, but whether that information allows consumers to compare their costs. Although little is hidden from the consumer, the complexity of the APAYG tariff and its radical difference from the standard tariff make an exact, or even a rough comparison close to impossible. These comparisons should be more clearly explained on the Aurora website, where reaching totals from the charts provided requires 12 separate sets of calculations—a challenge for less numerate customers—and where the OTTER report, although linked, is not quoted. In order to assist consumers with choice, Aurora could provide several case studies of different types of electricity usage with close comparisons of costs (including daily standing charges) under both the standard tariff and APAYG. These might include example of usage by households with different lifestyles, such as a household in which one or more people are at home all day, a household in which adults and children leave in the early morning for school and work and return later in the day and a household in which some members go out in the day and one or more stays home. These would cover some but not all household types and lifestyles and might allow some consumers to identify similar energy usage patterns to their own.
- *Energy use.* Aurora should routinely provide all APAYG customers with the same energy use information that tariff customers receive, including total energy costs, a cost comparison with the previous period, average daily consumption and average daily cost. Although APAYG meters display certain useful information, this cumulative and comparative information is not provided to APAYG customers without their specifically requesting it.
- *Time slots.* Aurora should also make the 'soft start' system much clearer to APAYG existing and potential customers, making its printed information as explicit as the APAYG website about the fact that time slots may actually start and/or finish up to 15 minutes either side of the advertised time slot.¹⁸

Better transparency and regulation: While concessions to standard tariff customers are funded by government, and thus are documented in the budget process, Aurora Energy provides its concessions to APAYG in return for a lower annual dividend from Aurora Energy to the government. TasCOSS contends that this un-transparent arrangement undermines the regulatory system, and argues that all concessions, including to APAYG customers, should be transparent and clearly reported annually in the State Government's Budget Papers. TasCOSS has also argued consistently for price regulation of APAYG to protect its users from unregulated and unsubstantiated price rises (as occurred in July 2009 when APAYG prices were increased by 12%, compared to the regulated increase of 7.2% for standard tariffs). TasCOSS has repeatedly called for the Tasmanian Economic Regulator to 'declare' APAYG services and to regulate APAYG prices through regular price determinations, as it does with standard tariffs.

¹⁸ <http://www.apayg.com.au/tasmania/frequently-asked-questions/timeslots.asp>

Recommendations:

- ❖ *That Aurora Energy promote and expand payment plans and bill smoothing options for non-concession standard tariff customers.*
- ❖ *That Aurora provide better protection from self-disconnection for APAYG customers.*
- ❖ *That Aurora provide more extensive or clearer information for APAYG customers on tariff comparisons, energy use, and time slots.*
- ❖ *That Aurora and the Tasmanian Government collect information on hardship-related self-disconnections to determine the extent to which these are currently under-reported.*
- ❖ *That Aurora and the Tasmanian Government ensure that the cost of APAYG concessions be transparently and clearly reported in the Government's Budget Papers.*
- ❖ *That the Tasmanian Economic Regulator 'declare' Aurora's APAYG services and regulate APAYG prices through regular price determinations.*

Alternative models of planning and service delivery of concessions, including the option of 'bundling' concessions through a Smart Card system.

TasCOSS strongly supports the concept of systems that will reduce the administrative and bureaucratic hurdles associated with accessing concession entitlements. As noted above, many Tasmanians in need are not claiming concessions to which they are entitled; any measures (including alternative models of planning and service delivery of concessions) that result in more Tasmanians in need accessing a broader and more flexible range of support mechanisms deserve to be considered.

