

The Senate

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Community Affairs  
Legislation Committee

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Social Services Legislation Amendment  
(Ending Carbon Tax Compensation) Bill 2017  
[Provisions]

August 2017

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# **LIST OF RECOMMENDATIONS**

## **Recommendation 1**

**1.38 The committee recommends that the bill be passed.**





# Chapter 1

## Social Services Legislation Amendment (Ending Carbon Tax Compensation) Bill 2017

### Purpose of the bill

1.1 The Social Services Legislation Amendment (Ending Carbon Tax Compensation) Bill 2017 (bill) seeks to cease the payment of the energy supplement to new income support recipients from 20 September 2017.<sup>1</sup>

1.2 The energy supplement was introduced in 2013 as a distinct component of income support payments to compensate for the rising cost of living resulting from the introduction of the carbon tax.<sup>2</sup> The payment rate of the energy supplement varies between \$0.50 and \$14.10 per fortnight depending on the type of income support payment.<sup>3</sup>

1.3 The bill amends the *Social Security Act 1991*, *Farm Household Support Act 2014*, *Veterans' Entitlements Act 1986*, *Military Rehabilitation and Compensation Act 2004* and *Budget Savings (Omnibus) Act 2016* to extend this measure to a range of income support payments such as Newstart Allowance, Disability Support Pension, Carer Payment, Farm Household Allowance and Widow Allowance.<sup>4</sup>

1.4 The effect of the bill is that eligible welfare recipients who were receiving an income support payment on 19 September 2016 will continue to receive the energy supplement. Income support recipients who became eligible for the energy supplement after 19 September 2016 will cease to receive the energy supplement from 20 September 2017.<sup>5</sup>

### Background

1.5 This measure was previously contained in the Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017 (Omnibus Bill).

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- 1 Social Services Legislation Amendment (Ending Carbon Tax Compensation) Bill 2017, [Explanatory Memorandum](#), p. 2. The Department of Social Services advised that the commencement date may be adjusted in accordance with the bill's passage through Parliament.
  - 2 Clean Energy (Household Assistance Amendments) Bill 2011, Explanatory Memorandum, Schedule 1, p. 2.
  - 3 Department of Human Services, *Payment rates for Energy Supplement*, <https://www.humanservices.gov.au/customer/enablers/payment-rates-energy-supplement> (accessed 1 August 2017).
  - 4 Explanatory Memorandum, pp. 2, 9.
  - 5 Explanatory Memorandum, p. 2. There will be transitional arrangements in place for people who entered the income support system between 20 September 2016 and 19 September 2017. These recipients will temporarily receive the energy supplement during that period, as long as they remain eligible for an income support payment but will no longer receive the energy supplement from 20 September 2017.

The committee tabled its report on the Omnibus Bill on 21 March 2017.<sup>6</sup> The Omnibus Bill was discharged from the notice paper on 23 March 2017.

1.6 Following the commencement of the *Budgets Savings (Omnibus) Act 2016*, the energy supplement has been closed to new recipients of Family Tax Benefit (FTB) A, FTB B and the Commonwealth senior's health card since 20 March 2017.<sup>7</sup>

### **Financial implications**

1.7 The measure is expected to produce savings of \$933.4 million from 2016-17 to 2019-20.<sup>8</sup>

### **Conduct of the inquiry**

1.8 On 15 June 2017, the Senate referred the provisions of the bill to the Community Affairs Legislation Committee for inquiry and report by 9 August 2017.<sup>9</sup>

1.9 Details of the inquiry, including a link to the bill and associated documents, were placed on the committee's website.<sup>10</sup> The committee wrote to relevant individuals and organisations inviting submissions to the inquiry by 14 July 2017. Submissions continued to be accepted after that date.

1.10 The committee received 19 submissions to the inquiry and held a public hearing in Melbourne on 26 July 2017. Submitters and witnesses are listed at Appendices 1 and 2.

1.11 The committee thanks those individuals and organisations who contributed to the inquiry.

### **Note on references**

1.12 References to Committee Hansard are to the proof transcript. Page numbers may vary between the proof and official transcripts.

### **Legislative scrutiny**

#### ***Senate Standing Committee for the Scrutiny of Bills***

1.13 The Senate Standing Committee for the Scrutiny of Bills considered the bill in *Scrutiny Digest 6 of 2017* and did not make any comment on the bill.<sup>11</sup>

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6 Senate Community Affairs Legislation Committee, [Social Services Legislation Amendment \(Omnibus Savings and Child Care Reform\) Bill 2017](#), March 2017.

7 The Hon Christian Porter MP, Minister for Social Services, [House of Representatives Hansard](#), 31 May 2017, p. 5744.

