

7 July 2017

Committee Secretary
Senate Standing Committees on Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Sir/Madam,

Thank you for the opportunity to make a submission to the Inquiry into the ***Social Services Legislation Amendment (Ending Carbon Tax Compensation) Bill 2017***. Our concerns regarding this legislation remain the same as those raised in response to the *Budget Savings (Omnibus) Bill 2016, Schedule 21: Closing carbon tax compensation to new welfare recipients*.

Catholic Social Services Australia (CSSA) is the Catholic Church's peak national body for social services. Our vision is for a fairer, more inclusive Australian society that reflects and supports the dignity, equality and participation of all people. Our 52 member agencies are the frontline service providers caring for and directly assisting some 450,000 people across 650 sites nationally.

CSSA does not support legislative measures which will have the effect of reducing payments to the most vulnerable families and individuals in our community, especially given the current payments are not adequate to meet the rising living costs of recipients.¹

This Bill seeks to cease payment of the Energy Supplement to all new welfare recipients who began receiving payments after 20 September 2016. When first introduced, this Bill was expected to affect 2.2 million new welfare recipients over 5 years and save the Government \$1.3billion over this time.²

The Energy Supplement was introduced in March 2013 to compensate welfare recipients for expected rises in energy costs due to the introduction of the carbon tax. The carbon tax was repealed in July 2014 however, as discussed below, energy prices have increased significantly since then. Welfare payment levels remain inadequate to cover reasonable costs of living.

Energy prices have been rising significantly across Australia, putting greater strain on already vulnerable individuals and families. As acknowledged in the recent Finkel Review³, "Price rises over recent years have made electricity less affordable for all consumers and resulted in particular affordability problems for low income and other vulnerable consumers."

For example:

- According to the Australian Energy Regulator, electricity retail prices increased in almost all jurisdictions in 2016, rising between 3–13% in Tasmania, Queensland, South Australia, New South Wales and the Australian Capital Territory.⁴
- Major providers announced further increases from 1 July 2017, such as Energy Australia whose 2017-18 prices will increase average annual household energy costs by \$470 in SA, \$369 in NSW and \$130 in Qld.⁵
- In Western Australia, the Government has announced a 10.9% (\$169 per year) electricity connection charge increase, effective 1 July 2017.⁶

These rising energy costs disproportionately impact low-income households, as energy bills make up a greater proportion of their expenditure. So acute is this problem that a recent study has found a significant proportion of low-income Australians are delaying health treatment and skipping meals in order to pay energy bills.⁷

These price increases are so significant that even for recipients of the Energy Supplement, the payment will not be adequate to cover increases in their energy bills. The rate of the Supplement varies depending on the type of payment and recipients' circumstances. For example, a single adult with dependent children receiving a Newstart allowance receives the Energy Supplement at a rate of \$9.50 per fortnight (\$247 annually)⁸, well below the expected \$425 - \$470 increase in average annual household energy prices in SA in 2017-18.⁹

The Energy Supplement is a much-needed addition to already inadequate welfare payment rates. The insufficiency of welfare payments was acknowledged in a recent review by the United Nations Committee for Economic, Social and Cultural Rights, which reported significant concerns about the "inadequacy of [Australia's] income support benefits and the measures to further reduce social security entitlements"¹⁰. For example, the current Newstart Allowance of \$38 per day is well below the poverty line. Removal of the Energy Supplement would further add hardship to Newstart recipients already impacted by the removal of the \$4p/w Income Support Bonus.

The decision to remove the Supplement in the face of increasing energy costs is simply wrong. This push to place the burden of budget repair on those least able to afford it shows the need for an Independent Commission¹¹ to advise government on the appropriate level of welfare payments to ensure that the adequacy of payments are determined based on evidence and need rather than politics.

Given the inadequacy of current social security payments and the dramatically increasing cost of energy, CSSA strongly recommends the rejection of this legislative amendment to cut the Energy Supplement to new welfare recipients.

Further, this Bill would create two distinct groups of welfare recipients, where new recipients receive \$205 - \$367 less in annual payments than continuing recipients, depending on the payment type.¹² New recipients would also be shifted to income support rates lower than if the Energy Supplement had never been introduced, as base payment rates were adjusted at implementation of the Supplement to ensure recipients were not compensated by regular indexation as well as the Energy Supplement.¹³ This inequality is particularly unacceptable considering the already insufficient rate of the allowance.

CSSA strongly recommends the rejection of this Bill, which would unfairly further burden Australians requiring income support, who are already some of the most vulnerable in our community, living below the poverty line due to inadequate payments and rising costs of living.

We believe that budget repair can and should be achieved without unfairly placing the burden on the most vulnerable and disadvantaged in our society.

Please contact Liz de Chastel, Director Social Policy on 02 6188 6943 if you would like to discuss any of these issues further.

Sincerely,

L. de Chastel

For Fr Frank Brennan SJ AO
Chief Executive Officer

¹[The adequacy of the allowance payment system for jobseekers and others, the appropriateness of the allowance payment system as a support into work and the impact of the changing nature of the labour market](#) accessed on 3rd July 2017

²Department of Social Services, [Community Affairs Legislation Committee](#), 6 May 2016

³[Blueprint for the Future: Independent Review into the Future Security of the National Electricity Market](#), Dr Alan Finkel AO 2017, p143

⁴Australian Energy Regulator, [State of the Energy Market May 2017](#), p.133

⁵[EnergyAustralia follows AGL by announcing electricity price hikes across the country](#), ABC news, 15 June 2017

⁶[Electricity, power, water charges to rise by more than \\$400 per household, says Treasurer Ben Wyatt](#), The West Australian, 22 June 2017

⁷NSW Council of Social Services [Turning Off The Lights: The Cost of Living in NSW](#) June 2017

⁸[Payment Rates for Energy Supplement](#), Department Human Services, accessed on 5th July 2017

⁹ Combined average household price increase for gas and electricity, announced by [Origin Energy](#) and [Energy Australia](#), effective 1 July 2017

¹⁰[Concluding observations on the fifth periodic report of Australia](#), United Nations Committee for Economic, Social and Cultural Rights, 23 June 2017

¹¹CSSA Position Statement [Income to Live](#)

¹²[Welfare Savings to fund the National Disability Insurance Scheme, Budget Review 2016-17](#), Michael Klapdor, Parliamentary Library, accessed 5 July 2017

¹³Ibid