As to the precise form that innovations in service delivery might take, we note some points:

Bundled concessions: There is obvious merit in allowing concession holders to use their entitlements flexibly—provided that this does not result in the reduction of any individual concession or of the total basket of concessions. For example, potential certainly would seem to exist for a 'bundled' approach to those concessions with a fixed value (license concessions, for instance) that would permit, for instance, someone who does not fish or shoot to apply the value of those concessions to their (concession) driver's license fee, or someone who does not drive to apply the value of their license concession to their rates. To ensure that individuals retain the ability to access the total basket of concessions:

- The value of any particular concession must not be reduced.
- Any concession credit must be applied to the concession price of the good, not its full price (as with the fishing-license-towards-driver's-license example).
- The total dollar value of the bundle must not be less than the total dollar value of all eligible concessions.
- The value of the fixed-value concession should be available to be applied to concessions that represent a percentage of a bill (as in the case of driver's-license-towards-rates), even if the reverse is probably too complicated to be realistic.
- Concessions must not be available to be forcibly reallocated—for instance, drawing down an individual's license concessions to meet unpaid fines or other bills.

'Smart card': A 'smart card' would be one option—although not the only option—for delivering such a concession bundle. Smart cards might in fact help to publicise the availability of less well known

concessions and create a 'boost' to help holders become more active and engaged in a range of programs covered by the card.¹⁹ TasCOSS notes, however, that the introduction of a smart card will be expensive, and recommends research to determine whether the money spent on developing such a system might be better directed towards raising the level of concessions themselves—as Anglicare has elegantly put it, “spending money on increasing concessions, rather than organising them.”

'Cashing out': TasCOSS does not support the option of 'cashing out' concessions, as discussed (but not advocated) in the Cost of Living Report.²⁰

In sum, the issue of how better to plan and deliver concessions will require careful research, including best-practice consultation with concession holders and the community service organisations that serve them.

Recommendation:

- ❖ *That the Tasmanian Government investigate options for delivery of concessions that give concession holders greater flexibility and choice in accessing entitlements but that also ensure that individuals retain the ability to access the total basket of concessions with no reduction in, or forcible reallocation of, existing concessions.*

The impact of legislation such as the Monetary Penalties Enforcement Act 2005

The experience of TasCOSS' members and their clients confirms that government fines can represent a serious, and highly inequitable, impost on individuals with limited means to pay. The inequities in question involve:

The impact of the fine. Many fines are set at a level that is an inconvenience to a middle income earner, but a heavy blow to a low income earner, both in terms of the total amount of the fine and in terms of the impact of repayment, even on a repayment plan. For example, NewStart and Youth Allowance pay \$245 a week; a typical NewStart or Youth Allowance recipient paying \$150 a week in rent has less than \$100 a week to cover all other expenses. For such an individual, the \$300 fine imposed on a driver for failing to ensure that a passenger over the age of 16 was wearing a seatbelt, paid off at \$5 a week, would take over a year to pay off, while consuming over 5% of weekly disposable income. Default penalties further add to these burdens.

The source of the fine. Offenses generating fines may themselves reflect inequities. For example, failure to use certain types of safety gear (riding a bicycle without a helmet, for example) or riding a bus without a ticket are likely to affect lower-income Tasmanians disproportionately because they are more likely to lack the income to purchase the safety gear or pay for the fare. Behaviour-related fines are also more likely to be imposed in areas with a higher police presence.

In dealing with a fine, low income earners face an unenviable choice:

¹⁹ Mowlam *et al.* 2012.

²⁰ Cost of Living Strategy, Companion Report 2, p. 58.

- Prioritising essential needs such as housing, food and health costs over less intermediate priorities such as fines. This choice results in a debt burden, while also risking more severe consequences for not having paid the fine such as a court-warrant or even arrest, with attendant impact on others in their household, dependents, or persons for whom they are caring.
- Prioritising payment of infringement penalties at the expense of other needs, with the potential for unjust impact on dependents and children.

Although scheduled repayment plans exist, as noted above, even the minimum repayment of \$5 a week can represent a notable proportion of disposable income over a significant period of time, particularly for recipients of NewStart or the Youth Allowance. While it is possible to apply to a magistrate for a reduction of a fine, this option incurs on-costs, including a filing fee as well as costs of getting to court, that can put it out of reach of most low-income earners.

TasCOSS supports the use of cautions and warnings prior to issuing infringement notices or fines. We also support the increased use of non-punitive measures such as treatment/counselling and education in response to offenses. However, where fines end up being issued, there are a number of ways in which inequitable burdens can be reduced.