8 Explanatory Memorandum, p. 2.

9 [Journals of the Senate](#), No. 44, 15 June 2017, pp. 1432-1434.

10 See, Community Affairs Legislation Committee, [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Community\\_Affairs/CarbonTaxCompensation](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/CarbonTaxCompensation) (accessed 24 July 2017).

11 Senate Standing Committee for the Scrutiny of Bills, [Scrutiny Digest 6 of 2017](#), 14 June 2017.

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## ***Parliamentary Joint Committee on Human Rights***

1.14 The Parliamentary Joint Committee on Human Rights considered the bill in *Report 5 of 2017* and noted the bill did not raise any human rights concerns.<sup>12</sup>

### **Issues identified during the inquiry**

1.15 Submitters to the inquiry raised a range of concerns. In particular, submitters identified the creation of a 'two-tiered' income support system, the inadequacy of current payments and increasing electricity prices as issues of concern.

#### ***Creating a two-tiered system***

1.16 Submitters to the inquiry argued that the bill's proposal to cease the payment of the energy supplement to new income support recipients from 20 September 2017, while people who were in receipt of the energy supplement on 19 September 2016 would continue to receive the payment would create a 'two-tiered' system.<sup>13</sup>

1.17 The Australian Council of Social Service (ACOSS) stated that the bill would 'deepen inequity in our income support system as two people in the same circumstances will receive different rates of payment.'<sup>14</sup> Similarly, COTA Australia expressed the view that it would be unfair for a person to receive a lower or higher payment rate based on when they began receiving income support payments.<sup>15</sup>

1.18 However, the committee notes that the point at which a person began receiving income support payments is fundamental to consideration of the energy supplement and its purpose. The energy supplement was introduced in 2013 in order to 'assist with the cost impacts resulting from a carbon price.'<sup>16</sup> The carbon tax was repealed on 1 July 2014 and consequently, people who entered the income support system since the repeal, have not been subject to the increased costs associated with the carbon tax.

1.19 The Department of Social Services (the department) emphasised that the changes proposed by the bill will only affect recipients who are new to the income support system since 20 September 2016. The committee notes that the government considers it to be a fair and reasonable adjustment to cease providing compensation for the carbon tax in the form of the energy supplement to new income support recipients, approximately three years after the carbon tax has been repealed.<sup>17</sup>

1.20 Furthermore, it is important to note that the provision to exclude existing income support payments from this measure ensures that an income support recipient's

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12 Parliamentary Joint Committee on Human Rights, [Report 5 of 2017](#), 14 June 2017.

13 See, for example: ACOSS, p. 4; Anglicare Australia, *Submission 11*, p. 2; Combined Pensioners and Superannuants Association, *Submission 12*, p. 3.

14 ACOSS, *Submission 7*, p. 4.

15 COTA Australia, *Submission 10*, p. 2.

16 Clean Energy (Household Assistance Amendments) Bill 2011, Explanatory Memorandum, p. 3.

17 Department of Social Services, *Submission 15*, [p. 2].

payment will not decrease as long as they continue to receive and remain eligible for a qualifying income support payment.<sup>18</sup>

### ***Adequacy and indexation of income support payments***

1.21 A number of submitters expressed concern that income support payments are not sufficient to meet the rising costs of living in Australia.<sup>19</sup> In addition, some submitters noted that the energy supplement was not fully indexed when it was introduced under the previous government, resulting in income support recipients being worse off now than they would have been had the energy supplement not been introduced.<sup>20</sup>

1.22 ACOSS outlined that regular Consumer Price Index (CPI) indexation of the Newstart Allowance was adjusted to account for the energy supplement when it was introduced, in order to compensate for increased costs associated with the carbon tax. ACOSS submitted this has resulted in the payment being less than it would have been had regular indexation occurred.<sup>21</sup>

1.23 The department informed the committee that in order to assist income support recipients with rising energy costs, the Government has provided a one-off Energy Assistance Payment to a range of income support recipients with fixed incomes at a rate of \$75.00 for singles and \$62.50 for each eligible member of a couple.<sup>22</sup>

1.24 The department's submission emphasised that as the carbon tax no longer exists, it is not necessary to continue to compensate households for the impacts of the tax.<sup>23</sup> The committee notes that seeking to cease the payment of the energy supplement to new recipients forms part of the Government's commitment to ensuring Australia's welfare system provides appropriate support to those who need it, whilst ensuring the system remains sustainable.

### ***Increasing electricity prices and impact on recipients***

1.25 Most submitters drew the committee's attention to recent announcements that retail electricity prices would increase from 1 July 2017.<sup>24</sup> National Seniors advised

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18 Department of Social Services, *Submission 15*, [p. 2].

