



Response to the

***House of Assembly
Select Committee on the
Cost of Living***

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Summary of Recommendations

Recommendations relating to the effectiveness of the current concessions systems, including social tariffs:

Recommendation 1. That the Tasmanian Government fund modelling of what constitutes 'affordability' for low income households in Tasmania, including households with special needs, and that this modelling be undertaken with reference to the capacity of households to attain a basic acceptable standard of living.

Recommendation 2. That the Tasmanian Government ensure that 'affordability' for low income households, as defined by the modelling discussed above, is included as a core community service obligation of corporatised essential services.

Recommendation 3. That the Tasmanian and Australian Governments review the funding levels of all community service obligations or like funding arrangements to ensure that they provide entities with adequate resources to effectively deliver their additional service obligations, including the obligation to deliver affordable prices to low income households.

Recommendation 4. That the State Government order a review of all customer service standards of corporatised essential services with particular reference to their capacity to meet the requirements of low income earners and households with special needs.

Recommendation 5. That the Tasmanian Government allocate funds to selected corporatised essential services to pilot consultation programs with low income earners with a view to developing appropriate products and services to suit their needs.

Recommendation 6. That the Tasmanian Department of Treasury and Finance be resourced to undertake a project to investigate options to introduce a 'social tariff' and appropriate concessions structure for eligible low income and vulnerable electricity consumers to ensure that all Tasmanians have access to adequate amounts of electricity at a price that does not impose hardship.

Recommendation 7. That the Tasmanian Economic Regulator move to declare APAYG a regulated tariff, to include the regulation of both the tariff price and the standard of customer protection that should apply to APAYG customers.

Recommendation 8: That the Tasmanian Government invest further in publicly subsidised transport services to allow greater frequency of services and flexibility of service routes, particularly to urban fringe areas, disadvantaged and regional areas.

Recommendation 9. That the Tasmanian Government establish a financial literacy campaign to provide clear information about concessions, rebates and support available for people on low incomes.

Recommendation 10. That the Tasmanian Government fund an income maximisation project in the Tasmanian context.

Recommendations relating to alternative models of planning and service delivery of concessions:

Recommendation 11. That the Tasmanian Government implement a 'bill smoothing' policy to allow Tasmanians to better cope with large bills for electricity and other essentials.

Recommendation 12. That the Tasmanian Government direct funds that may have been used to establish a 'smart card' system in Tasmania to providing better information about existing concessions, and to increasing concessions amounts across the full suite of essential goods and services.

Recommendations relating to the impact of legislation such as the Monetary Penalties Enforcement Act (2005):

Recommendation 13. That the *Monetary Penalties Enforcement Act 2005* (Tas) be amended to omit the power of the Director of the Monetary Penalties Enforcement System to order suspension of an offender's driver's licence or vehicle registration for failure to comply with an enforcement order issued for fine default.

Recommendation 14. That the government establish a feasibility study to investigate how a day fine or unit fine scheme could be introduced into Tasmania.

Recommendation 15. That pending the introduction of day or unit fines, the *Sentencing Act 1997* (Tas), Part 6 be amended to insert a new provision:

- (a) requiring a court to inquire into an offender's financial circumstances before fixing the amount of a fine;
- (b) providing the amount of the fine should reflect the seriousness of the offence;
- (c) that in fixing the fine a court should take into account the offender's financial circumstances;
- (d) empowering the court to make a financial circumstances order, requiring the offender to provide the court with such financial details as it requests.

Recommendations relating to the impact of taxation policies on costs of living:

Recommendation 16. That the Tasmanian Government undertake a comprehensive review of the state's taxation system, involving adequate and fair consultation with all stakeholders, with a particular focus on taxes that impact most on cost of living pressures, including examining land tax and council rates and other housing related policies with the aim of ensuring that such taxes and rates contribute to keeping housing cost pressures for people on low incomes down and that property owner benefits are passed on to tenants in the private rental market.

Recommendation 17. That the Tasmanian and Australian Governments continue to work together towards clear, affordable and progressive taxation policies that will benefit the whole community and ensure adequate revenue for the ongoing provision of essential goods and services at affordable rates.

Recommendations relating to the likely impacts in increased contestability policies on reducing cost of living pressures:

Recommendation 18. That the Tasmanian Government ensure that government departments, government business enterprises and state owned companies fulfil community service obligations that meet both the affordability and product needs of Tasmanians on low incomes, and that adequate funds are provided to ensure those goods and services are delivered to adequate scale and standards.

Additional Anglicare recommendations:

Recommendation 19. That the Tasmanian Government, through the Council of Australian Governments, urge the Australian Government to review the level of income support payments with a view to ensuring they are set at a level adequate to allow for an acceptable minimum standard of living for all recipients, and indexed to both prices and wages.

Recommendation 20. That the Australian Government reform social security income tests to better support people to engage in part-time and casual work.

Recommendation 21. That the Tasmanian Government review the social outcomes required from businesses providing essential services and the adequacy of the funding provided to these businesses to conduct their community service obligations (or like activities).

Recommendation 22. That the Tasmanian Government work with the Australian Government to develop a national policy framework to guide the delivery of essential phone and internet

services at an affordable price to low income and disadvantaged Australians, with clearly defined social objectives and a funded community service obligation.

Recommendation 23. That the Tasmanian Government review the recommendations made by the Brotherhood of St Laurence in relation to insurance products for low income people, and work in partnership with the Australian Government, the insurance industry and appropriate regulators towards the implementation of these recommendations.

Recommendation 24. That the Tasmanian Government endorse the Tasmanian Food Security Strategy and provide the leadership and governance to progress food security in this state.

2. Introduction

Anglicare Tasmania is the largest community service organisation in Tasmania, with offices in Hobart, Glenorchy, Launceston, St Helens, Devonport and Burnie, and a range of outreach programs in rural areas. Anglicare's services include emergency relief and crisis services, accommodation support, employment services, mental health services, acquired injury, disability and aged care services and alcohol and other drug services. Most of our service users are low income earners, and many receive the lowest incomes of all – a Government pension or allowance. A number of our programs, including financial counselling, specifically support people on low incomes to manage costs associated with daily life. In addition, Anglicare's Social Action and Research Centre (SARC) conducts research, policy and advocacy work with a focus on the needs and concerns of Tasmanians on low incomes. This submission draws on Anglicare's body of research relating to hardship associated with costs of living (in particular Flanagan 2009, Flanagan & Flanagan 2011), combined with many years of policy work and service delivery experience with people on low incomes.

Our service delivery experience makes it clear that the combination of high and increasing costs of essential goods and services, a lack of means to pay, and a lack of information on alternatives and concessions have cumulative effects for people on low incomes. Because high numbers of Tasmanians are receiving income support, or receiving low incomes from employed work, or are underemployed, we believe this Select Committee on the Cost of Living has direct relevance for most Tasmanians.

Anglicare acknowledges the constructive efforts made by the Social Inclusion Commissioner and his team to identify both cost of living pressures and structural solutions, and are pleased to contribute to this body of work. We believe it is important that the Committee attempt to cross sectoral boundaries to identify and ameliorate the cumulative effects of inadequate income.

In response to the State Government's Social Inclusion Strategy consultation in 2009, Anglicare stated that a social inclusion strategy must move away from the current system of special measures for disadvantaged people, delivered in the form of concessions, vouchers and food parcels, and move towards an approach which sets minimum service standards for products, services and infrastructure that, while available to all, are designed to suit people on low incomes. We maintain that view, and recognise that until essential goods and services are supported by affordable cost structures, a safety net of concessions and support services will be required.

Because of its importance for so many Tasmanians, Anglicare considers cost of living issues as core government business and as a priority of the highest order for the Tasmanian

Government - both now and into the future. We acknowledge the constructive efforts made by the Social Inclusion Commissioner and his team to identify both cost of living pressures and structural solutions in the development of 'A cost of living strategy for Tasmania' (Adams 2011). Anglicare is pleased to contribute to this body of work and we look forward to the Select Committee developing constructive recommendations for action.

