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**THE HOUSE OF ASSEMBLY SELECT COMMITTEE ON THE COSTS OF LIVING  
MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON TUESDAY  
17 JULY 2012**

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**Professor DAVID ADAMS**, SOCIAL INCLUSION COMMISSIONER, WAS CALLED,  
MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

**CHAIR** (Ms White) - Thank you, David, and good morning.

**Prof. ADAMS** - Good morning.

**CHAIR** - David, everything you say is recorded by Hansard and covered by parliamentary privilege but what you say outside this committee meeting is not covered by parliamentary privilege, so be aware of that.

**Prof. ADAMS** - I am aware of that.

**CHAIR** - Did you receive a document outlining the processes of the committee from the secretary?

**Prof. ADAMS** - Yes, I have received and perused it.

**CHAIR** - Do you want to make an opening statement before we begin?

**Prof. ADAMS** - I will make one or two comments. Firstly, the overall statement I make is largely presented in the cost of living interim report and the cost of living final report but I would like to summarise one or two of the key points that came out of those two reports. The first is that cost of living, generally, is a very complex and difficult matter for governments to deal with. It is becoming a much more important issue for Tasmanians than it has been in the past, and I think it is fair to say it is unclear precisely what the future distribution of roles and responsibilities around cost of living will be in terms of the role of individuals and families, the role of communities, the role of governments and the role of markets. Part of what we attempted to do in the cost of living report was to lay out some of the broader policy issues so that the parliament could consider those as well as looking at some of the more immediate actions that could be taken to reduce the pressure on the most vulnerable Tasmanian people and places.

I would also like to note that there are three or four important factors that are shaping why we have the cost of living as a major issue. One of the first ones is, and we now have some new data, that basically up until 2007 household wealth and income was increasing. In fact between 1995 and 2007 household assets doubled, an amazing statistic. For example, the value of houses rose by 6 per cent per annum - these are national figures. However at the same time, as a proportion of income, gross debt rose from 70 per cent in 1995 to 150 per cent in 2007.

What that tells us is that there was an unsustainable trajectory of assumptions about entitlement and consumption ability and that most of us were then unprepared for the

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shocks associated with the downturns. At the same time, a number of other costs started to exponentially increase, particularly around essential services. So at the same time as we had entitlement and expectations rising, we had increasing costs. We also had a lack of preparedness from families, communities and governments generally to deal with it. I give an example of families not being as well prepared as they used to be to be self-efficient. Some of you would be aware that many years many homes had pantries and gardens out the back and the notion of being self-sufficient, particularly in times of risk or economic downturn. That type of thinking in our community seems to have been lost and generally we have been relatively unprepared to deal with cost-of-living pressures.

I think we are now in a position where we are trying to work through whose role it is and how we can best address the cost-of-living pressures. As I said in the report, it is not a crisis for most or all Tasmanians but there is increasing pressure above and beyond the traditional vulnerable group, a group that we might call in poverty - 10 per cent to 15 per cent of Tasmanians - and your committee would have heard from others that there are now many people, including working families and individuals, who are simply not able to cope with that additional bill and who are then being pushed into emergency relief and other support systems. In the cost of living report we identified a range of strategies, from emergency relief through to fairly systemic structural change, and within that we identified concessions as one of the important levers of state government that perhaps could be reformed to better target, in a more efficient way, those individuals and places who are most vulnerable in Tasmania.

That is the context. There is a lot of innovative thinking going on around the western world at the moment about how to deal with cost of living in the context of fairly significant social and economic change, and in Tasmania with our transition industries, we are certainly going to face another decade, at least, of uncertainty and the more we can position ourselves as a state to be ahead of the game, the better. Cost of living is just one insight into these broader social and economic changes that we are all facing at the moment.

My final comment would be that of all the matters that I noted in this report, probably the most concerning was the lack of clarity, as a state, around who ought to take responsibility within the parliament and the government for cost of living as a policy issue. I note that it doesn't quite fit in any particular department; it doesn't quite fit in terms of traditional government programs. I think it raises some important governance issues about how to best respond to it in a structural sense. I note a parallel with the Economic Regulator, who I think does an excellent job, in terms of the economic market, as it were. The question I have raised in this report is: do we, or should we as a state, have better oversight of what we might call the risks and opportunities facing the social market?

**Mr GROOM** - Within government, which departments do you think are most relevant to the issue?

**Prof. ADAMS** - Because it is a cross-cutting issue, an issue that doesn't fit into a functional area like health or education, I believe that the central agency, particularly the policy agency - that is, premier and cabinet - in principle ought to have oversight. Having said that, I think I am on safe grounds to say that central agencies are not necessarily

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good at service delivery and therefore the question of where the policy thinking and the accountability ought to be should be separated from who is in the position to manage and deliver services.

**Mr STURGES** - David, dare I say, that a decade ago certainly I wasn't contemplating that there would be a minister for climate change in this state. What I am hearing is that you are suggesting that we probably need to take that step. Is that a reasonable assumption?

**Prof. ADAMS** - It is a reasonable assumption. I often talk about social inclusion and cost of living more broadly being in the nursery where no-one is quite sure whether it is important or big enough to become a government department, and almost perversely create a government department to overcome problems sometimes created by governments. But you are right, in principle, in our Westminster system, having a minister responsible and the minister having access to the expertise and resources of a department of state, is the primary way of dealing with important issues. The issue of climate change sustainability is an example of a major issue over the last 20 years.

**Mr STURGES** - I am just drawing a parallel with the cost of living.

**Prof. ADAMS** - It is a very good example.

The other one that occurs in the western world is around security more broadly, not just terrorism but security of supply. They are the two types of major governance changes in the western world in the last 20 years. It is in this space around cost of living and complex social problems that I think most jurisdictions are asking that type of question: should we try to organise it around a minister of state and a department?

I note, and from conversations I have had with the Premier and others, that there is the risk that as soon as you create a commissioner, a minister or a parliamentary secretary, that people think they don't need to do anything. One of the risks is that all the departments of state ought to have greater responsibility and capacity to work together to address cost of living. It is hard to identify any particular department or government business enterprise that is not somehow impacting on cost-of-living pressures. So trying to increase responsibility from the individual, the family, the community and government departments is very important. I think a minister could be one part of that mix, so long as it doesn't let others take their foot off the accelerator.

**Mr MORRIS** - David, do you think we have actually made any progress in the last three years in terms of even just focusing governments' minds on the issue and the challenges around social inclusion and cost of living?

**Prof. ADAMS** - I think we have certainly increased our knowledge of what causes social exclusion and what causes cost-of-living pressures. We have certainly increased our knowledge of what works - that is the positive side. We know that it needs to be a mix of emergency relief for those at greatest risk - for example, energy disconnection or eviction. We know that we have to increase individual responsibility and choice options; we know that we need to have governments and departments that are better joined up in the way they operate. We know that early intervention and capacity building and increasing the resourcefulness of individuals, families and communities are part of the mix. What we haven't quite worked out are things like who pays for all of this, who

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ought to take the primary responsibility for it, and the causal connections between investments and returns at the end of the day. We are still working that through. In Tasmania we are slightly ahead of the game in terms of at least thinking about the issues but there is no silver bullet in this space. There are certainly many matters associated with cost of living that are outside the capacity of the state government to control, in particular the nature of the income support system and its interface with the taxation system generally. Within that there are some things that can be changed but generally some of the big levers are outside state government control.

**CHAIR** - With respect to concessions, which is one of the terms of reference of this committee, one of the matters we are considering is the bundling of concessions. Do you have a particular view you would like to share on that?

**Prof. ADAMS** - Yes. I am not sure if the committee is aware that in our interim cost of living report there was a discussion of some of this, as distinct from the final report, and this is on the web site as well. This was partly in response to the notice of motion in the parliament around the two-part household concession.

There are three observations about bundling. The first one is the comment I have just made about governments and departments being better joined up. At the moment we have around 70 or so concessions in Tasmania but they are spread across a range of government and non-government entities. As you would know from other people who have spoken at your committee, there is still the perception that it is a maze to work through and the transaction costs, both for individuals and for the agencies that work with individuals, is very high. I have heard of cases where it takes up to three hours for an agency worker to enable an individual to access one concession.

That is an important technical issue about the transaction cost associated with not having them bundled up. It is not the major issue but that is one example of how the bundling-up of concessions would significantly reduce the transaction costs of doing business for the client and for the agencies.

The more important policy issue comes back to the purpose of concessions. There are generally two arguments about the purpose of concessions. One is that it bolsters an inadequate income support system and is therefore just generally a source of revenue. The more important argument is that concessions encourage particular types of behaviours and access to services. So if they are bundled up, what we wouldn't want to do is lose that second component of encouraging people to have access to services. However, if you have a good education and support system around bundled concessions and people are able to make responsible choices, then in principle it is by far the best way to operate because it shifts both responsibility and choice back to the individual, so long as they have the appropriate supports.

