

2013

**THE LEGISLATIVE ASSEMBLY FOR THE
AUSTRALIAN CAPITAL TERRITORY**

**GOVERNMENT RESPONSE TO
ACT LEGISLATIVE ASSEMBLY RESOLUTION
“COST OF LIVING PRESSURES”**

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Treasurer

1. Introduction

The ACT has the highest standard of living in Australia, with a young, highly educated and productive population. We have one of the strongest economies in the country with the highest economic growth among non-mining states of 3.8 per cent year on year in original terms.¹

In the ACT, wages have grown by around 56 per cent since 2001, which is 1.6 percentage points higher than the national average as well as the second highest growth of all States and Territories, behind only Western Australia.² We also continue to record the highest Average Weekly Earnings in the country, around 17.7 per cent higher than the national average³.

The ACT has the lowest unemployment rate in the nation at 3.7 per cent⁴ and the second highest labour force participation rate at around 72.2 per cent.

However, even though we live in an affluent and well educated Territory, there are some in our community struggling with the everyday costs of living.

On 28 November 2012, the ACT Legislative Assembly passed a resolution regarding the Cost of Living in the ACT. The Resolution asked the Assembly to note:

- a) that while Canberra has the highest average incomes in Australia, there are many Canberrans experiencing real financial hardship;
- b) the transition to greater use of renewable energy, improving energy efficiency and providing more sustainable transport options will generate significant savings for Canberra households in the short term and over the coming decades; and
- c) the tax reforms implemented in the 2012-13 Budget:
 - a. encourage more affordable housing;
 - b. reduce the cost of doing business; and
 - c. improve the efficiency of our taxation system.

The Resolution calls on the Government to:

- a) implement targeted assistance measures to help Canberrans most in need;
- b) reduce Canberra's reliance on increasingly expensive fossil fuels for electricity and transport; and
- c) report to the Assembly by August 2013.

The ACT Government remains committed to ensuring the long term prosperity of the Territory and all its citizens. As part of this commitment, the ACT Government has implemented a program to reform the Territory's taxation system over a 20 year period which the Assembly has recognised in its resolution. The long term elements of the reforms include:

- abolishing transaction taxes;

¹ Australian National Accounts: State Final Demand (SFD) March Quarter 2013

² ABS Cat. No. 6345.0 Labour Price Index

³ ABS Cat. No. 6302.0 Average Weekly Ordinary Time Earnings

⁴ ABS Cat. No. 6202 Labour Force Survey – June 2013

- adopting general rates as a broad based land tax for revenue replacement;
- improving the progressivity of the revenue replacement base i.e. general rates;
- abolishing nuisance taxes; and
- simplifying the overall taxation system.

This reform commenced in the 2012-13 Budget and included a number of policies to make the Territory's taxation system fairer, simpler and more efficient. These include:

- abolishing duty on insurance policies over five years;
- abolishing conveyancing duty over 20 years;
- abolishing commercial land tax;
- increasing the tax free threshold for payroll tax; and
- making residential land tax and the general rates system more progressive.

These reforms will provide significant benefits to Canberra households and businesses in the future and a sustainable fiscal platform for the ACT to provide services to those in need.

In addition to taxation reform, the ACT Government is committed to transitioning the Territory towards a cleaner economy to safeguard the Territory's natural assets and promote overall quality of life for Canberrans. The Territory has the most ambitious greenhouse gas targets in Australia. There will be significant long term benefits associated with transitioning towards a cleaner economy, including greater energy efficiency and a reduced reliance on fossil fuels to provide for a sustainable environmental future. The ACT Government recognises that its climate change measures are not costless and may affect cost of living pressures for ACT households in the short to medium term.

To assist those Canberrans facing financial hardship, the ACT Government offers a range of concessions to ease the everyday costs of living and in 2012 released the Targeted Assistance Strategy. This strategy provides guidance on how best to deliver targeted assistance to those in need.

This Response details the targeted assistance measures implemented by the ACT Government to assist those in the Canberra community most in need, and describes how Canberra is reducing its reliance on fossil fuels.