It is generally understood that Australia is faring well compared with other nations as a result of global financial upheaval, yet Tasmanians are not immune - especially those reliant on international markets. Nationally, Tasmania is experiencing trickle-down effects from the mineral resources boom occurring in other regions. However, it is generally acknowledged that the net economic impact of the resources boom is predominantly negative in this state, reflected at least in part by our overall rise in unemployment, currently the highest of any state or territory (ABS 2012a), and low workforce participation levels which are well below the national average (ABS 2012b).

High numbers of individuals, couples and families are affected by low incomes in Tasmania, particularly the third of our population reliant on Government pensions and allowances that have fallen below the sum needed to cover basic costs associated with living, as well as 'working poor' and 'underemployed' people. In addition to those reliant on inadequate income support, people who are only sometimes unemployed, or who are engaged in insecure, low-paid or casual employment, are also likely to be experiencing high cost of living pressures. Of note is that up to one third of employed Tasmanians are employed only part time (ABS 2012c), and up to one quarter of our children live in single parent households - Tasmania has the highest rates of lone parent households of any state or territory (ABS 2012d). Average Tasmanian incomes for employed people remain the lowest of any state or territory (ABS 2012e). Anglicare considers all low income earners as within the realm of this Inquiry; we focus our attention on those receiving Government pensions and allowances because they are on the lowest incomes of all.

As in other Australian regions, a large discrepancy occurs between the 'haves' and the 'have nots' in Tasmania. From research evidence and service delivery experience, we understand that increasing numbers of people from diverse socio-economic circumstances are accessing emergency relief. Our estimates suggest it is likely that more than 200,000 of our population of 510,000 are experiencing high pressure in their capacity to cope with the basic costs of daily life. Due to a broad range of factors, including those mentioned above, Anglicare understands Tasmania may be experiencing a 'two-speed economy' in approximately a 3:2 ratio (i.e. approximately three people receive adequate income for every two people who do not). This estimate is based on ABS figures that include total numbers of people receiving Government allowances and pensions plus a proportion of people employed part time, and a proportion of sole parent household figures. Recent research undertaken by Anglicare identified alarming

need in relation to affording the cost of essentials. Income inadequacy, access to food, electricity and transport, and consumer protection were found to be key issues for people on low incomes (Flanagan & Flanagan 2012). Anglicare believes such widespread pressure calls for 'upstream' strategies rather than just 'downstream' stop-gap measures. For us, structural whole-of-population reform is the most efficient means of achieving significant solutions on a wide scale.

3. Responses to Terms of Reference

The high and increasing costs of essential goods and services, a lack of means to pay, and a lack of information combine cumulatively for people on low incomes. According to Saunders, Naidoo and Griffiths (2007), *poverty* exists when someone is lacking the adequate economic resources required to achieve an acceptable standard of living; *deprivation* exists when there is an enforced lack of socially perceived necessities or essentials; and *social exclusion* occurs when people do not participate in key activities in the society in which they live. These distinct but overlapping experiences lead to 'restricted access to resources, lack of participation and blocked opportunities' (p. 17). Anglicare's response to the Select Committee's Terms of Reference addresses all three areas, towards an ultimate aim of ameliorating costs of living for people on low incomes.

A. The effectiveness of the current concessions systems and related services, including social tariffs

Concessions, vouchers and emergency responses are part of a vital 'downstream' safety net for people excluded from adequate participation in the economic life of their community. If adequate whole-of-population structures and tariffs were in place to safeguard the provision of essential services to all, 'extra' provisions such as concessions for vulnerable groups would not be required. In other words, when our social and economic systems are working to greatest effect, all Tasmanians will have adequate secure access to essential goods and services and concessions will be redundant. Meanwhile, Anglicare will continue to recommend essential stop-gap solutions in relation to concession systems.

Anglicare has previously recommended that the Tasmanian Government continue to review all State Government concessions, with specific reference to:

- the degree to which the size of current concessions is effective in alleviating hardship or ensuring access to essential services;
- whether the structure of applicable concessions, such as for utilities usage, should move from a per-household flat rate to a two-part structure that incorporates a capped percentage of consumption to ensure larger households receive a fairer level of assistance;
- whether applicable concessions should be indexed against increases in the price of the particular product or service rather than against general price increases in the form of CPI; and
- whether there are any essential products and services for which concessions are not provided and if so, whether a concession is required (Flanagan 2009).

Anglicare has also proposed that the Tasmanian Government allocate recurrent funding to implement the findings of the review of concessions (Flanagan 2009), including increasing the rate of any concession found to be inadequate. Anglicare considers the above recommendations as yet unmet.

Information on eligibility

From Anglicare's service delivery experience, it is clear that not all Tasmanians are making use of concessions available to them. Whilst the 'Discounts and Concessions Guide' (Tasmanian Government 2011/2012) provides comprehensive information, anecdotal evidence suggests it is not user-friendly or accessible for many people, particularly those living with a range of difficulties, including people with low literacy levels, from non-English speaking backgrounds, or living with disabilities. Service Tasmania serves as a hub of information, yet Service Tasmania staff are not systematically trained to offer further information about the Guide or concessions available and no personal support is available to help people understand concessions available to them.

Television advertisements have been used to promote information about the existence of Tasmanian concessions along the lines of 'Find out more about what concessions you are eligible for', but no government agency takes responsibility for ensuring that information about concessions is reaching those most in need. Anglicare staff report that they regularly assist clients with information about concessions and eligibility, noting that many people have not been receiving concessions to which they are entitled. At recent community sector consultations around Cost of Living issues (TasCOSS 2012), service providers reported that households were often unaware of assistance schemes available to them. The consultations demonstrated strong support for the development and delivery of government-funded financial literacy campaigns to assist Tasmanians on low incomes from diverse backgrounds to understand and take advantage of the concessions available to them.

Specific concessions

Rather than provide comment on the adequacy or otherwise of all available concessions, we focus our response on two key areas: electricity and transport. In our view, concessions around housing, gas and telecommunications also require urgent attention.

Electricity: A recent research project undertaken by Anglicare on cost of living pressures for low income earners found that many low income electricity customers are residualised from the mainstream market; that is, they are unable to afford adequate electricity, and are inadequately protected by the current electricity concession (Flanagan & Flanagan 2011). The report suggested that additional support could be channelled through either an enhanced

concession regime, or through a direct subsidy on a reformed tariff structure, or a combination of the two.

According to Hodge (2011), New South Wales energy advocates are calling for investigation of how a 'social tariff' could be delivered to protect vulnerable customers from price increases. In line with this suggestion, the Tasmanian community sector advocated that a low cost social tariff for electricity should be developed based on the principle that electricity is an essential service and that this low social tariff should be backed by a fully funded community service agreement to protect the business interests of current and future electricity providers (cited in Flanagan & Flanagan 2011, p. 64). Anglicare recommended that investigation be made into the introduction of social tariffs to ensure all Tasmanians have access to adequate quantities of electricity.

Anglicare's service experience confirms that a growing number in the community – beyond those people eligible for concessions – are struggling with electricity prices. A response to cost of living pressures associated with electricity bills therefore requires attention to the cost of electricity for all. Anglicare has argued for a layered response to the problem of electricity prices, calling for a restructured electricity concession, a review of the tariff structure to support access to electricity services and discourage unnecessary consumption, and more broadly targeted strategies to address the thermal efficiency of Tasmanian homes (Anglicare & TasCOSS 2010).