It is difficult to administer; it is possible to work out the average that a particular household would receive from the suite of concessions that they may be eligible for, as distinct from currently accessing, and you could, in principle, cash that out with a set of guidelines and support for people to make individual choices. That is why in the report I gave the example of a smart card simply to show how, whilst we do this in a lot of other areas of our life, we haven't quite thought out how we might do it in relation to concessions.

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There are endless risks associated with bundling, particularly when you give people choice and they don't make wise choices, or they spend a capped amount and then say, 'But my children will starve if I don't get a little more'. There are all sorts of arguments, but the principle of starting off saying if people had more choice and greater responsibility and appropriate supports, is the right way to think of concessions. Possibly bundling a few might be the way of starting.

Because of the very close connection with the income support assessment process with the PCC and the healthcare cards, states are always tied in a bit to a commonwealth system that they can't control. Most state jurisdictions have considered their own card system to break the nexus with the commonwealth and that's been happening for 40 or 50 years, and none of them have got close to doing it because of the transaction costs and the policy issues it raises.

The commonwealth system for all its faults does keep up-to-date fairly quickly with changes, for example, in household composition, and that can be a nightmare just to keep concessions up. If someone leaves, how do you pick that up and adjust the concession? It is a very complex field.

**CHAIR** - Are you aware of any experts in the smart card area that we should be talking with about how it might apply in Tasmania, what the pitfalls may be and how the technology would work?

**Prof. ADAMS** - Yes, there are a few individual experts. There are groups that would work together on this because the technology people, the policy people and the operational people all tend to be different. I can get you some names of people in those three categories that have attempted to work together. Some of the Victorian website is the start of the process of trying to connect up around single entry points, around single application forms, around real-time ability to respond to changes in circumstances.

**CHAIR** - One of the other matters that's regularly brought up with me are the high levels of illiteracy and the difficulty - we have the concessions booklet but it's very difficult for people to understand what they're entitled to because they don't have a high enough level of literacy to read it or they can't access it. The communications component of government with respect to concessions needs improvement, as you have noted. You made a recommendation that we need to improve how we communicate concessions and accessibility to concessions, but do you have any practical examples of how we might do that?

**Prof. ADAMS** - The systems that work for the low cost tend to use intermediaries - an example is for older Tasmanians to have an entity such as the Council on the Ageing as the entity that brokers between the state government and the clients. The logic of that is that many of these community agencies or peaks know their markets, clients, client circumstances and support networks, are trusted, have good access and potentially could do a much better job of concessions than having them administered by government departments. I note still that in Tasmania we do not have good data on the gap between eligibility and take-up, and that surprises me.

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**Mr STURGES** - That was going to be a question: do you think, given that we allocate - and the chair can tell me how much we allocate, because I get it wrong every time - tens of millions of dollars from the state budget for concessions, do you think we get bang for buck?

**Prof. ADAMS** - I don't believe we are able to know the answer to that because we do not collect data on the performance of the concessions in relation to their objectives and the gap between eligibility and take-up.

**Mr GROOM** - Even historically, has there been any assessment of that in Tasmania relative to the other states?

**Prof. ADAMS** - I am not aware of any assessment in Tasmania of the performance of concessions in relation to their objectives or specific data on the patterns associated with take-up versus eligibility.

**Mr GROOM** - Do you have any anecdotal sense?

**Prof. ADAMS** - Anecdotally we can calculate from expenditure and our knowledge of in-principle eligible households what the gaps are, but we don't know specifically where those individuals or households are. Similarly, in relation to individual concessions, we know how they are utilised - for example, transport concessions in terms of records. We can make the assumption, I think reasonably, that the majority of people use them appropriately but the point I'm making is that we're just not certain of that. I think it reflects this gap between who has the oversight policy responsibility and the overall accountability for the concessions system as distinct from the administration of concessions within departments and Treasury's coordination role. I am not being critical of Treasury, I don't believe necessarily they are the best department to take policy responsibility, but what happens overall is that there is a gap in our basic knowledge.

**Mr STURGES** - David, at the risk of verballing you, are you saying that the systems are deficient? This morning you have spoken about the need to more clearly define role and responsibility, you have spoken about individual responsibility and choice, but from what I've heard you have backed that up by saying we need to have more appropriate education and support systems in place.

**Prof. ADAMS** - Yes. On the data side I wrote to Treasury and sought advice on the 74 concessions and received a fairly detailed response which I understand is on the record as a public document, including data availability by population cohort, eligibility, actual take-up, analysis of who is eligible and why they might not be taking up concessions, strategies for quantifying take-up, breakdown of concessions, and assumptions underpinning data. Treasury does not generally undertake a lot of work on concessions users, their characteristics or their take-up rates. If that base data were available it would give us a much clearer steer on where the risks and opportunities are for concessions reform. Almost certainly it would show that in many areas there are relatively low take-up rates. That has implications for the government of the day for strategies that encourage greater take-up rates in terms of impost on budgets. But until we have that evidence base, I do find it difficult to provide policy advice on how we should proceed.

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**Mr MORRIS** - The government is hopelessly conflicted, isn't it? On one hand it has a responsibility or some obligation to provide the concessions but every time one is taken up they have to raise more money in order to fund them? Do they promote them or don't they? The moment they promote them, they have to raise taxes or discontinue other services.

I would like to come back to the smart card notion. Is it worth talking the Metro around the green card and whether that is a suitable basis from where we might start? I understand they have a fairly intelligent system behind that and if hypothetically the green card were used as the concession card, we could not go too far wrong if people currently used it buy bus fares. That would be a fair and reasonable expense for a concession. Would it be worth talking to Metro? I know they intend to have green card rolled out to provide access to all bus services, but potentially that could also be a card that could be used to pay your power bill or your other essential services. Should we perhaps talk to Metro about whether that capability exists within their system because the last we need to be doing is creating a new card, I suspect, if we can use one that already exists and there is already a system there that just needs more work on it or more development?

**Prof ADAMS** - Launching off existing platforms tends to be more successful than starting from scratch, and less costly. Having said that, as we have been talking previously, it is not clear what the business case would look like. But my advice would be, yes, it is worth exploring because, again, we go back to the very basic principles of why would do this. We would do it to increase personal responsibility, to increase choice for individuals and to have a system that in the long run is more efficient and transparent and where we have good data. The ability to connect data with cards helps us resolve some of the points we have been making about our lack of consistent data across the board, collated in one place. There are a number of reasons we may wish to explore, from the platform of the existing card, the initial idea of bundling and a smart card system.

**Mr MORRIS** - Do you know whether we have anything with better potential that already exists than the green card?

**Prof ADAMS** - Not that I am aware of within the state system. If I could draw another link with the commonwealth and its recent extension of the so-called Northern Territory intervention to, more broadly, income management strategies which are now underway in Tasmania where, having moved from a system where people received a cheque in the mail, income support, there are now conditions attached for particular individuals around what they can purchase and where they can purchase it. The re-entry of the commonwealth into this area around income support potentially opens up some more interesting policy links with the state government around concessions. Concessions in principle are already targeted. The commonwealth are now starting to introduce targeting within their income support payments in part to shape people's behaviour. The bottom line is the notion of shaping people's behaviour, for example, around requirements linked to particularly types of food that could be purchased, or on a compliance side, for example, connected to children attending school.

Without getting philosophical I will note that a couple of hundred years ago we had poor houses where those who were indolent, mendicant, mad, bad went with their families and their life was micromanaged by the state or the church.

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**Mr GROOM** - And how did that go?

**Prof. ADAMS** - It didn't go very well at all.

*Laughter.*

**Prof. ADAMS** - Boys had their hair cut one inch above the ears and girls one inch below the ears. We moved from that system to one where individuals received payment from a government and could make their own choices about their actions. Now we are back to a model where the state - the commonwealth, not just state government - rightly or wrongly is starting to re-intervene in people's lives to help shape their behaviours. The comment I would make here is that in some ways that is the dilemma in Tasmania, in that the history of states telling people how to run their lives isn't that good. On the other hand there is a perception that a number of people are increasingly making poor judgments about scarce resources from their communities and government.

**Mr GROOM** - I know it is a slightly philosophical question but I think it is a very important question; you are identifying what is emerging as a trend. It is not the first time we have seen this trend, as you correctly point out, but why are people making poor decisions?