Reinstate, expand and publicise non-monetary ways of paying off fines such as community service. At the moment, low-income Tasmanians appear to have no options for dealing with fines other than payment. Although the Monetary Penalties Enforcement Act 2005 provides the option to do community service, this option appears to have substantially dried up. The Monetary Penalties Enforcement Service has not yet responded to TasCOSS' request for statistics on how many people have successfully applied for community service in recent years, or how the Unit defines 'capability' to pay.²¹ However, consultations with the legal aid community suggest that the number is likely to be extremely small; we note that the Unit's e-mail automatic reply does not discuss community service as an option. The Service's website indicates that:

Your application will only be accepted if you are assessed as having absolutely no capacity to pay. If you are employed or receiving benefits it is very unlikely your application would be successful.²²

Community service approaches have been successfully implemented in, for instance, New South Wales (please see Appendix A for further information). Implementation of this option should also include measures to reduce the barriers to applying for the option for people experiencing low literacy, low self-confidence, or social isolation.

Introduce day fines. Day fines, which are implemented in most of continental Europe, central and South America and some jurisdictions in the United States of America, see the fine calculated as a proportion of the daily income of the offender. The setting of a day fine involves a two-step process. First, a Magistrate or Judge sentences the offender to a certain number of day-fine units according to the gravity of the offence; then the value of each unit is determined by multiplying the value of the unit by a percentage share (for example, 50%) of the offender's daily income.

²¹ This does not represent a criticism of the Unit, to whom the request for information was made at short notice.

²² <http://www.justice.tas.gov.au/fines/mpcso>

Setting fines at an income-adjusted level not only reduces the chances of imposing disproportionate hardship, but also increases chances fine will be payable and therefore paid. (It is worth noting that a custodial sentence resulting from a snowball of unpaid fines costs the Tasmanian government far more than it can hope to recover from higher fines.) Equally importantly, day fines create a stronger impetus not to reoffend across all levels of society, since they have equal impact across income brackets. The Tasmanian Law Reform Institute has indeed recommended that the government establish a feasibility study to investigate how a day fine scheme could be introduced in the state—an investigation which might focus on the German example, where state and federal governments share financial information where necessary to assist in fine-setting.²³

Increase the use of specialist and problem-solving courts. These can draw on models such as Chief Magistrate Michael Hill's drug court in Hobart and drug courts and Koori courts in Victoria, as suggested by The Salvation Army in their submission, to develop non-monetary, non-custodial models of justice and restitution.

TasCOSS does not support the seizure and sale of assets, as replacement costs are nearly always significantly more than the value of the sanction and can require the accumulation of lump sums—a significant challenge for low income earners.

Recommendation:

- ❖ *That the Department of Justice:*
 - *Reinstate, expand and publicise non-monetary ways of paying off fines.*
 - *Investigate the introduction of day fines.*
 - *Increase the use of specialist and problem-solving courts.*
 - *Expand and publicise fine smoothing options, with the goal of making payments less onerous and programs easier for people experiencing low literacy, low self-confidence, social isolation, or embarrassment to access.*
 - *Review the data on non-paying offenders to determine the characteristics of those involved in order to be able to develop a more strategic plan of action for prevention as well as the needs of those currently failing to repay.*
 - *Develop age-, disability- and gender-friendly enforcement policies and practices, as recommended by COTA and others, which recognise the special circumstances and needs of diverse groups of Tasmanians.*
 - *Review the relevance/proportionality of all monetary penalties, as suggested by The Salvation Army.*
- ❖ *That the Tasmanian Government develop and promote best practice guidelines for government agencies responding to and managing debt over-commitment on the part of low income earners and other people with special needs.*

The impact of taxation policies on costs of living

TasCOSS is aware of the need for the State to have stable and sustainable revenue sources in order to fund the many priorities of government. However, we firmly believe that the Government's fiscal policy, including its revenue sources, must be based on progressive and fair principles. As a consequence, TasCOSS strongly recommends that all state taxes be means-tested in order to ensure

²³ Benedict Bartl, Tenants Union of Tasmania; Tasmanian Law Reform Institute 2008.

that they are progressive, and that any new or re-designed State taxes be subject to a comprehensive assessment of their likely social impact before they are introduced.