Research and anecdotal evidence suggests that the appeal and subsequent reliance of low income earners on Aurora's Pay As You Go meters (APAYG) is high; yet for customers on limited budgets, this scheme can carry high costs. A combination of Aurora's marketing messages, a need for low income earners to find small payment options, and a desire for payment flexibility (in essence, the 'choice' to self-disconnect when no funds for electricity are available) means that many low income earners choose the APAYG product. On the surface, suggests that Aurora is offering an attractive product, yet disconnection (including self disconnection) means that consumers of APAYG schemes are not actually receiving adequate service –they are choosing to put a service on hold because it is unaffordable. APAYG should not be treated as a 'product of choice' for low income earners (and thus excluded from regulation), but be assessed in light of Aurora's community service obligations. For at least three years, Anglicare has argued that low income customers have little or no choice in the electricity market in Tasmania; our view is that the APAYG product should be placed under regulation by the Economic Regulator.

Transport: It is widely understood that Tasmania does not yet have a comprehensive and affordable public transport system. With projections of higher oil and energy prices, it is

inevitable that transport costs will continue to rise, placing increasing pressure on existing public transport systems (Flanagan & Flanagan 2011, pp. 64-65).

Given the relative social isolation, geographic distance from services, and additional hardships commonly faced by Tasmanians on low incomes, transport issues have been raised again and again in previous Anglicare research reports, submissions and policy advocacy documents. Many Tasmanians do not have access to Metro Tasmania bus services, but that in those centres where Metro does operate they are critically important for people on low incomes - around three quarters of Metro passengers travel on some form of concession ticket (Flanagan 2008). However, Metro does not have the financial flexibility to address current demand problems, let alone build towards future viability. Significant further investment is required in publicly subsidised transport services. Community expectations of publicly funded passenger systems will inevitably require a funding package to enable an expansion of services.

Further, Anglicare research into cost of living pressures has found particular links between poor access to transport and poor access to nutritious food. It is apparent that low income Tasmanians urgently need innovative programs to connect them with transport and food outlets, including the development of purpose-designed bus routes and community transport to ensure people are able to get to appropriate food outlets easily, and transport their shopping home. In addition, anecdotal evidence suggests concessions relating to transport access are not being allocated readily enough to people living with mental ill health. This is an area worthy of further investigation.

In our view, while incremental steps have been made, the establishment of an adequate, affordable and accessible transport system for people on low incomes requires further attention, effort and resourcing. Alongside electricity, Anglicare considers public transport essential towards the aims of social inclusion and economic participation.

A lifeline tariff

Anglicare has joined others in the community sector who called for the establishment of 'lifeline tariffs'. Lifeline tariffs are a cost structure for public services whereby a level of, for example, electricity would be provided free or at minimal cost to all households. Within a lifeline tariff structure, when more electricity is required than the minimum (for example to bathe, eat and heat a living space), those households with capacity to pay are charged more. From Anglicare's perspective, the application of lifeline tariffs to essential services would help to ameliorate cost of living pressures for high numbers of Tasmanians. It is our belief that if enacted, such tariffs will likely diminish wider social costs such as financial stress, physical and mental ill health, family breakdown, and the need for access to emergency relief, housing or hospitalisation. From our perspective, in addition to electricity, the establishment

of lifeline tariffs for water use, sewerage, telecommunications (including mobile phones and internet) and transport should be given serious consideration by the Tasmanian Government. In reality, costs associated with attempting to keep Tasmanians safe, healthy and well will be recouped one way or another; our suggestion is that costs be expended via an 'upstream' or prevention approach by establishing secure access to basic levels of essential services.

Anglicare recognises that the establishment of lifeline tariffs would require renegotiation of community service obligations for Government Business Enterprises, along with higher levels of funding from the Tasmanian Government. We suggest that comprehensive economic modelling of downstream costs associated with the effects of financial crisis (such as levels of malnourishment in moderate cases, or homelessness and hospitalisation in extreme cases) may warrant such measures, and indeed may identify lifeline tariffs as a cost effective public health measure.

Community service obligations

Funding for Government Business Enterprises (GBEs) to provide a range of public services in Tasmania comes from government through a community service agreement (or obligation) to the business enterprise. It is these agreements which both enable and hold GBEs to account for their obligation to develop and administer cost structures that are affordable for disadvantaged client/consumer groups, including people on low incomes. Without such obligations, and adequate funding to match identified need, concessions to provide essential services for people on low incomes would be unprofitable for the GBE. Such arrangements mean that the Tasmanian Government retains overall responsibility for meeting the essential needs of all Tasmanians by holding GBEs to account for service provision. When GBEs undertake a particular activity to achieve government policy outcomes, the commercial cost of that activity must be clearly and transparently identified, costed and funded.

From Anglicare's experience, the community service obligations of Tasmanian GBEs are an important part of the current concession system in this state. From research and anecdotal evidence, Anglicare has found that Tasmanian GBEs are not adequately meeting the essential service needs of low income Tasmanians. Competitive market systems mean that businesses will not tend to focus attention on meeting the needs of low income earners if they do not have to as this group is usually considered an unprofitable customer group. Because no private business is required to provide services to people living on low incomes and therefore is unlikely to, the requirement for GBEs to provide affordable and accessible services to this group is paramount. From Anglicare's perspective the Tasmanian Government needs to re-define 'affordability', provide adequate funding for GBEs to provide affordable services to people on low incomes, and hold GBEs to closer account for delivering services and products that actually suit the needs of people on low incomes. In order to assess adequate meeting of

community service obligations, systematic consumer/customer feedback is required. In our view, such feedback should be both mandatorily included within all community service obligations, and more closely checked.

Anglicare reiterates past recommendations made in relation to ensuring adequate provision of affordable goods and services by GBEs and corporatised services, with a focus on assessments of affordability across the range of essential services, the development of affordable cost structures, the delivery of appropriate products and services, and, where cost structures prohibit adequate access, the provision of adequate concessions.

Income maximisation

Recent Anglicare research demonstrated that 'income maximisation' is used as a key strategy in the UK in efforts to address poverty, in particular fuel poverty (Flanagan & Flanagan 2011). With benefit, entitlement and concession checks built into programs delivered by government authorities, social enterprises and housing associations, income maximisation is considered an essential service for people on low incomes in the UK (Mallett 2008). Such approaches aim to put more money into people's pockets so that they can pay their bills, heat their homes and have a better quality of life. Income maximisation programs give people advice about entitlements that are available, do benefit checks to ensure that people are not missing out on entitlements, help people complete forms, and, if applications are turned down, provide advice and support through assistance and representation at appeals and hearings (The Highland Council 2011).

As the discussion above shows, households are often ignorant of the availability of state and local government concessions. However, in the Australian context, income maximisation initiatives also have the particular effect of mobilising Commonwealth funds, available through Centrelink payments.

Anglicare believes that combined with adequate information on available concessions, income maximisation strategies will assist people on low incomes to make full use of payment entitlements and concessions available to them. The work of financial counsellors goes some way towards achieving this aim, with much more support needed to ensure that everyone, not just those who are able to see a financial counsellor, receive their full entitlements.

Recommendations relating to concessions, concession systems and social tariffs

Recommendation 1. That the Tasmanian Government fund modelling of what constitutes 'affordability' for low income households in Tasmania, including households with special needs, and that this modelling be undertaken with reference to the capacity of households to attain a basic acceptable standard of living.

Recommendation 2. That the Tasmanian Government ensure that 'affordability' for low income households, as defined by the modelling discussed above, is included as a core community service obligation of corporatised essential services.

Recommendation 3. That the Tasmanian and Australian Governments review the funding levels of all community service obligations or like funding arrangements to ensure that they provide entities with adequate resources to effectively deliver their additional service obligations, including the obligation to deliver affordable prices to low income households.

Recommendation 4. That the State Government order a review of all customer service standards of corporatised essential services with particular reference to their capacity to meet the requirements of low income earners and households with special needs.

Recommendation 5. That the Tasmanian Government allocate funds to selected corporatised essential services to pilot consultation programs with low income earners with a view to developing appropriate products and services to suit their needs.