**Prof. ADAMS** - We are coming back to an important conversation about, for example, people's expectations in relation to entitlement, people's perceptions of what they think is fair and not fair, people's education, people's family and community circumstances, the changing nature of families, the changing nature of where we get our value systems from, the changing nature of whom we trust and don't trust for advice. All of those things seem to have led to a situation where individuals do have offered considerably more choice, but don't necessarily -

**Mr STURGES** - Have the capacity to make that choice.

**Prof. ADAMS** - The capacity to make the sorts of choices that communities might think are reasonable appears to be changing and not always changing for the better. That question is alongside approaches that are straight education-based in schools: what is the role and capacity of families and communities and businesses as distinct from saying it is government's job? How do governments enable that to happen and support it, rather than directly intervene?

**Mr STURGES** - I would be very interested to explore with you and other experienced people what an appropriate level of support and education really should be within our community because I think we have determined that there are families and individuals out there in our community who have, as you have said, expectation but don't really have the capacity to realise that expectation without an appropriate level of support and education. I don't have the answer, by the way; that is why I am sitting on this side of the table asking questions and inquiring of people like you. Do you see that there is a need for us to probably spend a bit of time looking at that? You opened up by talking about defining the role and responsibility of government, communities and families. I see that as being a key issue in overcoming issues around the cost-of-living pressures in our community. Is that a reasonable assumption?



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**Prof. ADAMS** - I think so. Again that is my observation, that this is not a simple issue that governments can fix. State governments in particular are being pinned with cost of living because of the connection with essential services, particularly energy, water, sewerage and to some extent transport and health but the actual explanations are much broader, as are the solutions.

**Mr STURGES** - Housing?

**Prof. ADAMS** - Housing has other solutions and I will give you an example of one solution. New South Wales is attempting in indigenous communities - and it is called schools as community facilities - and they are bringing all the services into the school. They are connecting education and support systems with a focus on the family and their life cycle and so targeting particularly vulnerable families and instead of just putting a service in there and one there and one there, they are focusing on them as a family over a long period of time and focusing conjointly on service responses but, more importantly, on changing the family dynamics and the family's relationship with education, with communities, with skills, and that is an example. That is an interventionist example but it is an example that is likely to work. Looking at the individual in the family, in the community and their life circumstances is the starting point and that is a long way from a micro-conversation about concessions but, as I think you can see, it raises these sorts of issues and we haven't had this in public policy probably for 20 or 30 years where cost of living has thrown up some very important questions about the role and capacity of governments to act.

**CHAIR** - David, that model reminds me of the child and family centres we are starting to set up in Tasmania and I was in St Helens last week where the child and family centre, the school and the trades training centre all colocated to try to have that whole-of-lifetime connection between government services and families and individuals. Do you think that is a good start for us here in Tasmania? Is that a good model, do you think?

**Prof. ADAMS** - In principle, yes. In principle the concept of colocation of services - and I note if we go back to the smart card and jump ahead perhaps 10 or 20 years that instead of thinking about buildings colocating we will think of virtual connectivity. On Facebook, for example, the average user has around 80 community sites connected and if you imagine those as resources to help support better choice, personal responsibility, access to resources in emergencies, someone to turn to in a crisis, to pick the child up at school if the car is broken down, suddenly you have a slightly different way of thinking about what the mix might be in the future over which the individual has the choice and the responsibility. At the moment colocation is a slightly more traditional example of that, but they all start off with the individual in the family in the community and not with 244 outputs of the state government.

**CHAIR** - Any more questions on concessions?

**Mr GROOM** - I have a different question.

**CHAIR** - You can ask that one and I have a different questions as well.

**Mr GROOM** - My question goes to the energy issue. As you have already identified, David, that is obviously a big part of the cost-of-living pressure that people are currently feeling

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not just in energy but other essential services, but one of the things that occurs to me is that the government is doing stuff in the area of energy efficiency and educational information but from my exposure of spending a lot of time speaking to people in their homes it still seems that the message doesn't get through. It still seems that there are many, many people, if you go into their homes you see just the most inefficient set-up that you could possibly imagine and for a lot of people it is causing them serious additional pain. It is not a small point, it is material in terms of the cost pain that they are feeling. Have you any thoughts about that and about how we can do that better?

**Prof. ADAMS** - Yes. Tasmanians, rightly or wrongly, for many years have been relatively relaxed and comfortable, and in many areas there were fixed bills over time, and when times were good people did not develop behaviours around energy efficiency in a whole range of consumption areas that they should have. Water is actually a better example, because water has been seen to be free for many individuals and families. The notion of understanding what it costs you to have a shower or bath or do the washing-up is quite alien to Tasmanians, but in Europe most people could tell you precisely what it costs you to have a bath or a shower. So in part we have this new environment where people are starting to have to understand things that previously were taken for granted. It comes back to not just education, but the sorts of technologies that could be put in homes that in real time give people a sense of what it is that they are about to consume and what their energy efficiency alternatives are. So the more we can bring in technology, particularly for the younger generation, although the average age of Facebook and video-gamers is around 40 -

**Mr MORRIS** - Yes, which is quite strange; I saw some stats on it.

**Prof. ADAMS** - More and more people are using technology. The other thing that works for many older people are networks that they trust, so again I use the example of the Council on the Ageing or peak organisations that can use mentors to go into people's homes. Many people do not want someone from Aurora or from the government coming to tell them how to -

**Mr MORRIS** - Or even us necessarily.

**Prof. ADAMS** - be more energy efficient. But someone who is local and trusted is much more likely, and particularly if it is not just about energy but generally about how you might better manage your household. Again the example I use of community gardens is that people who go to community gardens pick up a whole lot of skills around food preparation, around cooking, not because they are told to but because they are in an environment where they want to learn. So we have to be careful about this notion that you go and tell people what they need to know, as distinct from how do you use the knowledge of people in the community to get them to change - much more likely to change. The same with energy: the more, particularly for younger people, it can be done using technology, the more likely it is that their behaviour will change so, yes, it is about behaviour change, but it is about how we do it. Our traditional approach is a pamphlet or someone from a government agency or an energy supplier doing it. It doesn't work. It has to be supportive, local, trusted people, real time, as much technology as possible.

**Mr MORRIS** - Yes. One of the discussions going around at the moment is the smart grid idea for Tasmania and what that offers. Victoria has just about completed its roll-out of

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smart metering there, and yet we are only in the infancy stages of the discussion as to whether that is going to happen here. But that will enable both demand-side control and supply-side control over power systems, which potentially can give significant savings for people, at least combined with other things. At least it will tell you seriously how much electricity you are using and where your opportunities are, so that is going to be an interesting one of using the technology. But again, just following from Matthew's point there, anyone who does not have either a heat pump hot water system or a solar-assisted hot water system in this State is not maximising their opportunities. There are two big problems, it seems to me. One is they either do not have the knowledge or understanding of how much that is likely to save them over what period of time, or they do not have the cash resources to actually be able to do the switch, and at this stage we are one of the few states that has not mandated that those things should occur. We still allow the replacement of standard induction hot water services with the same sort of thing.

**Mr GROOM** - I take your point on leveraging off the trusted network concept, because you even have a more basic point. You can talk about the technology roll-out like of the smart meter, and you can talk about how a government can facilitate significant up-front capital costs associated with more efficient appliances. You can talk about those things but I have been into houses where they have a heat pump and they use a plug-in radiator. What they do not realise is that they are bleeding money. That is what I am talking about. I think that trusted network point is very material.

**Mr STURGES** - David, you have said throughout your contribution today of the need for an appropriate support system. That is something that is becoming evident to me through this enquiry. We do need to look at targeting the investment of our dollar, and that support system includes the existing education system, the community house system and whatever else we might be able to uncover to assist people in our community because, I agree with you, sending a representative from a government agency - and that is not denigrating those representatives - is not necessarily the answer to the problem. It needs to be more focused to the community, which is obviously something that your work has uncovered.

**Prof. ADAMS** - Very much so. If I could draw a connection with concessions here, of all the concession questions you might ask, one connected to this conversation is: which concessions currently encourage over-consumption? I will use examples of transport concessions. If you have a set number of vouchers then the chances are you will use them. It does not necessarily mean that you need them all. In the thinking around smart cards and the question of the bad behaviour patterns that some people have gotten into, this notion of understanding which types of government decisions and concessions encourage overconsumption and how do we address that, is very important. In energy it is particularly important not to encourage overconsumption. As has been said, people will even falsely think that if they overconsume they will get a bigger concession, but of course they will end up paying more.

Trying to go back and revisit that principle of how we make sure that people have greater responsibility and choice to make the right sorts of decisions is part of how to rethink what we are doing with concessions and could be a savings area.

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**Mr MORRIS** - It strikes me that electricity concessions have a tendency to do that, whereas the first thing you would do with an electricity concessions is have it so it provided for the installation of a heat pump or hot water system which then provided a saving for the life of the unit and there is no feeling that I have a concession so I can use more power because I am getting it cheaper. Bringing the bills down permanently by a one-off payment could be a lot more effective for government rather than just continuing to hand out money on every power bill.