19 See, for example: National Social Security Rights Network, *Submission 1*, p. 2; ACOSS, *Submission 7*, p. 2; Catholic Social Services Australia, *Submission 4*, p. 1; Anglicare Australia, *Submission 11*, p. 2; St Vincent De Paul Society, *Submission 17*, p. 4; National Council of Single Mothers and their Children, *Submission 19*, pp. 1-2.

20 See, for example: National Social Security Rights Network, *Submission 1*, p. 2; ACOSS, *Submission 7*, p. 2; Anglicare Australia, *Submission 11*, p. 1.

21 ACOSS, *Submission 7*, pp. 2-3.

22 Department of Social Services, *Submission 15*, [p. 2].

23 Department of Social Services, *Submission 15*, [p. 2].

24 See, for example: Superannuated Commonwealth Officers' Association, *Submission 2*, p. 1; National Seniors, *Submission 5*, p. 1; ACOSS, *Submission 7*, p. 4; Anglicare Australia, *Submission 11*, p. 2; Combined Pensioners and Superannuants Association, *Submission 12*, pp. 4-5; Foodbank, *Submission 13*, pp.5-6; Australian Council of Trade Unions, *Submission 14*, p. 1. St Vincent De Paul Society, *Submission 17*, pp. 7-8.

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the committee that energy retailers across the country have announced increases in electricity prices from July:

Energy retailers increased retail prices for residential customers on average by 20 per cent in New South Wales, the ACT and South Australia and by seven per cent in Queensland.<sup>25</sup>

1.26 The Salvation Army Australia highlighted that increases in electricity prices have a greater impact on income support recipients because low-income households spend a greater proportion of their income on utilities.<sup>26</sup>

1.27 Catholic Social Services Australia supported this view, citing Australian Bureau of Statistics data which found that:

...low-income households spend \$22.07 per week or 6.9 per cent of their income on electricity while the top 20 per cent of households by income spend more than \$43.89 per week on electricity but that amounts to just 2.4 per cent of their income.<sup>27</sup>

1.28 People with Disabilities Western Australia (PDWA) advised the committee that income support recipients may also be disproportionately impacted by rising electricity costs due to greater use of electricity. PDWA explained that in particular, the specific needs of people with a disability may increase electricity usage:

Many people with disability are reliant for their health and ability to be independent on items that use electricity. For example people with communication aids that require charging, reliable fridges for medication, reverse cycle air-conditioning for temperature regulation, electric beds and hoists, and ventilation and breathing machines.<sup>28</sup>

1.29 Similarly, Carers Australia noted that high rates of electricity usage affect not just people with a disability but also their carers:

There are also things, as stated, around where there is incontinence or other issues that require the washing machine and dryer to be running constantly, and then there are the special equipment needs. It affects everybody in the household—both the person with the disability and the person providing the care.<sup>29</sup>

1.30 Carers Australia also acknowledged that wholesale electricity prices dropped after the repeal of the carbon tax, however, electricity companies failed to pass this

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25 Mr Ian Henschke, Chief Advocate, National Seniors [Committee Hansard](#), 26 July 2017, p. 6.

26 The Salvation Army Australia, *Submission 9*, p. 2.

27 Father Frank Brennan AO, Chief Executive Officer, Catholic Social Services Australia, *Committee Hansard*, 26 July 2017, p. 11.

28 People with Disabilities Western Australia, *Submission 18*, p. 2.

29 Ms Tammy Wolffs, Senior Policy Officer, Carers Australia, *Committee Hansard*, 26 July 2017, pp. 10-11.

price drop on to consumers and have instead announced increases to retail electricity prices.<sup>30</sup>

1.31 The department noted that while carers were not subject to the one-off Energy Assistance Payment, carers may receive a range of other supplements on an ongoing basis which may compensate for increased electricity usage.<sup>31</sup>

1.32 The committee is aware that increasing electricity prices have been a continual concern to consumers and stakeholders in recent years. The department noted in its submission that under the previous government, electricity prices more than doubled between December 2007 and September 2013.<sup>32</sup>

1.33 The department also submitted that had the carbon tax not been repealed, it was predicted to have resulted in long-term increases in electricity prices. Furthermore, when the carbon tax was repealed on 1 July 2014, the Australian Competition and Consumer Commission (ACCC) estimated it would lead to savings of up to \$263 per year in electricity costs for residential households.<sup>33</sup>

1.34 As the Minister for Social Services, The Hon Christian Porter MP, outlined in his second reading speech, the government is continuing to prioritise energy security and affordability. The 2017-18 budget included a \$265 million energy package to ensure that Australia maintains a secure, reliable and competitive energy system.<sup>34</sup> In addition, the government has asked the ACCC to conduct a review of electricity retail prices which will include examining the competitiveness, cost components and profitability of electricity providers.<sup>35</sup>

### **Committee view**

1.35 The committee acknowledges the concerns identified by submitters and witnesses regarding the fairness and adequacy of income support payments, coupled with recent announcements by energy providers to increase retail electricity prices and the impact this may have on income support recipients.