Recommendation 6. That the Tasmanian Department of Treasury and Finance be resourced to undertake a project to investigate options to introduce a 'social tariff' and appropriate concessions structure for eligible low income and vulnerable electricity consumers to ensure that all Tasmanians have access to adequate amounts of electricity at a price that does not impose hardship.

Recommendation 7: That the Tasmanian Economic Regulator move to declare APAYG a regulated tariff, which should include the regulation of both the tariff price and the standard of customer protection that should apply to APAYG customers.

Recommendation 8: That the Tasmanian Government invest further in publicly subsidised transport services to allow greater frequency of services and flexibility of service routes, particularly to urban fringe areas, disadvantaged and regional areas.

Recommendation 9. That the Tasmanian Government establish a financial literacy campaign to provide clear information about concessions, rebates and support available for people on low incomes.

Recommendation 10. That the Tasmanian Government fund an income maximisation project in the Tasmanian context.

B. Alternative models of planning and service delivery of concessions including the option of 'bundling concessions' through a smart card system

From research evidence and service delivery experience, Anglicare has found that for people on government allowances and pensions, and for people employed in very low paid positions, no amount of bill bundling, smoothing, flexing or support to pay for what people consider essential goods and services will make these goods and services affordable. Incomes are simply inadequate to do so. For people on low incomes, we have found that at least one (and usually more than one) of the following costs are literally unaffordable within a given week, month or year:

- private rental
- electricity for heating
- transportation
- telecommunications (including mobile phones and internet access)
- medical expenses
- car registration
- property, water or land tax
- adequate quantities of nutritious food
- accrued debts (including fines and fees associated with previously unpaid bills)

Of these costs, one or more bills will often have to remain unpaid in favour of a more pressing need to pay another. Debts are accrued due to inability to pay, which results in further debts in the form of late fees. Research evidence demonstrates the sad and alarming result, that amongst other areas of lack, many Tasmanian households are doing without adequate nutritious food. In the context of competing pressures, and in attempts to maintain access to the above goods and services, food is very often considered the most flexible option - low cost poor quality food tends to be chosen over eviction or no heating for example.

Bill smoothing

Recent research undertaken by Anglicare revealed that significant problems with 'bill shocks' occur for people on low incomes, particularly in the area of electricity (Flanagan 2009). In general, the billing, payment and debt recovery systems utilised by government departments and GBSs have an enormous impact on the small, fixed budgets of people on low incomes, increasing pressures on low income households to manage cost of living pressures. Currently, cost of living pressures are being experienced across a range of essential services simultaneously. As mentioned above, bill shocks occur most notably in areas of housing, electricity and heating, with implications for other necessities such as nutritious food. The Social Inclusion Commissioner's interim report on the cost of living strategy recommended consideration of a range of strategies such as 'bill smoothing' to assist customers to cope with bills, particularly large bills. Whilst noting that many people's income is too low to allow them to cover bills when they fall, Anglicare calls for bill smoothing strategies to be adopted as one way of supporting budgeting for people on inadequate incomes. Issues relating to excessive bills exist; Anglicare has recommended measures to assist 'bill smoothing' (Flanagan 2009), and we reiterate that recommendation here.

Smart card system

In essence, Anglicare believes the suggested smart card (Adams 2011) would add another layer of costly administrative change without making much difference to the lives of people on low incomes. From observations over time, our view is that establishing a smart card system would require funds that could be better channelled into developing user-friendly information about existing concessions, including support for understanding personal entitlements - and most importantly, greater subsidies for actual services.

According to our research and service delivery experience, once people know what they are entitled to, they can usually gain the concession in question. Current problems lie in the accessibility and type of information available about concessions, and in the adequacy of the concessions to cover actual costs. In our view, these areas are where efforts, reforms and initiatives should take place.

In relation to the specific task of establishing and administering a smart card system, we see the following potential difficulties:

- time-consuming and resource-rich challenges associated with the task of coordinating different government departments, GBEs and corporatised services to find agreement on adequate concession packages, and relative concessional rates across wide-ranging goods and services;

- the question of establishing a standard maximum entitlement for each concession - in our view, people will require differing maximums for different concessions, based on personal circumstances;
- the level of personal information required to be provided for calculating entitlements across the board – in our view, wider access to personal information raises confidentiality and privacy risks;
- many concessions are constructed as income foregone by service providers and would not be available as transferable value to other providers; and
- increased stigma associated with having another 'special card' for people experiencing financial hardship. In our view, presentation of a smart card would soon come to have the same stigma attached to for example a Health Care Card or Centrepay arrangements in the eyes of those providing goods or services.

In essence, we consider the development of a smart card system in Tasmania would require too much effort and time, and too many resources for something that is predominantly an administrative process rather than actual improvements in the delivery of essential services and support. From experience in supporting people on low incomes, a smart card, which out of necessity would need to be attached to the highly personal information of low income earners, would mean that this group of Tasmanians are once again opened to stigma, discrimination and lack of respect. In our view, this group of people does not need further differentiation from the wider population who are receiving adequate incomes. In essence, our response to the suggestion of a smart card is that we already have concessions in place; let us allow the government to focus on promoting and increasing them.

Bill bundling

In relation to bill bundling, Anglicare sees merit in bundling certain clusters of bills, to ensure the interrelationships between the two costs are given due consideration. Examples include the bundling of housing and electricity concessions, as the latter is directly dependent on the quality and size of the former. Another example is the potential bundling of access to public transportation and access to vehicle concessions – again, a direct correlation may exist. Yet we would request that consultations be undertaken with a wide range of consumers/client groups in order to ensure changes do not adversely disadvantage people further.

The question of bill bundling, smoothing, flexing or extra support reminds us to ensure that above all else, adequate incomes are achieved - particularly for the least well paid, including those receiving government pensions and allowances. We urge the Tasmanian Government to continue to take up the task of advocating for adequate income support payments including ongoing consideration of what it actually costs to be able to live a safe, healthy and well life.

Recommendations relating to alternative models of planning and service delivery of concessions

Recommendation 11. That the Tasmanian Government implement a 'bill smoothing' policy to allow Tasmanians to better cope with large bills for electricity and other essentials.

Recommendation 12. That the Tasmanian Government direct funds that may have been used to establish a 'smart card' system in Tasmania to providing better information about existing concessions, and to increasing concessions amounts across the full suite of essential goods and services.

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

The purpose of fines

According to Budget Estimates (2011) the total amount of outstanding debt from monetary penalties in Tasmania in June 2011 was \$68 million. The bulk of these unpaid fines were imposed by courts as punishment for offences (\$47.2 million), with \$13 million related to unpaid infringement notice penalties (or 'on-the-spot' fines), and \$7.7 million in enforcement fees (fees added to the original fine by the authorities involved) (Budget Estimates 2011).

Of note is the amount owing due to unpaid infringement notices or on-the-spot fines. A legal explanation of the on-the-spot fine is that it is a mechanism by which 'the alleged offender is being invited to discharge his or her potential criminal liability in relation to the alleged offence by payment of an "infringement penalty". The allegation of the offence and the amount required to expiate it is notified by way of an infringement notice or penalty notice' (Fox 1995).

Across all Australian jurisdictions the use of on-the-spot fines has grown over time. In Victoria the ratio of on-the-spot tickets issued to the number of conventional summary charges laid in a Magistrates Court exceeds 7:1 (Fox 1995, p2). At the same time new technology is making the detection of offences easier and new infringements (behaviours which were never before deemed criminal) are coming under this system (such as the raft of new smoking offences). While it does reduce the burden on our courts, this has become a significant source of revenue for Government, creating the risk that 'the system will be driven by fiscal rather than correctional objectives' (Fox 1995, p4).