**Prof. ADAMS** - The connection there with what other jurisdictions are doing is the notion of social bonds. New South Wales has introduced social bonds. An example of a social bond would be to have a private company or a social enterprise - that is, a commercial operation but where the ownership and the profits are returned locally - to move into any of these areas and the savings that are accrued in principle are transferred as profit back to the company. So the notion of trying to think where the commercial opportunities are generally in cost of living and in concessions is quite an important one and the concept of social bonds is an important new development that brings in this sharpness of how markets might respond.

**Mr GROOM** - It is an interesting point to almost flip the cost of living issue and instead think about potential opportunities that it might provide for a service provider.

**Prof. ADAMS** - There are people in the gas industry who have argued rightly or wrongly that if government were to invest in gas rollout and if gas were 20 per cent cheaper than electricity then the savings on that, in terms of concessions that wouldn't have to be paid out, could be reinvested in gas. I am just making the observation that trying to think of where there might be commercial opportunities related to efficiencies or other types of transfers is something that could be factored in so it's not just a service provision. There may well be sayings. The smart card to some extent is also an example. There's no doubt that the transactions costs - and we did this with the two-part concession costings - are millions and millions of dollars. I am sure that smart commercial operators could think of a more efficient way of running the system and the savings from reduced transaction costs become the incentive for the private operator to come into this market. It was just an observation about the idea of social bonds.

**CHAIR** - One other thing I wanted to get your opinion on was the idea of day fines. We've had Ben Bartl give us a paper. He came as a witness and talked about that matter. Have you thought about that in the work you do, the idea to fine people appropriately with respect to their income and capacity to pay so that we don't have the issue where people are referred to MPES and a range of other problems that evolve as a result of their being unable to pay the initial fine?

**Prof. ADAMS** - This has been a matter in northern Tasmania in the last week where people have been reading the *Examiner* - the argument about collecting fines, which in principle are regressive. Fines are regressive because irrespective of your income level you pay the same. It doesn't mean they are bad policy. It just means that in terms of the category they come into they are regressive, whereas many other decisions associated with governments tend to be progressive, such as taxation systems and concessions associated with entry to facilities. The private sector also has a number of progressive policies, for example around pensioner discounts. Fines generally are seen as regressive, however

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because they are primarily about compliance rather than social inclusion they tend to be of that nature.

My first observation is that as, for example, with electricity most people, if they are given early enough notice of a bill and early enough support, can make arrangements so they don't end up being disconnected, evicted or having their water cut off. The same principle applies to fines and I understand that MPES does have a reasonable system in place at the moment. Again, I would have thought that as a state we ought to have a more consistent approach to early identification of at-risk individuals and families, have much earlier support systems - time payment or whatever - so we are consistent across the board with all our services, of which monetary penalties enforcement is one category. So the first observation is to make sure there is early identification of at-risk individuals and families and there are plenty of opportunities to pay. I note, however, that under current arrangements one of the enforcement penalties is loss of licence and the consequences of that for people dependent on private transport are quite significant. The ability to make sure that the assessment of those consequences is taken on board is important. All of this is in that context of not allowing or encouraging people to create circumstances where they don't have to pay, because that can be one of the perverse effects, but in principle the better alignment between income, capacity to pay and fines would be a progressive step for this government. Because it raises such difficult moral questions as well as administration questions, it is difficult. Rather than just thinking of the consequences for individuals, think of the consequences for dependent children who ought not be disadvantaged as a result of regressive actions. On the other hand, children should not be used as an excuse by parents to avoid their responsibilities. The important thing is that it is a discussion we now ought to have. It's not just about fines. It's about all those charges associated with what governments do, and to some extent the private sector, that might be seen to be regressive in principle.

**Mr MORRIS** - I will follow that through with another one, which is about motor registration and insurance. It seems to me that there is a lot of logic to attaching registration and insurance cost to miles covered on the road as such, which means that the nearest approximation of that is attaching it to the fuel cost, but there are obviously difficulties with that. At the moment, if you have a private car and you drive it on Sundays to church, you still pay the same as someone who does 80 000 kilometres a year, yet the amount of wear and tear on the roads and the risk of running into someone else is much greater. Do you see any way forward that we can go with that because, again, we have this state-commonwealth tie-up? Is there any way that we could look at trying to make that fairer so people can have a car sitting in the garage and while it is sitting there, dead stone-cold, it is available for their use but it is not costing them any money?

**Prof. ADAMS** - Again, across the board, where there are averaged or fixed charges, there will be winners and losers, where it is a fixed charge associated with energy supply, with water or transport. Where there are clearly identifiable groups who essentially under-consume and therefore are paying relatively more of the fixed charges, and where that group can be readily identified at low cost, then I think there is a good argument. For the reasons we have talked about earlier about incentives and disincentives and transaction costs, it is not easy to do, but where they are identified groups, to some extent there also could be identified places that are more dependent on single transport options. There could be people groups and place groups and where they are readily identified, either by postcode or household type in connection to a car, it may be possible to have exceptions

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which are more equitable. Again, it comes back to this transaction cost and not creating disincentives for good behaviour.

I think all of these are worth looking at and to some extent, as we were saying earlier, cost of living has thrown up a whole lot of technical things and also some quite big issues about how we live our lives and the role of government. There is no silver bullet, but there are probably opportunities in Tasmania, because of our scale, to introduce exceptions that more equitable and progressive without distorting markets or behaviours.

**Mr MORRIS** - You're coming to the end of your time in the role of Social Inclusion Commissioner, is that right?

**Prof. ADAMS** - Probably around the end of October, and in part because of the conversation we had earlier about the importance of all parts of government seeing social inclusion issues, of which cost of living is an important one, as their responsibility, rather than a particular commissioner or a unit in Premier and Cabinet or a department. Having said that, my expectation would be that over the next few months there will be greater clarity around how a number of these matters will be dealt with within the state.

**Mr MORRIS** - Right, so there's still a conversation to be had about embedding this more into the departments?

**Prof. ADAMS** - Yes. It is mainly a conversation within government to which I provide advice. I think the issues are now quite clear as to where there needs to be better coordination and perhaps better lines of accountability and responsibility and I think it is a matter now for the government and the parliament to form a view on that. I mentioned, for example, the Economic Regulator and the very good work that group does in relation to ensuring that government activity in markets does not distort the market and is efficient and so on. We do not really have an equivalent in the social area and we can see with concessions some of the risks attached to having multiple agencies all doing a good job in their own space, but the bigger policy issues and the consequences not necessarily getting the attention they ought to.

**Mr MORRIS** - If we don't see you before then, I would like to thank you for the great work over the last few years and the terrific advice and direction you've given us. There is no shortage of opportunity for us to do things. I feel we are certainly much better positioned and a lot more focused perhaps on what the real issues are than we were a few years ago. So thank you very much for your assistance over these last few years; it has been terrific.

**Prof. ADAMS** - Thank you.

**CHAIR** - Yes. Thank you, David, for coming today. We appreciate your time.

**THE WITNESS WITHDREW.**

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**Mr RICK TIPPING**, COORDINATOR, NILS TASMANIA, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

**CHAIR** - Thanks for joining us, Rick. I just want to check that you got from the secretary some documents outlining the processes of the committee.

**Mr TIPPING** - Yes.

**CHAIR** - Then you know it will be recorded by Hansard. It is a public hearing although we do not have anyone here at the moment, but there may be. Everything you say here is covered by parliamentary privilege but anything you say outside the committee will not be covered. Is that clear?

**Mr TIPPING** - Yes, thank you.

**CHAIR** - Did you want to make an opening statement before we begin?

**Mr TIPPING** - I did just write a couple of paragraphs because I was not sure of the extent of knowledge of NILS. The NILS network has been in business for almost 10 years and has enjoyed terrific support from all sides of parliament. NILS has now issued close to 6 000 loans with an average loan size of around \$800, so that is pretty close to \$5 million in lending over the almost 10 years. Growing operational and capital support from state and federal governments and also from corporations like the National Australia Bank have enabled us to increase our annual issue of loans from around about 300 a year in 2003-04 to 1 500 loans in the financial year just finished.

NILS lending policy is informed essentially by two factors. One is that we aim to help people to access essential items and services like washing machines, car repairs, and computers, and we determine what is essential by applying the notion of a hierarchy of needs. We look at what is essential for survival and what is necessary for social inclusion and those are the areas in which we direct our lending activity. We also aim to support low-income Tasmanians to increase their asset base in the belief that increasing people's base of assets can lead to gradual shifts from poverty.