1.36 Notwithstanding increasing electricity prices, the committee notes that the energy supplement was introduced in 2013 for the sole purpose of compensating for the carbon tax which has since been repealed. Therefore, the committee believes it is no longer appropriate to provide the energy supplement to new income support recipients in order to compensate for a tax which no longer exists.

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30 Carers Australia, *Submission 3*, p. 3.

31 Ms Cath Halbert, Group Manager, Payments Policy, Department of Social Services, *Committee Hansard*, 26 July 2017, p. 22.

32 Department of Social Services, *Submission 15*, [p. 2].

33 Department of Social Services, *Submission 15*, [p. 2].

34 The Hon Christian Porter MP, Minister for Social Services, *House of Representatives Hansard*, 31 May 2017, p. 5744.

35 ACCC, Electricity supply and prices inquiry, *Terms of reference*, 27 March 2017, <https://www.accc.gov.au/regulated-infrastructure/energy/electricity-supply-prices-inquiry/terms-of-reference> (accessed 31 July 2017).

1.37 The committee supports the actions the government is taking to put downward pressure on electricity prices which will ensure that new income support recipients are provided appropriate support without the need to be compensated for a tax which does not exist, and maintain the sustainability of Australia's welfare system for the future.

**Recommendation 1**

**1.38 The committee recommends that the bill be passed.**

**Senator Jonathon Duniam**

**Chair**





# Australian Labor Party Senators' Dissenting Report

1.1 Labor Senators on this committee reject the recommendation of the majority report.

1.2 This is the second time this measure has been considered by a Senate Inquiry. In the previous Inquiry, as in this one, a range of stakeholders presented compelling evidence against the measure, and Labor Senators rejected the majority recommendation.

1.3 A broad range of community sector agencies provided evidence to the public hearing, highlighting the importance of the energy supplement and the detrimental impact its abolition would have on income support recipients, including; age pensioners, carers, single parents, jobseekers and people with disability.

## Exacerbation of poverty in Australia

1.4 According to the Australian Council of Social Service, there are almost 3 million Australians in poverty, including 730,000 children.<sup>1</sup>

1.5 The Committee heard from numerous witnesses that removing the energy supplement will further increase poverty in Australia.

1.6 The Committee was told that if the bill was to take effect, 1.7 million people would be negatively impacted by the changes.<sup>2</sup>

1.7 Dr Cassandra Goldie, CEO of the Australian Council of Social Service told the Inquiry that the bill would 'singularly have [the] effect' of exacerbating poverty in Australia.<sup>3</sup>

1.8 A number of other witnesses similarly argued that the removal of the Energy supplement would have a significant and negative effect on household budgets:

Cutting the energy supplement will make it even harder for vulnerable, low-income households to get by. – Combined Pensioners and Superannuants Association.<sup>4</sup>

[the Energy supplement] still remains a very important measure as a means of protecting low-income households from ongoing and excessive increases in energy costs. – National Seniors.<sup>5</sup>

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1 Australian Council of Social Services, *Submission 7*, p. 1.

2 Dr Cassandra Goldie, Chief Executive Officer, Australian Council of Social Service, *Committee Hansard*, 26 July 2017, p. 1.

3 Dr Cassandra Goldie, Chief Executive Officer, Australian Council of Social Service, *Committee Hansard*, 26 July 2017, p. 1.

4 Ms Ellis Blaikie, Policy Coordinator, Combined Pensioners and Superannuants Association, *Committee Hansard*, 26 July 2017, p. 6.

5 Mr Ian Henschke, Chief Advocate, National Seniors, *Committee Hansard*, 26 July 2017, p. 6.

Disadvantaged Australians – the people seeking assistance from us – are already struggling to meet their daily living expenses and simply have no capacity to live on less. – The Salvation Army.<sup>6</sup>

1.9 The Salvation Army referred to findings from their Economic and Social Impact Survey (ESIS), an annual survey of Salvation Army clients.

1.10 The 2017 ESIS found that single parents on income support have only \$14.35 in disposable income to live on each day, while other income support recipients have a disposable income of just \$17.35 per day. Further, the average equivalised weekly disposable income of ESIS respondents was only \$356. This is compared to the Australian Bureau of Statistics finding that the average, equivalised disposable income per week for the population as a whole is \$998.<sup>7</sup>

1.11 Other findings from ESIS suggest that income support recipients are already faced with extreme cost of living pressures, and cannot afford to lose the Energy supplement.