On specific issues:

- *Charges and levies*: Universal user-pays charges and flat levies, even with concessions to low income earners, nearly always have an inequitable financial impact on low income earners, compared to general consumers. As a consequence, flat, universal special-purpose levies or charges should be avoided where possible, and only be introduced with a clear mechanism for exemptions and/or concessions based on low income.
- *Stamp duty*: Stamp duty imposed on the transfer of residential housing obviously contributes to increasing the cost of housing in general, and its reform will go some way towards improving housing affordability.²⁴ Stamp duty also can be a major deterrent to housing mobility, which is often necessary to respond to cost of living pressures (e.g. to improve job prospects, respond to changes in family circumstances or relocate to a more appropriate size of dwelling).²⁵
- *Gambling taxes*: TasCOSS agree with the conclusion that “[g]ambling taxes are a regressive tax base, as people on lower incomes spend proportionately more on gambling than those on higher incomes.”²⁶
- *Council rates*: As noted above, increases in council rates have had a disproportionate impact on low-income home owners, and in particularly the working poor, who may not be eligible for concessions. It is up to councils to consider all possible ways of keeping rates down and/or offering concessions to low income earners, including amalgamation and co-provision of services. In the meantime, bill smoothing options still appear to vary between councils; all councils should permit payment on a weekly, fortnightly or monthly basis.

Recommendations:

- ❖ *That the Tasmanian Government ensure that all state taxes are means-tested in order to ensure that they are progressive, that any new or re-designed State taxes are subject to a comprehensive assessment of their likely social impact before they are introduced, and that flat, universal special-purpose levies or charges are avoided where possible.*
- ❖ *That the Tasmanian Government institute progressive stamp duties for residential housing transfers.*

The likely impacts of increased contestability policies on reducing cost of living pressures.

TasCOSS is concerned at the prospect of the introduction of full retail competition (FRC) in Tasmania. While many make reference to the provision of choice ‘and other benefits of competition,’ there is little evidence of these benefits provided. In fact, competitive markets tend to lead to higher choice for moderate to high income earners while leaving lower income earners with fewer, if any benefits. Even where government subsidies are provided to help defray lower tariffs for customers in need, the impetus is still on the provider to try to rein in social support in order to ensure profitability.

²⁴ Henry 2010, p. 49.

²⁵ Taxwatch Issues Paper No. 2, p 3.

²⁶ Henry 2010, quoted in the State Tax Review Discussion Paper, p. 61.

As a consequence, TasCOSS remains sceptical regarding the potential benefits of competition for the majority of residential electricity consumers in Tasmania, and especially for low income consumers.

- There is no guarantee that FRC will result in lower prices. In fact in those Australian jurisdictions where retail competition is established (and deemed effective, in the case of Victoria) prices are comparable with Tasmanian prices, and continue to rise. Indeed, research into consumer outcomes from electricity market reform in Victoria has found that price benefits associated with the reforms to the Victorian electricity industry had not been equitably distributed across all consumer groups, with domestic consumers experiencing only a slight decrease in real electricity prices as compared to industrial consumers.²⁷
- Although it has been argued that the 'key cost' of FRC would be Aurora Energy's distribution IT costs,²⁸ TasCOSS believes that there are other ongoing costs associated with retail competition that would be passed on to consumers, including sales and marketing costs, customer acquisition and retention costs and increased retail margins. In addition, Tasmanian residential consumers may also be subject to aggressive and unwelcome marketing practices as have been common in other jurisdictions, particularly in the early stages of retail competition.