The view that an important purpose of fines is to raise public revenue is becoming entrenched at both a community and policy level. Unpaid fines are typically discussed only in terms of the

loss to the public purse, and in Parliamentary debates legislators have even referred to unpaid fines in populist terms as money which is 'owed to the Tasmanian people'. An example is provided from a Budget Estimates hearing:

Ms GIDDINGS - My understanding is that fines are debts owed to the Tasmanian people, not to the Government. It is money that belongs to the Tasmanian people and we have a system that enables us to collect that debt (Tasmanian House of Assembly 28 June 2010).

Outside this Inquiry there is little public discussion about the fairness of the current universal fines system as a response to criminality, and whether, in the context of growing wealth disparities in the community, the current system is fair and equitable.

This view that fines have a fiscal purpose for Government authorities is reinforced when the revenue from fines is deliberately committed to address a specified purpose related to the penalty from which the money was raised (for example, the use of revenue raised from speeding fines to fund road safety initiatives). Such hypothecation of fine revenue creates two different but equally problematic issues: a) it increases the public perception that fine revenue is a tax which can be budgeted for in forward estimates; and b) that failure to pay fines is a failure to meet obligations and contribute to the public purse. It does not promote an understanding that fine revenue is a by-product of the criminal justice system and this distances the public from a proper discussion about the appropriateness of the level of certain fines as a form of punishment for specific individuals in specific circumstances. Nor does it promote a goal of reducing revenue from fines in the event that their intention as a deterrent begins to work.

An example of the potential for blurring fiscal and policy issues is the 2011 discussion paper issued by Tasmania Police which proposed a review of the Police Offences Act 1935. This document canvassed proposals to extend both the number of offences for which on-the-spot fines can be imposed and the right of the police to apply to the court for the cost of policing to be recouped from people charged under that Act. Currently people who make false reports to police can have costs raised against them. The police wish to have this provision extended to people involved in cases of trespass; specifically, people involved in industrial or civil protests. The argument for this capacity was given on the basis of cost recovery, not correctional, imperatives. So in the discussion paper infringement notices, a mechanism with a correctional purpose, are placed in the same reform package as a proposal specifically geared towards revenue generation.

The perception that fines revenue is a source of funds for the public purse also feeds a widespread community belief that government agencies are using fines as revenue raisers. So widespread is this belief that it was the subject of persistent questioning about the relationship between budget cuts and operational benchmarks for traffic offences by Opposition members

at the 2010 Budget Estimates committee where one member warned the Committee, 'As to the budget process in Police and Emergency Services and where they gain their income from, through this process I can inform the Tasmanian public it is estimated that the fines will increase from \$26 million from last year up to \$33.2 million in this budget and therefore they are seeking extra revenue from fines of \$7.2 million.. This line of questioning led the Acting Police Commissioner to assert repeatedly that there was no intentional connection between increasing operational benchmarks, increasing fine revenue and generating revenue in a context of budget cuts. He insisted 'there is no link between fines and benchmarks, not in relation to revenue raising. It is not about fines, it is about road safety outcomes and that is reducing the road toll' (Tasmanian House of Assembly, Estimates Committee B, 30 June 2010).

However, the community perception remains and is unlikely to promote cooperation with the intention of the legislation. And indeed while crime rates in Tasmania are low, revenue from infringements has grown as has the level of unpaid fines. In 2005 when the House of Assembly Budget Estimates Committee discussed the proposal for a Monetary Penalties Enforcement Service, the total of unpaid fines owing to the State of Tasmania was \$29.8 million, \$27.8 million in unpaid court fines and \$2 million in unpaid infringement notices (Budget Estimates Committee 2005). In spite of the success of the Monetary Penalties Enforcement Service in engaging people in payment options for their unpaid fines, by 2012 the number of unpaid fines has increased by 56% (having risen to \$68 million). So while the Monetary Penalties Enforcement Service appears to have had some success in diverting debtors from prison, the level of unpaid debt has increased by 56% since the House of Assembly first discussed a proposal for the establishment of the Service.

The growth in fines

In part this growth in debt appears to be due to the increase in fines overall. In 2006, 90% of infringement notices issued in Tasmania were in relation to traffic offences (TasCOSS 2006, p1). However since the practice began, all Australian jurisdictions have seen steady growth in the number of offences for which infringement notices can be issued. In Tasmania they now include fisheries offences, gaming offences, a wide range of traffic offences, including new offences such as using a mobile phone while driving, and a whole range of smoking offences, including smoking between flags on beaches, smoking in cars containing two or more workmates, and smoking in cars containing children under the age of 18.

Infringement notices can be issued by a number of authorities and there seems to be a consistent pattern of growth in the number and size of fines being issued across the board. For example, in 2010 the Auditor General reported a 10.9% increase in the fees and charges flowing into the coffers of the Hobart City Council and reported that this was mainly due to a growth in revenue from fines, totalling \$0.817 million (Auditor General 2010).

A further broadening of the capacity to issue on-the-spot fines seems imminent. A recent discussion paper issued by Tasmania Police suggested Tasmania follow the lead of New South Wales, Queensland and Victoria and further extend the use of infringement notices 'for minor summary offences that are usually characterised as criminal in nature' (Tasmania Police 2011). Tasmania Police was calling for a review of the Police Offences Act 1935 and was seeking an extension of the use of on-the-spot fines to give the police the power to issue them for 33 minor offences. The offences covered a broad range of behaviours which included minor stealing offences, swearing, singing a profane or obscene song in a public place, jostling or annoying people, drinking alcohol in certain public places, lighting a firework, entering a sports ground without lawful excuse and possessing or using graffiti equipment in a public place.

Issues of fairness

Concerns have been raised about whether fines are equitable in impact across the community. In a discussion on sentencing issues, the Tasmanian Law Reform Institute raised concerns about the issue of unequal impact.

'In imposing a fine, a court must determine the level of fine that reflects the seriousness of the offence and then make an appropriate adjustment downwards if the offender is unable to pay. There is no power in Tasmania to increase a fine on the grounds of the affluence of the offender. In the case of a mandatory minimum fine, there is no discretion to reduce the amount of the fine below the minimum' (TLRI 2008 p28).

Submissions to the consultation on the Police Offences Act expressed concern about a proposed extension of powers that included an increase in the number of on-the-spot fines, arguing that it would impact inequitably on 'the poor, the mentally ill, the homeless, and young people' (Australian Lawyers Alliance, 2011).

Fox (1995) identified other disadvantages of the use of infringement notices which have a particular impact for low-income and disadvantaged people, including:

- The likelihood of proceedings being initiated by way of an infringement notice when the case is weak because the authorities know it is rare for anyone served with such a notice to insist upon a full hearing in open court;
- The risk that persons who believe themselves innocent will nevertheless settle allegations by paying up because of the pressure of convenience, discounted penalties, threat of costs, and the limited availability of Legal Aid (Fox 1995, p4).

Contesting fines can prove exorbitantly expensive. For example those caught smoking in their cars while an under-18 year-old is present face on-the-spot fines of \$110. If they take the

matter to court they run the risk of losing the case and facing a potential 1900% increase in the penalty, in the form of a maximum fine of \$2,200. It is acknowledged that the threat of costs would be a significant deterrence to people on low incomes.

Some Anglicare staff reviewed the database of people with fines outstanding and reported a significant number of their clients to be present on the list. Their clients are people dealing with complex problems, including mental ill health, homelessness, debt, and addiction problems. Staff made the following comments:

There are four people on the list who are living in one of our emergency accommodation properties. I also noticed a client of mine with a debt of \$20,000 which solely consists of parking fines and fines for unpaid parking fines! It makes her look like a total crim with an amount that high. She is in arrears with her Housing Tasmania rent and a car loan and can't make fine payments on top of her rent repayments.

I have 22 clients on my case load. They all have outstanding fines.