1.12 Forty-nine percent of ESIS respondents either could not, or struggled, to pay their bills.<sup>8</sup>

1.13 The Salvation Army explained that ESIS respondents are choosing between paying rent or buying food for their children,<sup>9</sup> as they cannot afford to do both.

1.14 Further, of households with children under 17, one-fifth could not afford medical care for their children and one quarter could not afford three meals a day for their children.<sup>10</sup>

1.15 The Committee heard that although relatively small, the loss or non-payment of the energy supplement would be keenly felt by affected income support recipients.

1.16 The Combined Pensioners and Superannuants Association argued;

For Newstart recipients, it is worth \$4.40 a week. When you think about it, that is a litre of milk, a loaf of bread and a tin of beans, which is pretty significant when you are trying to live off \$38 a day.<sup>11</sup>

1.17 The Australian Council of Social Service described the cut as follows;

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6 Dr Elli McGavin, Policy and Program Development Manager, The Salvation Army, *Committee Hansard*, 26 July 2017, p. 14.

7 Dr Elli McGavin, Policy and Program Development Manager, The Salvation Army, *Committee Hansard*, 26 July 2017, p. 14.

8 Dr Elli McGavin, Policy and Program Development Manager, The Salvation Army, *Committee Hansard*, 26 July 2017, p. 14.

9 Dr Elli McGavin, Policy and Program Development Manager, The Salvation Army, *Committee Hansard*, 26 July 2017, p. 14.

10 Dr Elli McGavin, Policy and Program Development Manager, The Salvation Army, *Committee Hansard*, 26 July 2017, p. 14.

11 Ms Ellis Blaikie, Policy Coordinator, Combined Pensioners and Superannuants Association, *Committee Hansard*, 26 July 2017, p. 11.

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To the average person, \$4.40 does not sound like much. But to someone on Newstart it is a return bus ticket to a job interview, for instance. That \$4.40 a week definitely helps with the quarterly electricity bill. It could go towards buying bread and milk for the week. People with disability, for example, often have quite substantial electricity costs because of their disability. They may need to charge their wheelchair overnight. They may have to spend a lot of money on heating and cooling because of their disability if they cannot regulate their temperature. They may also need to purchase communications and other life-saving equipment because of their disability. Disability support pensioners will be losing \$7.50 a week, and that will definitely have an impact on their ability to cover the cost of essential services. So the issue is quite broad. This is a substantial cut.<sup>12</sup>

1.18 The Committee heard that income support recipients are already more heavily impacted by excessive costs of living pressures, in particular with regard to the cost of electricity.

1.19 In their submission, Carers Australia argued that maintaining the energy supplement is crucial for households where someone requires ongoing medical care, due to these health needs often relying heavily on the use of energy, for example to maintain steady temperatures in houses or run specialist equipment.<sup>13</sup>

1.20 The percentage of expenditure on utilities by low-income households was described by The Salvation Army as 'tremendously disproportionate'<sup>14</sup> when compared to the amount spent by higher-income households, due to the amount of disposable income available being much smaller.

1.21 The Committee heard that low-income households are spending more than 12% of their income on utility and fuel costs each week, where high-income households spend less than 3% of their income each week to meet the same costs.<sup>15</sup>

1.22 The cumulative effect of other government policies should be taken in to account when considering the removal of the Energy supplement.

1.23 A Newstart recipient who works a few hours each week in a hospitality or retail job would have just experienced a cut to their penalty rates. In addition, the government's freeze of the income free-area for this payment – the amount of income that payment recipients can earn before their payment is reduced – came in to effect

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12 Ms Charmaine Crowe, Policy and Advocacy Officer, Australian Council of Social Service, *Committee Hansard*, 26 July 2017, p. 4.

13 Carers Australia, *Submission 3*, p. 3.

14 Dr Elli McGavin, Policy and Program Development Manager, The Salvation Army, *Committee Hansard*, 26 July 2017, p. 15.

15 Ms Tammy Wolffs, Senior Policy Officer, Carers Australia, *Committee Hansard*, 26 July 2017, p. 10.

on 1 July 2017. If this person was to then lose the energy supplement, they would be experiencing multiple cuts at the same time, and 'suffer that double disadvantage.'<sup>16</sup>

1.24 The National Social Security Rights Network argued that the abolition of the Energy supplement would also constitute a cut to the real rate of Newstart because when the supplement was introduced, normal indexation of the payment did not occur.<sup>17</sup>

1.25 Anglicare said that this would mean that, for those who do not receive the energy supplement, not only would they be \$8.80 worse off than recipients who do receive the supplement, they will also be '\$3.60 per week worse off than they would have been if the energy supplement had never been introduced.'<sup>18</sup>

### **A two-tiered income support system**

1.26 Submissions to the Inquiry argued that, if passed, the bill would create further inequities and complexity in the social safety net by creating a two-tiered income support system.