For your information, in 2006-07 our top six loan purposes were fridges, washers, beds, lounge suites, computers and televisions, and in the last financial year the top six were in fact car registration - which I know is probably a reason I am here - car repairs, fridges, washers, lounge suites and computers. Because we have had the capacity to expand our loan purposes as a result of the support that we have, we have the capacity to lend for a greater range of things. I just brought along to show you, in case you haven't got them in your electorate offices, the brochures that we have to focus people's attention on what we lend money for: medical and dental loans, education loans, computers, text books and school trips.

**Mr MORRIS** - School fees as well?

**Mr TIPPING** - Not school fees. I am happy to have that conversation but generally not school fees. Car care loans: car repairs, car registration and car tyres in particular. The household things - the washing machines and fridges - and, of course, we also have the

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micro-business loan program which is a separate arm of the business. It is not so much about essential items and services but it is about helping people on low incomes perhaps find a way to help themselves out of welfare dependence. That is that.

The last thing that I wanted to say was that in reading the transcripts of the hearings so far I was interested to note the issue of energy costs came up quite a bit and we have had support from the state government to do some work in that area and one of the specific things that was raised at this committee was the issue of supporting people who are living with neuromuscular conditions and their energy costs. As a result of information that flowed through from this committee we have been able to incorporate that in our energy efficient appliances program and I have a copy of that if you want to take it with you. I am happy to talk to you more about that but I just thought it was nice for you to see that something that has flowed through the committee is already having an effect in the community or will start to have effect in the community.

**Mr MORRIS** - Fantastic.

**Mr TIPPING** - Other than that I know the issue of car registration is one I think you will want to talk to me about although I don't want to pre-empt what you want to ask me. The second issue that I picked up from reading the transcripts was the issue of support for low-income Tasmanians who are outside the concession system and the third issue for us is the issue of making access to our program easier for people. I am happy to expand on those three things but I should leave it to you to direct where you want me to go.

**Mr STURGES** - One quick question: you have been operating for 10 years and I appreciate the work you have done - 6 000 loans or thereabouts over that period of time - and you say that the average is \$800 per loan. What period of time on average do recipients take to repay the loan?

**Mr TIPPING** - It is a set loan repayment period, Graeme, of 18 months and so we operate a formula of repayments. People pay \$3 a fortnight repayment for every \$100 that they borrow. Our maximum loan is \$1 200 in general now so on that formula the maximum repayment that they make would be \$36 a fortnight, so it is pretty manageable for most people.

**Mr STURGES** - During the period of that loan - and I know this is an obvious question - that is it, they can't come back for another loan for something else? If I get a fridge, for 18 months I can't come back to NILS?

**Mr TIPPING** - In that 18 months?

**Mr STURGES** - Yes.

**Mr TIPPING** - That was definitely the way we had operated up until the last year but as a result of the work of David Adams in the social inclusion strategy that has led to more capital being made available to us by the state government and so we do now have the capacity to consider people's needs within that period. They may have borrowed money for a washing machine, perhaps paid off half of that and then if their car tyres need replacing -



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**Mr STURGES** - Yes, that is where I was coming from.

**Mr TIPPING** - people can come to us and extend their credit. We can do that. We don't do it too often but -

**Mr STURGES** - The capacity is there for you.

**Mr TIPPING** - The capacity is definitely there to do it. The other thing of course is that once people have paid off a loan they can come straight back and apply again. We have had people who have had 10 loans with us and that means people have been able to get their washing machine, their fridge, their lounge suite, their dining suite, their car repaired and maybe after eight years the washing machine has broken down and they have come back to get another one, so it is very effective in that regard.

**CHAIR** - Rick, I understand the repayment rate is really high, around 90 per cent; is that correct?

**Mr TIPPING** - Yes.

**CHAIR** - People really value the loans and repay them, so it's a good system and it works well.

**Mr TIPPING** - Yes, they do. To be realistic, there is no secret to that; they use Centrelink Centrepay, which means the money comes to us from Centrelink because, as you would know, if we had to wait for them to make a direct debit from their bank account then we would be really struggling to keep our repayment rates up because the money disappears immediately from the bank account.

**CHAIR** - With the announcement that was made on Sunday with respect to the heat pumps, perhaps you might want to talk a bit about that one. I don't know if the committee members saw that.

**Mr MORRIS** - Just in passing.

**CHAIR** - The NILS program was funded to deliver - you might want to talk about it.

**Mr TIPPING** - I would be happy to. We got some money from the Department of Premier and Cabinet to support a subsection of the low-income community to access the subsidy on the purchase of an energy-efficient appliance. The focus is on heating, but also we can support the purchase of energy-efficient washing machines, fridges and freezers and other items. If somebody came to us and needed help with the solar hot water, for example, they would be able to access the subsidy. That subsidy is available. We will lend any low-income Tasmanian money for those things, but the subsidy, which is a 30 per cent subsidy on the purchase, is only available at this stage to people who are senior citizens - people on age pensions, people living with disability and that other group, which is the people who are living with neuromuscular conditions. We had to restrict the groups, but there is a reason for those groups, because they are people who tend to spend a lot more time in their own homes and therefore their heating needs particularly are greater.

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We will provide them with the subsidy and the other thing that we wanted to build into this ourselves, because we felt it was really important, was an opportunity for people who are buying energy-efficient appliances to talk to an energy assessor. What we are doing with this is providing people with an opportunity to have a home visit from an energy assessor, who will just spend an hour talking to them about the way that their home is energy-proofed or not energy-proofed at the moment, give them some tips about that, but also give them some advice on buying the right energy-efficient appliance because there are a lot of pitfalls in this. The simple example would be someone who is living by themselves, if they bought a 500-litre, three-star fridge, it is actually going to use more energy than if they bought a small fridge that wasn't three-star, so people do need some advice about getting the right appliance, it is not just about getting the three stars or greater.

**Mr GROOM** - Rick, do you have an established relationship with energy auditors and how does that work?

**Mr TIPPING** - We have had to establish that ourselves and we have six energy assessors, two in the south, two in Launceston and two in Burnie, that we are still in the process of contracting to do work for us. These are all people who were trained to work with the Green Loans program and they are also working with Sustainable Living in the Power Savings for Tenants program.

**Mr GROOM** - How did you go about identifying them?

**Mr TIPPING** - We have been working with Sustainable Living Tasmania and the Climate Change Office for quite some time to try to get this in place, so it is through those connections that we made the connections with the energy assessors.

**Mr GROOM** - So they have provided you with the names?

**Mr TIPPING** - Yes.

**Mr GROOM** - You didn't mention insulation. Is that included?

**Mr TIPPING** - No, it's not. When I say it's not, we're also using this sort of marketing to market what we've called an energy saver loan, which is open to all people with a concession card, not just that subset. In that, we're also suggesting to people that they could borrow money for insulation if they need it. It's definitely part of it but it's not a part of this subsidy program because the government really wanted us to direct our attention to the purchase of appliances, particularly heating. But you're right, there's a very significant connection.

**Mr MORRIS** - Insulation in a lot of ways can be considered an appliance for heating, especially if you don't have any.

**Mr TIPPING** - Yes. One of the things we want our assessors to look at is if insulation is there because if there's not there really needs to be if you are purchasing energy-efficient heating.

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**Mr MORRIS** - Rick, your capital base - how much would you like to have available?

*Laughter.*

**Mr MORRIS** - You're not going to challenge the banks in the loans department, but in terms of the demand you have and potentially where you think you may go with the program, what would be an ideal revenue stream - in quantum, not worrying at this stage about where it's coming from?

**Mr TIPPING** - It's a bit hard to project but I can say that we have access to more capital than we can manage at the moment. Through the social inclusion strategy we have \$1 million of loan capital for the essential items and services and \$1 million of loan capital potentially for this microbusiness program, and we're really not scratching the surface of that one. I think we're lending in the vicinity of maybe \$180 000-\$200 000 a year for the microbusiness program. For the other program, we would be lending more than \$1 million a year but of course it's cyclical; 90 per cent of that's coming back in.

**Mr MORRIS** - So it's only depleting at 10 per cent, roughly?

**Mr TIPPING** - Yes, it's only depleting at 10 per cent a year. We have had one tranche of that capital, the \$2 million, and we've got \$500 000 of it. We also have interest-free capital from the National Australia Bank, which is \$300 000. If you put those two things together we're very comfortable capital-wise for what we want to do now and for what we can see in the future. Capital isn't really an issue at this stage.

**Mr MORRIS** - Good, that's encouraging.

**Mr STURGES** - Do you monitor the success of the microbusiness program? How long have you had it going?

**Mr TIPPING** - We've had it going since 2005 and we haven't done the work yet - in fact, we have just funded an evaluation that has just started. We will be talking to clients, past and present, the business enterprise centres that we work closely with, the NEIS providers and other stakeholders to look at what we're doing. We think we can do a lot more but it's about how to get people on low incomes who haven't ever thought about the possibility of self-employment thinking about it - and that's the tricky bit, being the catalyst. That's one of the reasons we're doing the evaluation. It's about community development, really.