I have 22 clients on my case load and 8 of them are on the list of debtors. My figures may also be a little non-representative as I have some clients who have just moved from Sydney on my list, and who haven't really had time to accumulate unpaid fine debt.

Enforcement fees

The use of fines as a mechanism for delivering justice carries inherent risks of injustice towards those with little money. One of the most significant of these is enforcement fees, or extra charges levied on unpaid fines.

The 'poverty penalty' or the 'poverty premium' is a phrase used in social research to describe those instances where people with little money pay relatively more for goods or services or participation in certain markets. The application of financial penalties to unpaid debts – in this instance enforcement fees – is a classic example of a poverty penalty. In Tasmania, a person who is unable to pay their fine faces an escalating debt which can reach a level which is not commensurate with the gravity of the original offence, and which does not necessarily have any relationship to their actual liability for the crime (since infringement notices promote a view of strict liability with no consideration of whether someone intended to commit a crime or whether there are mitigating circumstances).

At the 2011 Budget Estimates hearing, the Acting Director of the Monetary Penalties Enforcement Agency, Mark Cocker, described the process by which enforcement fees are raised on infringement notices.

Mr COCKER - An infringement notice issued by a local government council is collected by them in the first instance. It is only where they are unable to collect within 35 days that they then refer it to the Monetary Penalties Enforcement Service. There is a fee levied for referral, and that is 0.03 of a penalty unit - or in lay terms, \$39 for each infringement notice that is referred. It is true to say that the original infringement notice penalty may very well have been \$25, other fees imposed by Council may increase that to \$50 and by the time the infringement notice penalty is referred to my service for enforcement it has moved from \$50 to \$89, which is the additional \$39 enforcement fee (Tasmanian House of Assembly 2011).

In this example the Council parking fine, originally \$25, increased by 256% through fees imposed on it by various authorities. This is not an isolated problem. Eleven per cent of the outstanding debt from monetary penalties in June 2011 was revenue raised by various authorities through 'enforcement fees' (\$7.7 million) (Estimates Committee A 30 June 2011).

The effect of fines

As has been repeatedly pointed out, set fines are a regressive way of raising public revenue; they have a disproportionate effect on people who are on low, fixed incomes, which is an important consideration. The financial difficulties faced by people living on Centrelink benefits and allowances have been well documented in a range of research literature, included the Henry Review of Australia's tax and transfer system, which found that payment adequacy could be improved (Henry 2010, p. 485). Australian social security payments are generally lower than those in most OECD countries, and they are set at low levels relative to community incomes, especially for single people without children. Pensions and allowances are also below or close to the poverty lines used in international poverty research. There is now bi-partisan recognition at the Commonwealth level that income support levels are too low to afford a reasonable standard of living, and that they need to be reviewed.

Better budgeting skills are often complacently recommended as a solution to the problems faced by people living on inadequate income. However, the regularity and predictability of Centrelink benefits does not in itself enable ease of budgeting. People who are living on low incomes are also exposed to a much greater level of risk than the non-poor. Potentially they have less stable income flows, they are more vulnerable to some types of shocks (such as theft or poor quality goods), and their capacity to protect themselves against these (by having insurance or savings) is less. They are also more vulnerable to health related problems and crises due to disability and chronic illness, poor nutrition, poor quality housing and poor access to infrastructure.

The current penalty system therefore is imposed on a community in which many people are dependent on inadequate incomes. As QCOSS stated in its recently released report on cost of living 'the safety net has not been effective in addressing the cumulative impact of price rises'

(QCOSS 2011, p. 7). Anglicare's research in the Tasmanian community has found that even with the most stringent budgeting efforts, people dependent on Centrelink benefits run out of money each fortnight before they come to the end of their list of essentials that need to be paid for. This means that many essential items, including food and heating, are either foregone or are subject to restrictive and potentially damaging levels of rationing. It also means that expenses not directly related to day to day survival, such as fines, cannot be prioritised.

While clearly the responsibility for addressing this lies with the Commonwealth Government, when dealing with their areas of responsibility State Governments cannot ignore the consequences of the failure of successive Commonwealth governments to adequately address this issue and the policy tensions it creates. Inadequate incomes mean that more Tasmanians are in financial crisis; they avoid fine payments and they are forced to access payday lenders and emergency relief services if their financial stress becomes too acute.

For example, the National Financial Services Federation reports that traffic and parking fines are a common reason that low income earners take out payday loans in Tasmania (cited in Adams 2011, p.41). Payday loans are small, short-term loans that are quick and easy to obtain, with minimal paperwork required, and are available to a customer base that is excluded from accessing other more mainstream forms of credit, including people with poor credit histories. Lenders compensate for additional costs involved in administering these small, short-term loans by charging higher prices. These include both high interest rates and high charges. Low income earners in particular use payday loans as a way to bridge gaps in their household budgets, for example, when an unexpected or large bill is received or a major appliance breaks down (Hughes 2009, p.6).

In spite of the importance of loans for managing short term budgeting crises the repayment of loans has a direct consequence in causing financial crisis in low income households, where budgets are so constrained that even small repayments can cause financial distress. Anglicare's survey of clients of emergency relief services has found that loans are a big problem for 24.7% of participants and a very big problem for 42.7%, and that that in fact 15% of the participants reported that loan repayments were the problem that led to them seeking emergency relief assistance (Flanagan 2009, p.59).

Suspension of licences and car registration for non-payment of fines

Under the Monetary Penalties Enforcement Act, the Director of the MPES has the power to order suspension of an offender's driver's licence or vehicle registration for failure to comply with an enforcement order issued for fine default.

Evidence from other Australian jurisdictions suggests problems with this method of fine enforcement including interference with employment and a link with secondary offending – ‘people being convicted for driving offences attributable to licence sanctions imposed for fine and penalty default’ (TLRI 2008, p149). As the Tasmanian Law Reform Institute has pointed out:

‘It is inevitable that the introduction of licence and registration cancellation as a sanction for fine default for non-traffic offences will promote the use of unregistered vehicles and increase the incidence of driving while disqualified. This measure has the potential to cause real hardship to certain groups of people, such as the young, the disadvantaged and people from rural areas where access to public transport is limited. The Institute therefore recommends that the provisions in the Monetary Penalties Enforcement Act 2005 that allow the Director of the Monetary Penalties Enforcement System to impose the sanctions of suspension of driver licences and car registration for fine default be repealed’ (TLRI 2008, p28).

Punitive views of fine recipients

Through its tri-partite support for the introduction of the Monetary Penalties Enforcement Act 2005, the Tasmanian Parliament expressed its hope to see a lessening of the imprisonment of debtors for non-payment of fines. But in spite of the progressive intentions of the legislators (evident in the second reading speeches), the fact that fines are a form of punishment flavours the Government’s response to attempts to evaluate the Act and consider whether the punishments fit the circumstances of the individual. At the Budget Estimates Hearings (2011), the Attorney General dismissed questioning about examples of the deleterious effect of enforcement fees on constituents who were living on low incomes, The Attorney General’s comment signalled the end of the discussion as follows:

Mr BOOTH - We have an example here of a \$25 fine that goes up to \$50, then gets the \$39 fee that the Monetary Penalties Enforcement Unit adds on to it and it suddenly becomes \$89. Presumably that is for every single parking fine? You might have somebody who is on the poverty line, gets a parking fine and can't pay it, gets another parking fine and can't pay it -

Mr WIGHTMAN - We encourage them to put money in the meter at the start, Mr Booth. (Hansard 30 June 2011)

Day fines

Anglicare is supportive of the case put forward by the Tasmanian Law Reform Institute for a progressive system of fines, which has apparently been implemented with success in a number of European jurisdictions, known as ‘day fines’ or ‘unit’ fines. Day fines calculate the amount of

fine as a proportion of the daily income of the offender. The Institute pointed that such a system, while having potential for Tasmania, is not currently feasible and has recommended that the Government establish a project to investigate how such a scheme could be introduced into Tasmania.