Recommendation:

- ❖ *That the Tasmanian Government postpone the introduction of full retail competition in Tasmania until such time as it can be demonstrated, supported by evidence, that such competition will benefit all Tasmanian households, including those living on low incomes.*

Additional recommendations

In the interest of addressing cost of living issues outside the scope of the questions posed by this review, TasCOSS recommends that the Tasmanian Government address whole-of-government and capacity-building issues. To do this, we recommend that the Tasmanian Government:

- ❖ *Implement a bill smoothing or progressive payment policy across State Departments to allow Tasmanians to better cope with large bills and fees such as land tax and motor vehicle registration.*
- ❖ *Fund and implement programs to increase energy efficiency in residences of low income earners, including non-concession holders.*
- ❖ *Support measures to increase food security such as group buying programs, social cooperatives and community gardens.*
- ❖ *Develop peer support and volunteer networks to promote and broker access to emergency assistance funds, financial literacy and micro-finance, energy efficiency programs, community networks and complaints mechanisms and redress.*
- ❖ *Retain the public housing system as a core government service, with additional funding to allow the system to operate sustainably and increase the supply of houses.*

²⁷ Consumer Law Centre Victoria, Centre for the Study of Privatisation & Public Accountability 2006.

²⁸ Electricity Supply Industry Expert Panel 2011, p. 190.

- ❖ *Create an Essential Services Commission embedded in legislation to review planned price increases and provide oversight on price movements, potential price shocks and cumulative risk.*
- ❖ *Engage in active consultation with low-income and disadvantaged Tasmanians, and the community service organisations that serve them, to ensure that planning and implementation of measures designed to alleviate the cost of living will meet the needs and desires of those in greatest need.*
- ❖ *Encourage all corporatised essential services to conduct consultation programs with low income earners with a view to developing appropriate products and services to suit their needs, along the model of the Vulnerable Customers Stakeholder Group established by Aurora to advise on issues facing disadvantaged Tasmanians and to open dialogue on these issues.*

Conclusion

Thank you for the opportunity to participate in this process. We hope that the Select Committee's final recommendations will offer up measures that have the potential to contribute significantly to easing cost of living burdens on Tasmania's most disadvantaged. We look forward to being involved in the Committee's work in any appropriate capacity.

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Work and Developments Orders - New South Wales

What is a Work and Development Order?

Work and Development Orders are made by the State Debt Recovery Office to allow eligible clients who have a mental illness, intellectual disability or cognitive impairment, are homeless, or who are experiencing acute economic hardship to satisfy their fines debt by non-monetary means through unpaid work with an approved organisation or through certain courses or treatment.

A Work and Development Order may only be considered if an application is supported by an approved organisation or, in the case of medical/mental health treatment, an enrolled health practitioner qualified to provide that treatment.

- [Approved Work and Development Order organisations](#)

How to become an approved sponsor agency

Sponsor agencies oversee activities or treatment for a Work and Development Order (WDO) client. To become an approved organisation or health practitioner you must comply with the [WDO Guidelines](#). Please read these guidelines for proof of eligibility requirements, approved WDO activities and activity cut-out rates before applying.

If you wish to apply to be an approved organisation or enrol as a health practitioner to support eligible people in a WDO, you need to complete either the [Application to be an Approved Organisation](#) or [Health Practitioner Enrolment Request](#). Return the appropriate forms and any supporting documentation to Department of Attorney General and Justice, Crime Prevention Division, Locked Bag 5111, Parramatta, NSW 2124 or via email to wdo@agd.nsw.gov.au or fax to 02 8688 9627.

For all enquiries about becoming a sponsor agency, or to check the status of an application, please contact the NSW Department of Attorney General and Justice on 02 8688 8099 or wdo@agd.nsw.gov.au.

For all enquiries related to WDO client applications and related reporting please contact SDRO on 1300 478 879 (Monday to Friday 9.00am - 5.00pm) or email wdosdro@osr.nsw.gov.au.

http://www.sdrosr.nsw.gov.au/online_services/wdo.html



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Dear Mr Donnelly,

TasCOSS would appreciate the following information being included as an addendum to our submission of 15 March 2012 to the Select Committee on the Cost of Living:

The Monetary Penalties Enforcement Service has informed TasCOSS that of 873 applicants for conversion of monetary penalties to community service since April 2008, 12 (approximately 1.4%) have been successful to date.

Thank you,

Tony Reidy, Chief Executive

For inquiries, contact Wynne Russell, wynne@tascoss.org.au