**Mr STURGES** - What was the average loan in that area?

**Mr TIPPING** - In the microbusiness area it is \$3 000. That is the amount you can borrow and most people who come to us do borrow \$3 000. We can provide repeat loans.

**Mr STURGES** - Typically, what sorts of businesses are they?

**Mr TIPPING** - An extraordinary range of businesses, but some of the more common things are people who want to do landscape gardening and gardening maintenance; people who want to set up a hairdressing salon or beauty care; people who are manufacturing in a very small way - for example, it might be food manufacturing and retail and distribution;

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people who are running online retailing. I really am not doing it justice now, but the range is phenomenal. There are people who are fashion designers making their own clothes and wanting to sell them, people who have opened small delicatessens or milk-bars in small communities.

**Mr GROOM** - Do you track the ongoing performances of the businesses?

**Mr TIPPING** - We haven't, but that is the purpose of the evaluation we have just set up, which will run through until October. What we want to do there is look at what has happened to the people we have loaned money to, whether they have been successful or not. I think the average failure rate for any small business start-up is 90 per cent, isn't it, or something phenomenal like that?

**Mr MORRIS** - Yes.

**Mr TIPPING** - We would expect that there would be something similar, but of course the spin-offs are not just the ongoing success of a business. It could well be just the development of confidence of people to get themselves into the workplace.

**Mr STURGES** - Break the cycle.

**Mr TIPPING** - Yes, and we want to look at all of that.

**CHAIR** - Now, you wanted to talk about vehicle registration.

**Mr TIPPING** - Yes, I hoped you would be interested to talk with me about that. We were asked by the Social Inclusion Unit to consider lending money to people to help them smooth the car registration bill, and we were pretty reluctant to take it on because it is a recurrent cost and lending money for recurrent costs has been traditionally outside of our policy. We're trying to help people build assets, by and large, but we took it on because we were asked to and it was clearly a big problem because there isn't a bill-smoothing option available, at least not a significant one. People can pay six months or 12 months, but even having the money to pay six months' registration is a significant issue for people on low incomes; coming up with \$250 or thereabouts is very difficult.

So we are lending people money to pay for registration but we don't want it to become the first point of contact for people who need to pay their registration. Potentially that could mean a very significant workload for us, as I think the number of concession card holders is about 30 000 in Tasmania. I am not sure, I might have that completely wrong, but it is obviously pretty high, and we wouldn't be able to handle that sort of workload if every single concession card holder was coming to us. We want people to think of NILS as a last resort for paying registration, and when people ring us now we explain to them that they should think of a NILS car registration loan as being a one-off and that they should be thinking about planning ahead for their next payment, so that either they save or they plan to use their Centrelink advance, which a lot of people do use anyway for car registration. We don't want people to be locked into using NILS every year. Having said that, the problem is that people have trouble coming up with the money, so what are the options? In a way, I would like to see that question returned to DIER to consider -

**CHAIR** - They are doing a review at the moment.

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**Mr TIPPING** - and I know the insurance issue is a problem, so ultimately they would either have to set up their own NILS-type scheme where they had capital to lend people in advance and then they would pay that back, but that is not necessarily the business they want to be in, or they have to look at how they can get insurance costs smooth and I am not that familiar with insurance and how it works to know whether that is possible, especially in the car registration area.

**Mr MORRIS** - That is a conversation with MAIB. But in theory, there is no reason why they could not have their payments on a monthly basis.

**CHAIR** - I think the department are looking at it at the moment because it is an issue that I have raised with them and you have probably raised it with them and many other people have.

**Mr TIPPING** - Yes. If they can come up with a means of providing people with that option, it is a much better way of doing it.

**CHAIR** - If you had it through Centrepay, there is no risk that they are not going to be paying fortnightly.

**Mr TIPPING** - Yes. There will be an additional cost to DIER to do it because they would have to pay the transaction cost with Centrelink, whereas we do not.

**Mr MORRIS** - Right. Do you think that is really a stop-gap system?

**Mr TIPPING** - I think NILS should be seen as an interim measure until a better option is available.

**Mr MORRIS** - It took a long time to convince DIER to have a six-monthly option for registration. That was a long, slow process in itself. My preference, ideally, is to see the registration and insurance costs put on fuel - pay as you go. But that has its own serious complexities as well.

**Mr TIPPING** - Yes, that is an interesting approach to it though. I was listening to your conversation with David about that.

**Mr MORRIS** - Yes. The problems there tend to be more the interaction with the commonwealth as much as anything because there is already significant tax collection on fuel so that all this would be is how to provide an additional tax on the fuel. Fuel is likely to go up by four to five cents, at the most, per litre in order to achieve it. But then, once it is collected at the pump, you have to split it off. Most money or all that money goes to the commonwealth now. The question is, whether some can be hived off to DIER and to MAIB.

**Mr TIPPING** - To come back to substitute for registration. It sounds like an interesting option.

**Mr STURGES** - User pays.

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**Mr MORRIS** - Therefore, all you would have is a fixed charge on your registration which might be in the order of \$20 or \$30 to deliver your sticker every year and, in fact, they are looking at moving away from stickers even altogether, I gather now.

**Mr TIPPING** - They do not use stickers in Western Australia.

**Mr MORRIS** - No, that is right. Even that cost can be pretty much eliminated. It might ultimately just be the cost of your number plates, once you have them on and then, if it through the fuel, you are registered. If you leave the car in the garage, it'll cost you nothing.

**Mr GROOM** - Rick, do you provide loans for driving lessons?

**Mr TIPPING** - Yes, we do. Only in recent months have we been doing that. That came to us because there are a number of driver mentor programs and I think that has been mentioned at this committee as well. But the problem with the driver mentor programs is getting enough mentors. For example, the Green Light Program at Goodwood I think has about 40 people on the books waiting to be matched with a mentor and I think they have three volunteer mentors currently. It is all about people having to get the hours up and not having a family member or a friend who can help them. That is why the mentor programs are good but they are not meeting the demand. The mentor programs have asked us to consider helping people purchase driving lessons and so we do that. We have not had many applications yet, but some.

**Mr MORRIS** - I know even finding the time to mentor a family member is a bit of a challenge, to make sure they get their hours up.

**Mr TIPPING** - Yes. It is double the number of hours now. It has gone up from 50 to 100.

**Mr STURGES** - Can I throw one to you from left field?

**Mr TIPPING** - Yes, please.

**Mr STURGES** - I take note that you said the criteria under which you make assessment for items and services is the definition of essential items and services. What about pet care? I do know that in our community paying vet costs for domestic pets is a big issue, even complying with microchipping requirements.

I will get back to the general pet care. From personal experience I know that there are people in the community that have domestic animals that they cannot pay their vet bills for. Would that be classed as an essential provision? I would certainly pass it as that but would NILS look at assisting with that?

**Mr GROOM** - They can be phenomenal costs, too.

**Mr STURGES** - I kid you not, it is a big issue.

**Mr TIPPING** - We have made some loans for that. We try to do some due diligence in the focus on the essential nature of it so initially we are asking people to just tell us their story. Why is this pet important? And we know that there are lots of reasons why pets

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are important to people, especially in terms of mental health, for people who are isolated in their own homes. Trying to get those stories has been good for us, but generally if people ask us we will lend to them.

**Mr STURGES** - So it is not something that you rule out immediately?

**Mr TIPPING** - Not at all. No, there is a bit of an issue because if people come to us and want \$100 to have the microchipping done it is probably going to cost us \$150 to do the loan. The cost of processing the loan is significant.

**Mr STURGES** - Taking the microchipping out of the equation, just general.

**Mr TIPPING** - Vet bills, medical bills, dental bills.

**Mr STURGES** - For an emergency or what have you.

**Mr TIPPING** - Yes, those sorts of significant payments that people have to make.

**CHAIR** - I would be curious to know as well, are there any products that you get requests to help fund that you can't? Are you seeing requests, particular demands in areas that you would like to be able to?

**Mr TIPPING** - Yes, well, I suppose the purchase of second-hand cars is the big one.

**CHAIR** - Because you can only purchase new items with NILS - is that correct?

**Mr TIPPING** - Yes, and our loans are really too small so we cannot really be lending people money. If we were lending people \$3 000 to buy a second-hand car, there is a couple of problems. One is the repayment. You either have to extend the repayment period out or you increase the repayment to a level that is not manageable for them. So there are risks involved for us and them. With lending people money for second-hand cars, -

**Mr STURGES** - Then you are going to be paying for repair bills.

**Mr TIPPING** - If you know a bit about buying second-hand cars, probably if you are buying a \$3 000 car then you are ultimately buying someone else's problem. Then, if the car breaks down and they still owe us \$2 000, we are at risk that they are not going to want to pay us. There are reasons why we haven't got into that. There is a product that the National Australia Bank provides, which is called StepUP Loan. It is a low-interest loan that is only available to concession card holders and you can get that loan from the National Bank for up to \$3 000, and you can use it to buy a second-hand car. The main problem there is that, because it is a bank, they will do a credit check and most of the people that ring us have credit problems. We do help some people. I think 200 or 300 a year would access a loan through that program.