Until such a scheme is investigated, the Law Reform institute recommended that Tasmanian legislation be amended to require the courts to 'consider the offender's financial circumstances whether this has the effect of increasing or reducing the amount of the fine' as is done in English courts.

Anglicare supports the recommendations of the Tasmanian Law Reform Institute with regard to the Monetary Penalties Enforcement Act 2005 (TLRI 2008).

Recommendations relating to monetary enforcement practices

Recommendation 13. That the *Monetary Penalties Enforcement Act 2005 (Tas)* be amended to omit the power of the Director of the Monetary Penalties Enforcement System to order suspension of an offender's driver's licence or vehicle registration for failure to comply with an enforcement order issued for fine default.

Recommendation 14. That the government establish a feasibility study to investigate how a day fine or unit fine scheme could be introduced into Tasmania.

Recommendation 15. That pending the introduction of day or unit fines, the *Sentencing Act 1997 (Tas)*, Part 6 be amended to insert a new provision:

- (a) requiring a court to inquire into an offender's financial circumstances before fixing the amount of a fine;
- (b) providing the amount of the fine should reflect the seriousness of the offence;
- (c) that in fixing the fine a court should take into account the offender's financial circumstances;
- (d) empowering the court to make a financial circumstances order, requiring the offender to provide the court with such financial details as it requests.

D. The impact of taxation policies on costs of living

Anglicare has a strong commitment to ensuring that as a society we have an adequate basis of income from various forms of taxation to ensure that we are able to provide the services and infrastructure required for a healthy, safe and secure society. Although Government taxes need to be adequate and drawn from the right sources to ensure income support payments are adequately funded, anecdotally, taxation issues are not the highest area of concern or priority for individuals, couples and families receiving government allowances and pensions.

A different situation exists for people on low incomes who are not in receipt of government pensions and allowances. From anecdotal evidence, it appears that people in this group report concerns in relation to a number of taxes. This section lists concerns raised, and suggests solutions more in the form of principles for decision-making rather than specific advice.

Land tax: It may be that land tax contributes to high rental costs for people in privately-owned investment properties, which are known to cause severe cost of living pressures for people on low incomes. Whilst some alleviation may be achieved by Commonwealth Rent Assistance, this is inadequate for the task of bringing housing costs down to affordable levels for people on low incomes. Lack of housing affordability is not just a Tasmanian phenomenon. Australia's housing policies and practices, including taxes, are at least partially responsible for the lack of affordable housing, often described as a 'national housing crisis' (Australians for affordable housing 2012).

Whilst land tax may be a suitable place to draw taxes from (those with investment property presumably have more capital), high or poorly designed land taxes may be contributing to the higher rental charges for those on low incomes in the private rental market. Any changes in taxes would need to be targeted to ensure that low income people, especially those in the private rental market would benefit. Housing system reforms are undoubtedly required, both at state and federal levels.

Council rates: Concerns have been raised that high council rates also trickle down to people in the private rental housing market. Again, anecdotal evidence suggests that rates may contribute to the maintenance of high rental rates. In addition, difficulties exist in ensuring people receive adequate concessions. As is often the case, tenants in the private rental market inadvertently pay full council rates, due to the reality that rates are generally embedded within rent costs. Because property owners are usually not eligible for council rate concessions, they are charged full price, affecting the costs of low income tenants who would independently be eligible for concessions.

Anecdotally, in some cases, property owners have bills for council rates addressed to tenants for direct payment (in place of rent for an allocated timeframe, based on usual rent rates), and some property owners have been known to leave council rates unpaid, meaning tenants have been harassed for payment. Obviously, if property owners are unable to pay council rates, consequences will follow, including potentially eviction for a tenant who has not done anything to deserve such a consequence.

Anglicare notes that any investigation of council rates would need to concurrently investigate the effects of high cost goods and services, including the cost structures of GBEs, and costs passed on to property owners for the provision of council goods and services.

Negative gearing: Anglicare would encourage further investigation of policy reforms that review negative gearing to encourage the benefits to be passed on from property owners to tenants of private rental properties.

Income taxes: All Tasmanians benefit from appropriate taxation, and income taxes are a progressive form of taxation. Anglicare supports a progressive review of Australia's tax system which shares the burden of public expenditure fairly across all income brackets, acknowledging that some wage earners can afford to contribute more than others. The greater demands on the public purse associated with complex modern communities and escalating health and education costs suggests that Australians may have to contribute more in the form of income taxes. Anecdotal public sentiment suggests that people are willing to contribute more if the funds go towards health and education costs. Clearly government advocacy for the value and importance of paying appropriate levels of income tax – rather than tax cuts - is needed. Another key aim of progressive government policy would be work to prevent the achievement of tax evasion loopholes for people who can afford to contribute more to the community by paying more taxation.

As a minimum, Anglicare requests that the Tasmanian Government adhere to progressive principles (i.e. that those receiving more than adequate income pay their fair share). We request that taxation policies and practices are clear, relative, means-tested and affordable. In addition, we wish to reiterate a point already made – that taxation is not a burden. If taxes draw funds from the right sources (from people who can afford to pay), and are allocated to towards goods and services that support those who most need it, then taxes are serving their purpose. When well drawn and well received, taxes help to differentiate societies striving for egalitarian democracy from others.

Recommendations relating to taxation policies

Recommendation 16. That the Tasmanian Government undertake a comprehensive review of the state's taxation system, involving adequate and fair consultation with all stakeholders, with a particular focus on taxes that impact most on cost of living pressures, including examining land tax and council rates and other housing related policies with the aim of ensuring that such taxes and rates contribute to keeping housing cost pressures for people on low incomes down and that property owner benefits are passed on to tenants in the private rental market.

Recommendation 17. That the Tasmanian and Australian Governments continue to work together towards clear, affordable and progressive taxation policies that will benefit the whole community and ensure adequate revenue for the ongoing provision of essential goods and services at affordable rates.

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

It is Anglicare's view that contestability policies have little relative effect for those on low incomes, in particular those receiving government pensions and allowances.

As documented within a range of reports and policy documents, Anglicare recognises that competitive markets give greater choice to income earners on moderate to high incomes (Flanagan 2009, Flanagan & Flanagan 2011). Businesses tend to target moderate and higher income groups in their 'contest' to gain consumers, often leaving lower income earners to 'fend for themselves' in terms of finding and gaining essential goods and services in the competitive marketplace.

From Anglicare's perspective, greater contestability in Tasmania may mean the 'Telstra' experience is repeated in electricity here. For example, increased contestability in electricity may lead to one provider (in this case Aurora) receiving government subsidies with obligations to cater for those on low incomes. For that business, it will always be a delicate balancing act of giving as little as possible away in the way of goods and services for people who cannot pay for them in favour of offering goods and service to people who can afford them - to ensure profitability. Meanwhile, other businesses will claim they are poor in relation to the subsidies they don't get, making competition more difficult, even 'impossible' for them.

Whilst competition may improve the lives of higher income earners, in general it is not seen as beneficial for low income earners.

Anglicare's predominant recommendation in relation to contestability is that the Tasmanian Government ensure GBEs and corporatised services are provided with enough funds to meet strict and ambitious obligations in relation to providing essential goods and services for people who cannot afford them.

Recommendation relating to contestability

Recommendation 18. That the Tasmanian Government ensure that government departments, government business enterprises and state owned companies fulfil community service obligations that meet both the affordability and product needs of Tasmanians on low incomes, and that adequate funds are provided to ensure those goods and services are delivered to adequate scale and standards.

4. Additional Anglicare recommendations

Action to ensure adequate incomes

As stated in previous reports and submissions, Anglicare believes the main issue for people on low incomes is their low income - Australian social security payments are generally lower than those in most OECD countries, and they are set at low levels relative to community incomes, especially for single people without children. Pensions and allowances are also below, or close to, the poverty lines identified in international poverty research.