1.27 The Combined Pensioners and Superannuants Association submitted that the grandfathering arrangements will result in a situation where there are 'differential rates of payment based on the date a person became eligible' for a payment, and situations where people in the same circumstance receive different rates of payment.<sup>19</sup>

1.28 The National Social Security Rights Network also noted the complexity that these arrangements will add to the social security system.<sup>20</sup>

### **Carbon Tax justification**

1.29 The government has used the removal of the carbon tax as justification for the abolition of the energy supplement.

1.30 A number of community organisations have seriously questioned the credibility of this rationale.

1.31 St Vincent de Paul expressed disappointment that the Government would persist with this argument, which is 'patently incorrect.'<sup>21</sup>

1.32 The Australian Council of Social Service characterized this justification as a 'ruse' and 'extraordinarily disingenuous.'<sup>22</sup>

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16 Dr Elli McGavin, Policy and Program Development Manager, The Salvation Army, *Committee Hansard*, 26 July 2017, p. 15.

17 Mr Matthew Butt, Executive Officer, National Social Security Rights Network, *Committee Hansard*, 26 July 2017, p. 3.

18 Mr Roland Manderson, Acting Executive Director, Anglicare Australia, *Committee Hansard*, 26 July 2017, p. 15.

19 Combined Superannuants and Pensioners Association, *Submission 12*, p. 3.

20 National Social Security Rights Network, *Submission 1*, p. 2.

21 St Vincent de Paul Society, *Submission 17*, p. 5.

1.33 Roland Manderson from Anglicare described the argument as follows;

Energy prices have continued to rise at a great rate, whether or not there has been a carbon tax in place. So all that is happening here is that money is being taken from those who have the very least.<sup>23</sup>

1.34 The Committee also heard that it is deeply unfair to remove the energy supplement on the basis that compensation for the carbon tax is no longer required as other parts of the carbon tax compensation package have not been targeted by the government for budget savings.

1.35 Carers Australia, in particular, noted that 'there is no proposal to reverse the tax cuts that were introduced at the same time [as the energy supplement] to compensate people on higher incomes.'<sup>24</sup>

1.36 Additionally, given that energy prices have increased beyond the level they were at when the carbon tax was in effect<sup>25</sup>, stakeholders have argued that the Energy supplement is now more important than ever.

1.37 According to calculations done by National Seniors, the increase in electricity prices in New South Wales, the ACT and South Australia is roughly equal to the amount of the energy supplement. As a result, the combined impact of the increased costs and the removal of the energy supplement would leave affected households in these states approximately \$600 a year worse off.<sup>26</sup>

1.38 The Committee heard that, by removing the Energy supplement, people with the lowest incomes in Australia would be left with 'less to meet those higher costs.'<sup>27</sup>

### **Adequacy of consideration by Government**

1.39 Labor Senators are concerned that the Government has not given sufficient consideration to the impact of removing the Energy supplement for low income Australians.

1.40 The Committee heard that the Department of Social Services had not considered increasing electricity costs when providing advice to the Minister

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22 Dr Cassandra Goldie, Chief Executive Officer, Australian Council of Social Services, *Committee Hansard*, 26 July 2017, p. 2.

23 Mr Roland Manderson, Acting Executive Director, Anglicare Australia, *Committee Hansard*, 26 July 2017, p. 15.

24 Ms Tammy Wolffs, Senior Policy Officer, Carers Australia, 26 July 2017, *Committee Hansard*, p. 10.

25 Dr Charmaine Crowe, Chief Executive Officer, Australian Council of Social Service, *Committee Hansard*, 26 July 2017, p. 2.

26 Mr Ian Henschke, Chief Advocate, National Seniors, *Committee Hansard*, 26 July 2017, p. 7.

27 Ms Charmaine Crowe, Policy and Advocacy Officer, Australian Council of Social Service, *Committee Hansard*, 26 July 2017, p. 2.

regarding the abolition of a payment designed to assist low income Australians with the cost of energy.<sup>28</sup>

1.41 Labor Senators agree with the overwhelming evidence put to the Inquiry, that the energy supplement is an important part of the social security system. Its abolition would have significant negative effects on the most vulnerable Australians.