**CHAIR** - Rick, are you familiar with the O Group's products that they launched last year which I do not believe have had a very high take up rate? It sort of fills that middle ground from your loans program to a bank loan and does not have the same stringent credit checks. Do you think it is going to -

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**Mr TIPPING** - I am not really familiar with it. I think it is meant to be easier to access but my limited knowledge is that it is not that easy and also the interest rates are not that much different to commercial loan rates.

**CHAIR** - True.

**Mr TIPPING** - The interest rate is not much more attractive but perhaps the capacity for people to access it is greater. I am not sure they have had a lot of success in getting people to take it up.

It comes to another point I wanted to raise briefly and that is that people on low incomes really struggle to access mainstream financial institutions for a whole lot of reasons. One is that they have a bad history or bad experiences so they end up with credit problems, but the other reason is that there is significant intergenerational mistrust of mainstream institutions. People don't easily trust banks, hospitals or schools, whatever it is. People who have lived in intergenerational poverty find it really difficult to interact with those institutions because their literacy levels are low -

**Mr GROOM** - Whom do they trust?

**Mr TIPPING** - They trust community houses.

**Mr MORRIS** - Yes, there is an enormous trust in our community house up in New Norfolk. It has proven a real success.

**Mr TIPPING** - They trust NILS and that is why we work through community houses. They trust their friends and neighbours and relatives. That is who they trust and that is who they depend on. That is why you have an alternative economy happening in those communities, where people work for cash in hand and they buy and sell, trade and barter. It is an important point for us because one of the things we want to continue to do is look at how we can do better in helping people access what we do. It is a bit difficult to access our program. We have it down to a couple of weeks now, but it does take a couple of weeks for people to get a loan, so we could look at ways of making that quicker.

The other organisations that people trust, oddly enough, are the rental companies, the cash converters, the cash stores, the payday lenders, because they know they can walk in there.

**Mr STURGES** - It's immediate.

**Mr TIPPING** - Yes. It's an environment in which they feel comfortable and they can walk out pretty quickly even if they haven't read the fine print. That is good in a way, but it is a real problem because so many people get into trouble by not being able to repay the debts. Our partner organisation in Victoria is Good Shepherd Microfinance. They are piloting a shopfront access program in Victoria and I think that would be something terrific to do down here. The shopfront is called Good Money. It is all designed around pitching at the same level as Radio Rentals or Cash Converters.

**Mr STURGES** - When is their pilot due to kick off in Victoria?



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**Mr TIPPING** - It just started in Geelong and they are going to pilot it in two other places - Collingwood and Dandenong. People still can't walk out with instant cash but they can fairly quickly do an application for NILS and they can talk to a financial counsellor. It is a much better way to get financial counselling, otherwise they have to ring Anglicare, the 1800 number, and then you have to go along to a welfare centre.

**Mr MORRIS** - So there is instant financial counselling.

**Mr TIPPING** - They can get instant financial counselling. They have people there to help them look at their budgets, which perhaps they have never done before.

**Mr MORRIS** - Whilst you are operating through the community centres, with any of the products you are offering are you directing people, if you think it likely to be of any value to them, to financial counselling?

**Mr TIPPING** - Part of the application process for us is that they have to sit down with one of our loan officers at a community house, someone we have trained to look at their budget. So there is some very basic financial counselling but it is very limited and we could do more with it. If they clearly have problems that need more expert help - for example, if they are ringing us wanting a loan to consolidate debts to pay off other loans, or they are ringing us to pay off fines, or because they cannot pay their Aurora bill - and we can't help them with those things then what we would generally do is direct them. If it is an Aurora bill we might direct them directly to Aurora, or we might direct them to Anglicare. We might refer them to Anglicare for financial counselling because they do need help.

**Mr MORRIS** - Perhaps 'financial counselling' needs a better name. It's almost a bit of a put-down - 'counselling'.

**Mr TIPPING** - I think you're right. It often is about how you market these things and that's why Good Money is a good idea.

**Mr MORRIS** - Yes, it sounds terrific, and if financial counselling is tied in as part of the process, that's invisible in the system, it may well be a good way to go.

**Mr TIPPING** - Yes, and it has to be presented in language that people understand. I am thinking we could probably go to the Tasmanian Community Fund to get some money to have a go at the shopfront model ourselves.

**Mr MORRIS** - Where would you think the best prospects would be for setting that up?

**Mr TIPPING** - It has to be in a shopping centre, if you could afford it - Northgate or Eastlands.

**Mr STURGES** - Next-door to one of the payday lenders.

**Mr TIPPING** - In that same strip.

**CHAIR** - Where demand is greatest.

## **PUBLIC**

**Mr TIPPING** - Yes.

**Mr MORRIS** - Could you reverse-partnership with Victoria so you didn't have to invent it all again?

**Mr TIPPING** - We would be waiting to see what they have learned from their experience, because they're learning all the time. Once there is some learning from that, they would source the funding to role it out nationally, potentially, if it is really working, or we could talk to them about getting the money to do it ourselves here and they would very happily give us the model.

**Mr MORRIS** - So you'd need the money to pay the rent for a particular period of time?

**Mr TIPPING** - Yes, the costs are significant, especially the rent.

**Mr MORRIS** - You're not going to get into a shopping centre for under \$40 000 or \$50 000 a year and you'd need to employ a couple of people.

**Mr TIPPING** - Yes, and do all the marketing and have all that set up. It is significant.

**Mr MORRIS** - So \$200 000 a year over a five-year period to give it a reasonable trial?

**Mr TIPPING** - Yes, it's worth looking at. The costs are significant and you may decided the benefits are not there, but you won't know until there's some learning.

**Mr STURGES** - Look at the cost of the payday lenders on society.

**Mr MORRIS** - And whose cost are we measuring anyway because we are not measuring the cost to the individuals who are going to the payday lenders, are we?

**Mr TIPPING** - No, that's exactly right. People often have good relationships with those places because some people manage the repayment quite successfully. I'm not sure there is no place for payday lenders at all because sometimes people don't have cash and they need it and that's the only place they can go. What I don't like is the push-marketing into low-income communities.

**Mr GROOM** - We're starting to see it now on TV ads. It's a cyclical thing; they ramp it up when times are tough. You're probably right that there is a space for it at one end of the spectrum but at the other it is straight exploitation.

**Mr TIPPING** - Yes, absolutely.

**Mr MORRIS** - I have one more question about eligibility for NILS. Do you have different eligibility for different products?

**Mr TIPPING** - You just have to have a health care card or pension card. You have to be in stable housing. We need to know that people are not going to be moving around all the time because if we lose touch with them we have no chance of getting the repayment.

## **PUBLIC**

You have to be able to afford the loan. That's where the budget comes in and we need to look at that.

**Mr MORRIS** - There's no point in lending to someone who can't afford to pay it back.

**Mr TIPPING** - That's right. That's it, though, so any of these loan products all have the same eligibility criteria, apart from that energy subsidy. That's the only one that's restricted to a smaller group at the moment.

**Mr STURGES** - Again, I don't wish to denigrate those people you lend money to, but do you validate the expenditure on the particular item?

**Mr TIPPING** - That the money is used?

**Mr STURGES** - Yes. If I came to you and got the average \$800, does that go into my bank account?

**Mr TIPPING** - No. They don't get the cash; they get the washing machine. We have a buying facility and we buy the washing machine for them.

**Mr MORRIS** - Good.

**Mr TIPPING** - It's another thing that slows things down a bit but we have to do that.

**Mr STURGES** - I understand that.

**Mr MORRIS** - But also I guess you're able to get on to whatever is the best deal going around within your range of options.

**Mr TIPPING** - We can't really do that, Tim, because it is a bit time-consuming and doesn't produce the results at the moment that would make it worth doing. What we say to people when they apply to us for a loan for a washing machine is to go and get two or three quotes, and we try to educate them to be good consumers so that they go to Harvey Norman and get a quote, go to Retravisson and say what they can get from Harvey Norman and get a quote from there, and ideally they should then go back to Harvey Norman again.

**Mr MORRIS** - Yes, to see if they can do better.

**Mr TIPPING** - In that way they get as good a deal probably as we would get anyway. If we were doing something really significant like bulk purchasing, that would be different.