As reported by Anglicare recently, a significant problem with the current system is that most payments are not linked to basic living costs, and many of them are not indexed to wages so they do not keep up with improvements in standard of living in the community. In the 1970s, allowances (such as Newstart and Youth Allowance) were paid at the same rate as pensions, but there is now a significant and growing gap between them. Even with the most stringent budgeting efforts, people run out of money each fortnight before they come to the end of their list of essentials that need to be paid for. This means that many essential items, including food and heating, are either foregone or are subject to restrictive and potentially damaging levels of rationing (Flanagan & Flanagan 2011).

Anglicare has long called for the Australian Government to increase all income support payments to a level sufficient to provide recipients with a basic acceptable standard of living, and to apply indexation accordingly. We have also requested that what constitutes a basic acceptable standard of living should be defined transparently and made public. We take this opportunity to reiterate this most basic requirement in the task of seeking to address cost of living pressures.

Recommendation 19. That the Tasmanian Government, through the Council of Australian Governments, urge the Australian Government to review the level of income support payments with a view to ensuring they are set at a level adequate to allow for an acceptable minimum standard of living for all recipients, and indexed to both prices and wages.

Anecdotal service delivery experience at Anglicare suggests that high numbers of people receiving income from pensions or allowances also attempt to earn income from part-time or casual work, and that all struggle to make this translate into an income which allows them to cover the cost of essential goods and services. For some people, meaningful paid employment is critical to ensuring that they can move out of poverty and avoid financial crisis, yet people moving into part-time and casual work face high marginal tax rates. The OECD estimates that one fifth of sole parents face effective marginal tax rates above 50% (OECD, cited in QCOSS

2011). As recommended previously (Flanagan & Flanagan 2011), Anglicare therefore supports calls on the Australian Government to address the poverty traps inherent in our income support system that act as a barrier to people taking up casual and part-time work. For some workers this is the only work available, and can act as a pathway to more secure employment.

Recommendation 20. That the Australian Government reform social security income tests to support people to engage in part-time and casual work.

Specific community service obligations (CSOs)

CSOs and electricity: According to Flanagan (2009), Tasmanian legislation does not require the government to fund a government-owned business for the full cost of delivering a community service obligation (CSO). If the CSO is not fully funded, the GBE must make up the short-fall via cross-subsidisation from its commercial activities or through the imposition of user charges on its clients. Yet these community service obligations are critical to ensuring people on low incomes have access to essential services. As mentioned in relation to concessions, Anglicare believes that the social obligations of these businesses should be clearly defined, costed and adequately funded. High stress in the community about electricity bills and poor public transport systems in particular suggests that the social outcomes (and therefore CSO funding) of GBEs need to be reconsidered.

Recommendation 21. That the Tasmanian Government review the social outcomes required from businesses providing essential services and the adequacy of the funding provided to these businesses to conduct their community service obligations (or like activities).

CSOs and telecommunications: Telstra has both a universal service obligation and responsibility to provide a 'low income package' of products and services for low income and disadvantaged customers – its 'Access for Everyone' program (Telstra 2011, cited in Flanagan 2009). These programs are community service obligations legally applied to Telstra by the Australian Government, and Telstra is the only telecommunications provider required to offer them. These programs are funded from its own resources at a cost of \$200 million per annum. But Anglicare's research (Flanagan 2011, p 65) indicates that many of these products are so 'stripped to the bone' that they do not offer customers the same level of connection to the outside world that more expensive products do and Telstra itself acknowledges that these programs do not address the increasing need for internet access or assist people using mobile phones (Telstra 2007). Examples of 'low income package' products include telephone products that are cheap but allow limited or no outgoing calls. Anglicare acknowledges that telecommunications are now considered an essential service for many Australians, including those on low incomes.

Recommendation 22. That the Tasmanian Government work with the Australian Government to develop a national policy framework to guide the delivery of essential phone and internet services at an affordable price to low income and disadvantaged Australians, with clearly defined social objectives and a funded community service obligation.

Insurance

According to recent research on cost of living pressures, it appears that very few people on low incomes have their homes or home contents insured, which exposes them to considerable financial risk in the event of burglary or fire. The Brotherhood of St Laurence has reviewed low income earners' access to insurance products and has made a suite of recommendations designed to improve the suitability of insurance products for people on low incomes who cannot afford large, lump-sum premiums. These include mandating that insurers accept the payment of small instalments through Centrepay with no additional premium cost (Collins 2011). Whilst the No Interest Loans Scheme has been successful in promoting access to credit, it is time to tackle exclusion from insurance products and to facilitate policymakers, regulators and insurance companies to increase their capacity to work with low income customers. Flanagan & Flanagan (2011) stated that work needs to be done in Tasmania to build the insurance inclusion of low income people via the provision of insurance products to match their needs.

Recommendation 23. That the Tasmanian Government review the recommendations made by the Brotherhood of St Laurence in relation to insurance products for low income people, and work in partnership with the Australian Government, the insurance industry and appropriate regulators towards the implementation of these recommendations.

Food security and access to nutritious food

Anglicare recognises the Tasmanian Government has already undertaken steps to mitigate risks associated with food insecurity, including the establishment of the Tasmanian Food Security Council.

The Tasmanian Food Security Council has begun important work in this area. It has done considerable research and highlighted the significant evidence which exists in relation to cost of living pressures, the prevalence of food insecurity in Tasmania and the importance of increasing food access. The Council has developed a strategy which focuses on social inclusion and local food systems, funded a number of innovative local projects which have

highlighted the power of local partnerships, and identified a series of next steps. Anglicare urges the State Government to build on the work of the Tasmanian Food Security Council and to build on its approach, which focusses on collaboration and practical assistance.

Recommendation 24: That the Tasmanian Government endorse the Tasmanian Food Security Strategy and provide the leadership and governance to progress food security in this state.

5. Conclusions

Anglicare's service delivery experience makes it clear to us that the combination of high and increasing costs of essential goods and services, a lack of means to pay, and a lack of information on concessions combine cumulatively for people on low incomes. From this basis, it is important that this Inquiry follow the lead of the Social Inclusion Unit and attempt to cross sectoral boundaries to identify and ameliorate the cumulative effects of inadequate income for people receiving government pensions and allowances, employed people on very low incomes, and people without adequate employment (the 'underemployed').

Recommendations in this submission focus on possibilities for action by the Tasmanian Government. Our belief is that state and federal Governments can effectively address cost of living pressures via a range of measures, including through the mechanism of the tax and transfer systems (the income support system), subsidies to public services to ensure access and affordability, the imposition of social obligations on corporations, the provision of adequately funded community service obligations, low cost social tariffs, funding for community initiatives, and by protecting consumers through regulation and information dissemination.

Our ultimate aim in this submission is to support strategic state and federal policy reforms, including the establishment of affordable cost structures, taxes and tariffs that support social inclusion. Our focus is on increasing opportunities for greater participation in the social and economic life of the community for those people who live on such low incomes that they struggle to afford goods and services essential for safety, health and wellbeing on a daily basis. We encourage the Tasmanian Government to continue efforts to help ease the cost of living pressures for Tasmanians. Steps to make sure government pensions and allowances are adequate are essential. For us this means that allowances relate more closely with the relative price index (or at least the consumer price index) and as a matter of course support low income earners to an adequate level. We also encourage efforts directed towards 'upstream' whole of population cost structures and strategies.

Anglicare considers this Inquiry a useful step in the process of alleviating and reducing cost of living pressures for low income Tasmanians to an acceptable level. We hope that the current Inquiry will build on the good work of the Social Inclusion Unit. We understand that more work of substantial quality and quantity will undoubtedly be required, and Anglicare is committed to assisting the Government with these endeavours. We see addressing cost of living pressures as our shared core business.

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