



**WACOSS**

Western Australian  
Council of Social Service Inc

*Ways to make  
a difference*

## Budget Area 2: Cost of Living

### About this Issue

Many disadvantaged and vulnerable Western Australians are increasingly placed at risk of financial hardship by the high cost of essential goods and services, particularly housing. As a relatively wealthy society with a robust economy, we should be able to improve the prospects of this comparatively small, but growing, proportion of our community.

The Council believes that there needs to be a two pronged approach to reducing financial stress caused by utility bills, as affordability is based on both the cost and the amount of energy and water a household consumes. Programs that reduce a household's energy and water consumption also help lower the household's utility bills. Therefore the Council would like to see an energy and water efficiency scheme that sits beside an adequate concessions framework.

### Relevant Budget Portfolio(s)

<b>Lead government agencies:</b>	Department of Finance (Public Utilities Office), Department for Child Protection & Families Support and Department for Communities & Local Government
<b>Other government agencies:</b>	Department of Commerce, Department of Health, Mental Health Commission and Disability Services Commission

### The Council's 2013-14 Pre-Budget Submission

**Outcome sought:** More integrated financial management support services for all Western Australians, particularly those on low, fixed or insecure incomes vulnerable to utility hardship and financial stress **\$275m**

Proposed strategies
A comprehensive approach to financial management services and support
A whole of government approach to improve the adequacy and targeting of State concessions
The introduction of a concessional electricity tariff (15% below the regulated tariff)
A targeted energy efficiency program
Sourcing the tariff equalisation contribution TEC from consolidated revenue
An independent consumer advocacy body
A State Food Stress strategy, based on a regular food access and pricing survey

## Cost of Living: The 2013-14 Budget in Summary

This budget does little to address cost of living. There are many small increases in government fees and charges above inflation that will adversely impact low income households.

While the government has maintained a number of initiatives that aim to reduce the costs for some essential goods for concession card holders, the Council still believes that the government must seek to address the *underlying causes* of utility hardship and cost of living pressures for low income and vulnerable households. The Council feels that this budget fails to adequately target household energy and water consumption and is therefore a wasted opportunity which will see more funds going to stop cap measures rather than solutions.

### Initiatives at a Glance

Notable funding announcements in the 2013-14 State Budget:

- ✦ Introduction of the Energy Concession Extension Scheme - estimated to cost \$1 million in 2012-13 and \$5 million per annum from 2013-14<sup>1</sup>
- ✦ HUGS continues – estimated to cost the government \$7.7 million in 2013/14<sup>2</sup>
- ✦ Cost of Living Assistance (CoLA) concession increases in line with electricity tariff increases (rebate now \$208/year)
- ✦ Transport concessions remain at 40% of full fare<sup>3</sup>
- ✦ \$432 million over four years towards building the 22km MAX Light Rail (connects Mirrabooka to the city)<sup>4</sup>
- ✦ Establishment of a Water Ombudsman<sup>5</sup>

### Other Numbers

- ✦ Water charges increase 6%, yet the Water Corporation provides \$724 million in dividends and tax equivalent payments to the government while receiving \$611 million in subsidies, resulting in a net payment by water customers of \$114 million. However, across all the government trading enterprises (like Synergy, Horizon and the Public Transport Authority) the government provides \$576 million more in subsidies than it collects from dividends and tax equivalent payments<sup>6</sup>.
- ✦ Land tax increase (12.5% increase in rates)<sup>7</sup>
- ✦ Public transport fares increase by 5%<sup>8</sup>
- ✦ The water service charge increases by \$17.61 or 9% (will affect all people owning a home)

**Table 1: Water price increases<sup>9</sup>**

	2012-13	2013-14	% increase
Water service fixed charge per property*	\$188.10	\$205.71	9.0%
Volumetric Charge (c/kL)			
0-150kL	\$133.60	138.10	3.4%
151-500kL	\$174.70	184.10	5.4%
Over 501kL	\$239.80	260.70	8.7%
Water, Sewerage and Drainage*	Based on gross rental value, but increasing by 6%.		