**Mr MORRIS** - I was thinking more of online purchasing these days, especially around the whitegoods and stuff; you can do an awful lot online in terms of comparisons.

**Mr TIPPING** - I've been talking to people about that and that happens a bit on the mainland but what worries us about that is we're already seeing small retailers closing. In New Norfolk, up your way, the electrical retailer has closed.

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**Mr MORRIS** - Yes, although that was opportunistic in their case. It wasn't directly due to a lack of customers.

**Mr TIPPING** - Okay; I'm not aware of what happened.

**Mr MORRIS** - Something went funny with the group, they were close to retirement and they just took the opportunity to get out of it.

**Mr TIPPING** - That's a real shame, though, for people in the local community.

**Mr MORRIS** - We actually bought our last product through them online, so if you use both the online and local retailers it doesn't necessarily cut out the local retailers, especially if they are with a buying group.

**Mr TIPPING** - Okay, so you bought it online but it was delivered through the local retailer.

**Mr MORRIS** - Yes.

**Mr TIPPING** - Okay. I think that could be what we need to look at.

**Mr MORRIS** - That gave us quite a lot of information about the energy ratings at our fingertips because, as you said, you can't just trust the star rating to give you the best -

**Mr TIPPING** - To save on your electricity bills.

**Mr MORRIS** - Yes, it doesn't help you with just what is the lowest cost and appropriate option for you, you have to go deeper than the star rating.

**Mr TIPPING** - Yes. I guess definitely we have to look at online buying eventually but we have been a bit reluctant to go down that path because we do have good established relationships with local suppliers.

**CHAIR** - It is about building skills in people, too, to help them make wise decisions.

**Mr MORRIS** - That is true.

**Mr TIPPING** - Yes, and it works back to us, too. If somebody goes into a tyre place because their tyres are bald and they can't afford new tyres then the retailer can tell people - we give them our brochures and they will refer people to us. It's about trying to keep those community connections alive.

**Mr STURGES** - Establishing a good local network.

**Mr TIPPING** - Yes, they are significant. Can I raise the other issue of the working poor?

**CHAIR** - Yes.

**Mr TIPPING** - It is one that we are conscious of, that there are people outside the concession system who in fact in some ways are worse off and I think with a bit of time and maybe a bit of money to research it we could come up with a way with NILS at least that we could

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increase the threshold. It's about how we assess people's income because we don't have Centrelink to do it for us and also how we manage repayments and make sure that we don't end up with a big default rate because, again, we don't have Centrelink to do it for us.

**Mr STURGES** - But often employers will directly deduct from a salary.

**Mr TIPPING** - Yes, that can happen. I hadn't thought about that.

**Mr STURGES** - I think it's something well worthwhile exploring because having worked with blue-collar workers all my life I know exactly what you're saying.

**Mr GROOM** - There's a big gap. There's a group who battle but, as you say, don't have access to these types of facilities.

**Mr STURGES** - Perhaps they need to buy a new fridge or a telly or dental care for the kids. I think it's something well worthwhile.

**Mr TIPPING** - Yes, those things - a computer for the kids.

**Mr STURGES** - Yes, that's right, and I do know the majority of employers will directly deduct from a person's salary.

**Mr TIPPING** - I hadn't even thought about that as an option, but that would help.

**Mr MORRIS** - It is often that transition period between the benefits and work that's the problem area, isn't it, or even vice versa. You can actually get a healthcare card and be at work, I think, without too much trouble, if you are on a very low income -

**Mr TIPPING** - Yes, on a really low income.

**Mr MORRIS** - but it might well be that there are a number of people out there who would be eligible for a healthcare card but don't necessarily take one because they're on the margins.

**Mr TIPPING** - There is still a group above that, isn't there? I think the threshold is about \$26 000 for an individual, so if you're on \$30 000 you're not eligible for the healthcare card.

**Mr MORRIS** - I know, but you still can really make the -

**Mr TIPPING** - You're really struggling. In fact, you'd be doing it worse.

**Mr MORRIS** - You would be, yes.

**Mr TIPPING** - I suppose it's a matter of working out what would be the threshold, because you'd have to set some sort of arbitrary -

**Mr MORRIS** - In some ways it's not so much their level of income that's the issue for you, it's about the security of repayment, isn't it?

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**Mr TIPPING** - Yes.

**Mr MORRIS** - So really what they need to be able to demonstrate to you is that they're in reasonably stable enough employment for the loan to be repaid. That is the issue.

**Mr TIPPING** - That's even more important, yes.

**Mr MORRIS** - So Graeme's point about the employer acting effectively as a guarantor -

**Mr STURGES** - No, I wasn't suggesting they be guarantor.

**Mr MORRIS** - Sorry, guarantee that they would transfer the money.

**Mr TIPPING** - Manage the repayment.

**Mr STURGES** - Far be it from me to tell you how to do your job -

**Mr TIPPING** - No, I'm really interested.

**Mr STURGES** - but over a period of time you can establish just by producing your payslips, for example, that you have worked continuously. You can even get a letter from your employer to say that there is reasonable expectation that you will be working into the future and that they have the capacity to deduct.

**Mr MORRIS** - Yes, that was what I meant by the guarantee - the guarantee to deduct.

**Mr STURGES** - Say, take \$30 a week out of salary to bills.

**Mr GROOM** - The only question with that is how you formalise it, that's the point, unless it's like a formal lien or something, because the employee will always have the capacity to be able to undo that because they've got the relationship with the employer. It is a question of how you can formalise it.

**Mr STURGES** - That's right. The employer's role, as far as I see it, would just be, while they are working, deducting that amount, but if the work stopped, that's the risk.

**Mr TIPPING** - Or if the employee decides they don't want to continue.

**Mr GROOM** - That's right, it's how you formalise it.

**Mr MORRIS** - But it's the same issues with Centrelink as well.

**Mr TIPPING** - Centrelink is the same, and people have complete control over whether that continues or not. What happens is that people forget it's actually happening and they don't miss it because it's only a small amount.

**Mr GROOM** - That's probably right, and it's definitely worth looking at because this is a big issue.

## **PUBLIC**

**Mr STURGES** - There is always an element of risk, even with Centrelink. You are right, it is a sleeping issue out there. Actually in some situations it's a disincentive for some people to get a job.

**Mr MORRIS** - Absolutely.

**Mr GROOM** - Which is just perverse.

**Mr TIPPING** - I think we're keen to look at that, and that may be a matter of going to the community fund or some other funding body to get some money to research and set it up - it wouldn't require a lot - and then obviously talk to the government about guidelines around the management of the loan, the capital.

**Mr GROOM** - Where is your capital held?

**Mr TIPPING** - Most of the money that we have is held in term deposits, and we transfer it into operating accounts as we need it.

**Mr GROOM** - So how much would you have in total under your control?

**Mr TIPPING** - There is the \$500 000 from the state government that we have at the moment and there is potential for us to access more, and there is the \$300 000 from NAB, so there is about \$800 000 in loan capital. A lot of that is held in term deposits and obviously the interest allows us to do things like run evaluations on programs and that sort of thing and then we just transfer money into our operating accounts as we need to.

**Mr STURGES** - So you have a board administering that money?

**Mr TIPPING** - Yes, we have a board for the NILS incorporated association. NILS is unique really because it is a cooperation between corporations, the government and the community sector, so the board is made up of representatives from Anglicare, community houses, Salvos, Centacare - all of the welfare agencies are represented - the government is represented and Aurora is represented.

**Mr GROOM** - Is there anyone on the board from a financial management perspective?

**Mr TIPPING** - Our treasurer is the finance manager at Aurora. We have our own finance officer who is in fact an ex-Aurora finance manager as well.

**Mr MORRIS** - How are your administration costs covered?

**Mr TIPPING** - By operational grants from the state government and from FaHCSIA, the federal government.

**Mr MORRIS** - Right, so it is jointly funded.

**Mr TIPPING** - Yes. There's a lot of good support flowing through from the federal government as well. In fact for this energy appliances program there is significant money coming in next year from FaHCSIA putting \$21 million in nationally into a subsidy program. We should get \$500 000 of that, I would think.

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**Mr MORRIS** - Very good. So in a sense you have slow and steady growth, both in quantity and the breadth of the business and there's no reason why that shouldn't continue?

**Mr TIPPING** - Yes. We would hope to be able to do 2 000 or 3 000 loans next year.

**Mr MORRIS** - Very good.

**CHAIR** - Thanks so much for your time.

**Mr TIPPING** - I hope I haven't taken up too much of yours.

**CHAIR** - No, it was really good.

**Mr TIPPING** - Would you like one of these because that is hot off the press and we will be starting to promote this next week. I also printed these out if you want to take those. That is just my general comments about those issues.

**CHAIR** - Thank you.

**THE WITNESS WITHDREW.**