1.42 Labor will continue to oppose this cruel cut to the most vulnerable Australians.

**Recommendation:**

**1.43 Labor Senators recommend that the Senate reject the Social Services Legislation Amendment (Ending Carbon Tax Compensation) Bill 2017.**

**Senator the Hon Lisa Singh**

**Senator Murray Watt**

## Dissenting Report by the Australian Greens

1.1 The Australian Greens oppose this Bill as it will reduce already inadequate income support payments and leave income support recipients worse off and more susceptible to poverty.

1.2 The Australian Greens opposed this measure when it was included in the Social Services Legislation Amendment (Omnibus Savings and Child Care Reform) Bill 2017.

1.3 The measures in this Bill will affect 1.7 million people by 30 June 2020.

1.4 The Australian Greens note the concerns raised in the Majority Committee Report regarding the creation of a two-tiered system, the adequacy and indexation of income support payments and increasing electricity prices and impact on their recipients and share these concerns.

### Creation of two-tiered system

1.5 As the Majority Committee Report outlines, a number of submitters to the inquiry were concerned that the Bill's proposal to cease the payment of the Energy Supplement to new income support recipients from 20 September 2017, while continuing to pay the supplement to those in receipt of it on 19 September 2016 will create a two-tiered system.

1.6 The Australian Greens share the concerns of the Australian Council of Social Service (ACOSS) regarding the impact of a two-tiered system and it creating further inequity in the income support system.<sup>1</sup> Individuals in the same circumstances, on the same payment, should receive the same amount of money. It is not fair that an individual who commenced receiving a payment on the 20th of September 2016 will no longer receive this supplement if this Bill passes, but an individual who commenced receiving a payment only a day earlier will continue to receive the supplement.<sup>2</sup>

1.7 It is also contrary to this Government's agenda to introduce further complexity into the social security system, as the National Social Security Rights Network (NSSRN) outlined it will.<sup>3</sup>

1.8 While the Majority Committee Report says that 'the government considers it to be a fair and reasonable adjustment to cease providing compensation for the carbon tax in the form of the energy supplement to new income support recipients',<sup>4</sup> the Australian Greens do not consider it fair or reasonable as it will create a two-tiered

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1 ACOSS, *Submission 7*, p. 4.

2 COTA Australia, *Submission 10*, p. 2.

3 NSSRN, *Submission 1*, p. 2.

4 *Majority Committee Report*, p. 3.

system, where the amount of an individual's payment is dictated by the date they started receiving the payment.

### **Unfair reduction to inadequate income support payments**

1.9 Cutting the Energy Supplement would be a real reduction to the already insufficient income support payments of millions of people. As the Majority Committee Report noted a number of submitters expressed concern about the inadequacy of income support payments to meet the rising costs of living in Australia.<sup>5</sup> The ACOSS report *Poverty in Australia 2016* provides an illuminating statistic in this regard: of those on income support, 36.1% are living below the poverty line, including 55% of people receiving Newstart Allowance.

1.10 For those on Newstart, the introduction of the Energy Supplement was the first real increase to their payments in over 20 years and the removal of the payment will result in a cut to the overall payment received. It is crucial that the Government raises this payment, not find further ways to erode it.

1.11 The NSSRN said in its submission:

It is particularly disappointing to yet again see the measure justified, in part, by the repeal of the carbon tax. This justification has been repeatedly and comprehensively debunked by experts and in the media. In short, the repeal of the energy supplement does not simply remove extra compensation which is no longer needed. It is a real cut to a range of social security payments which were not fully indexed at the time the supplement was introduced.<sup>6</sup>

1.12 Further to this, ACOSS said that:

If the Energy Supplement is abolished, Newstart will be lower than it would have been had there been no compensation for the carbon price introduced in 2013. This is because when the Energy Supplement was introduced, regular Consumer Price Index indexation of Newstart was adjusted to account for the supplement, which was paid to cover the increased costs associated with the price on carbon. Removing the supplement effectively eats into the base rate of payment, leaving the payment lower than it would have been had regular indexation taken place.<sup>7</sup>

1.13 While the Majority Committee Report says that '[t]he department informed the committee that in order to assist income support recipients with rising energy costs, the Government has provided a one-off Energy Assistance Payment to a range of income support recipients', it should be noted that the most vulnerable income support recipients did not receive this payment.

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5 *Majority Committee Report*, p. 4.

6 NSSRN, *Submission 1*, p. 2.

7 ACOSS, *Submission 7*, p. 2.



1.14 The Australian Greens are particularly concerned that this Bill will leave vulnerable income support recipients worse off and see them plunged further into poverty.

### **Inequity in treatment of carbon price compensation**

1.15 The Government will continue to compensate people on higher incomes for the carbon tax through tax benefits while seeking to remove the compensation for people on income support.