\*Usually paid by the landlord

**Table 2: Planned electricity price increases<sup>10</sup>**

	2013-14	2014-15	2015-16	2016-17
Residential (A1/A2)	4%	7%	7%	7%
Community and charitable organisations (C1/C2)	4%	4%	4%	4%
Charitable organisation providing residential accommodation (D1/D2)	4%	7%	7%	7%

## Key Observations/Implications

### 1. Small increases to fees & charges add up

There are a whole heap of small increases to the costs of fees and services that are all above inflation. All of these fees and charges accumulate and are likely to impact significantly on the cost of living for those on low and fixed incomes. Household electricity prices have increased 4% this year and are projected to increase 7% per year over the forward estimates. Rising public transport costs will also have a significant impact - as we move to greater cost recovery from the current 31% to 40% over 4 years.

While average Western Australian families have benefited from wages going up much quicker than living costs (and the costs of many luxury items dropping) those on low incomes (particularly income support payments) who spend a much greater proportion of their income on essential goods and services are facing increasing financial stress. Welfare payments tend only to increase in line with inflation figures and therefore any increases in fees and charges above inflation has a disproportionate impact on people on welfare payments.

### 2. Addressing the symptoms and not the causes of financial hardship

There is nothing in the budget that addresses the underlying problems of financial hardship. No new programs were announced that aim to reduce a household's electricity or water bills. While the continuation of programs like the Hardship Utility Grant Scheme (HUGS) are welcomed, when it was first introduced it was accompanied by the hardship energy efficiency (HEP) program. HUGS helped with the immediate financial problem that the household was dealing with, while HEP provided personalised advice and equipment for a household to reduce its energy so that the households usage and costs will be reduced going forth. This is why WACOSS would like the government to reintroduce a similar scheme to help address a household's energy consumption which will in turn reduce their energy costs.

### 3. The need for timely access to financial counselling services

There is no mention of an increase for financial counselling services for the metro region, and a small increase of \$200,000 for the Rural Financial Counselling Service in 2013/14 only.<sup>11</sup> We understand that Financial Counsellors are struggling with the level of demand which is creating a backlog of cases with waiting lists extending out to 4-6 weeks in many locations. Thus people are waiting longer to see a Financial Counsellor, which not only keeps the household in financial stress for longer, but may result in the household's financial deteriorating even more in the extra time that it has taken for them to receive the advice of a Financial Counsellor, making it harder for the Financial Counsellor to assist the household.

#### 4. No funding for Consumer Essentials Project

There is no allocation in the budget for the continuation of the WACOSS Consumer Essentials Project,<sup>12</sup> meaning that there now appears to be no non-government body that is funded to advocate on behalf of utility customers in Western Australia. We believe that without a well-resourced non-government consumer advocate that many issues that affect utility consumers in Western Australia will remain unaddressed.

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<sup>1</sup> Budget Paper 3, p. 284.

<sup>2</sup> Budget Paper 2 (Vol 2), p. 569.

<sup>3</sup> Budget Paper 3, p. 312.

<sup>4</sup> Budget Paper 1, p. 3;

*We note that this is only a fraction of the estimated total cost of \$1.9billion.*

<sup>5</sup> Budget Paper 2 (Vol 2), p. 519.

<sup>6</sup> Budget Paper 3, p. 304.

<sup>7</sup> Budget Paper 3, p. 85.

<sup>8</sup> Budget Paper 3, p. 312.

<sup>9</sup> Budget Paper 3, p. 311.

<sup>10</sup> Budget Paper 3, p. 309.

<sup>11</sup> Budget Paper 2 (Vol 2), p. 793.

<sup>12</sup> Budget Paper 2 (Vol 2), p. 767.