1.16 The ACOSS submission says:

The government is inconsistent in its treatment of carbon price compensation. Tax cuts that were introduced at the same time as the Energy Supplement to compensate for the carbon price continue. A person on a taxable income of \$60,000 is paying \$9.65 per week less in tax as a result of carbon price compensation by way of tax cuts. In short, people on higher incomes will continue to be compensated, while people on very low incomes will not, revealing the gross inequity of this bill, as it targets people with the least.<sup>8</sup>

1.17 The Australian Greens do not support individuals with a greater ability to pay receiving favourable treatment over vulnerable Australians.

### **Energy Prices**

1.18 The Australian Greens note the concerns raised by a number of submitters regarding the increasing price of energy and the challenges that people receiving income support face in meeting those costs. We also note the circumstances that may see income support recipients consume more electricity, such as a disability, and as a consequence see them disproportionately affected by rising costs. The removal of the Energy Supplement will increase the financial difficulties associated with meeting these energy costs for those on income support.

### **Conclusion**

1.19 This Bill cannot be supported by the Australian Greens. It will drive people living on already inadequate payments further into poverty.

### **Recommendation 1**

**The Australian Greens recommend that the Senate not pass the Social Services Legislation Amendment (Ending Carbon Tax Compensation) Bill 2017.**

**Senator Rachel Siewert**

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8 ACOSS, *Submission 7*, p. 5.



# **APPENDIX 1**

## **Submissions and additional information received by the Committee**

### **Submissions**

- 1** National Social Security Rights Network
- 2** Superannuated Commonwealth Officers' Association
- 3** Carers Australia
- 4** Catholic Social Services Australia
- 5** National Seniors
- 6** Mission Australia
- 7** Australian Council of Social Service
- 8** Mr Andrew Lenart
- 9** Salvation Army Australia
- 10** COTA Australia
- 11** Anglicare Australia
- 12** Combined Pensioners & Superannuants Association
- 13** Foodbank Australia
- 14** Australian Council of Trade Unions
- 15** Department of Social Services
- 16** People with Disability Australia
- 17** St Vincent de Paul Society
- 18** People With Disabilities (WA) Inc

**19 National Council of Single Mothers and their Children****Additional Information**

- 1** The Hard Road: National Economic and Social Impact Survey 2017, from Salvation Army Australia, received 26 July 2017
- 2** Report on austerity measures and economic and social rights, by United Nations Human Rights Office of the High Commissioner, from Catholic Social Services Australia, received 27 July 2017
- 3** Email regarding the use of electricity vouchers, from Catholic Social Services Australia, received 27 July 2017
- 4** Turning off the lights: The Cost of Living in NSW, by NSW Council of Social Service, from Combined Pensioners and Superannuants Association, received 27 July 2017
- 5** Policy Statements 2017-2018, from Salvation Army Australia, received 1 August 2017

**Answers to Questions on Notice**

- 1** Answers to Questions taken on Notice during 26 July public hearing, received from Catholic Social Services Australia, 27 July 2017
- 2** Answers to Questions taken on Notice during 26 July public hearing, received from Australian Council of Social Service, 2 August 2017
- 3** Answers to Questions taken on Notice during 26 July public hearing, received from Department of Social Services, 2 August 2017
- 4** Answers to Questions taken on Notice during 26 July public hearing, received from Anglicare Australia, 8 August 2017

# **APPENDIX 2**

## **Public hearings**

*Wednesday, 26 July 2017*

*Victorian Parliament, Melbourne*

### **Witnesses**

#### **National Social Security Rights Network**

BUTT, Mr Matthew Lawrence, Executive Officer

#### **Australian Council of Social Service**

GOLDIE, Dr Cassandra, Chief Executive Officer

CROWE, Ms Charmaine, Policy and Advocacy Officer, Social Security

#### **Combined Pensioners and Superannuants Association**

BLAIKIE, Ms Ellis, Policy Coordinator

#### **National Seniors**

HENSCHKE, Mr Ian, Chief Advocate

RADFORD, Dr Brendon, Senior Policy Advisor

#### **Carers Australia**

WOLFFS, Ms Tammy, Senior Policy Officer

#### **Catholic Social Services Australia**

BRENNAN, Father Frank, AO, Chief Executive Officer

#### **Anglicare Australia**

MANDERSON, Mr Roland, Acting Executive Director

#### **The Salvation Army**

McGAVIN, Dr Elli, Policy and Program Development Manager

#### **Department of Social Services**

HALBERT, Ms Cath, Group Manager, Payments Policy

DeBURGH, Mr Russell, Branch Manager, Pensions and Integrity