The Government will provide regular updates to the ACT Legislative Assembly on Cost of Living, including the impact of *Weathering the Change: Action Plan 2* (Action Plan 2) and updates on progress of the Targeted Assistance Strategy.

Targeted Assistance Measures

The Assembly Resolution called on the ACT Government to implement targeted assistance measures to help Canberrans in need.

Response: Agreed

The ACT Government provides a range of targeted assistance measures and concessions to Canberrans to help them meet the everyday costs of living.

The ACT Government endeavours to assist those who need it most, and will review and refine the suite of measures and concessions provided over time.

Targeted Assistance Strategy

In April 2012, the ACT Government released its Targeted Assistance Strategy. This Strategy builds on the work already undertaken to support Canberrans facing financial pressures, particularly those who do not normally receive Government support.

Of the 34 recommendations put forward by the Panel, 18 have already been implemented (or are in the process of being implemented). A snapshot of the progress made to date is outlined below.

The Assistance Website

The ACT Government has introduced its Assistance website, which brings together information on a range of ACT and Commonwealth funded programs. The website has successfully provided a 'one stop shop' for people looking to find out what assistance and advice they may be eligible for.

No Interest Loan Scheme

The ACT Government has provided \$740,000 over four years to support community organisations to develop the skills and accreditation to deliver the No Interest Loan Scheme in the ACT. These loans help people who are unable to access mainstream credit, or would place themselves under considerable financial stress by accessing high interest rate finance, to purchase essential household items.

CARE Inc also now provides a new Financial Hardship No Interest Loan Program for individuals on low-to-middle incomes who find themselves unable to cope financially with changes in their circumstances. These schemes provide loans of up to \$1,200.

Extending Utility Concessions

The ACT Government provides an Energy Concession to eligible people with a Centrelink Health Care Card, Department of Veterans Affairs Pensioner Card or Department of Veterans Affairs Gold Card. The maximum annual rebate amount is \$322.10 in 2013-14 and covers both electricity and natural gas (a 10 per cent increase over 2012-13).

The Utility Concession provides an additional \$84.05 rebate to eligible concession card holders to minimise the cost of living (a 2.5 per cent increase from 2012-13). The rebate is added to the existing Energy Concession to offset the rise in basic utility costs, including water bills. The combined Energy/Utility Concession is \$406.15 in 2013-14.

Energy Efficiency Improvements Scheme

The ACT Government has introduced the Energy Efficiency Improvements Scheme, which requires energy retailers to reduce energy costs to households and small business. The Scheme also includes a low income household priority target, which ensures that low-income households will receive a significant proportion of the benefit.

Outreach Low Income Energy and Water Efficiency Program

The Outreach Energy and Water Efficiency Program assists low income households to improve the energy and water efficiency of their homes, reduce their energy and water consumption and contribute to reducing greenhouse gas emissions. The program provides access to a range of services depending on need, including home energy and water efficiency assessments, education, retrofits and replacement of inefficient essential appliances. During 2012-13, around 866 low income households received assistance under this program.

Medical Heating and Cooling Concessions

The ACT Government has implemented additional utility concessions for people who use heating/cooling medical equipment through the Life Support Rebate.

More than 600 Canberrans have benefited from the scheme, worth more than \$120 per year per individual.

Greater Investment in Public Dental Scheme

The ACT Government is providing greater assistance in the ACT's public dental system over the next two and a half years to reduce public dental waiting lists. This funding will enable almost 4,000 more ACT residents to get low-cost dental care.

The 2013-14 ACT Budget provided \$1.7 million for a fully equipped mobile dental care van to provide dental services to people who find it difficult to access dental care.

Back to School Support

The 2013-14 Budget increased the annual payment under the Secondary Bursary Scheme to \$750 to assist families with school related expenses.

Flexible Arrangements for Parking and traffic Infringements

Canberrans are now able to pay parking or traffic infringements by entering into fortnightly payments. This will assist people to retain their licence while paying off debt in small regular payments and not exacerbate financial hardship.

Future work

The ACT Government is currently looking at other elements of the Strategy with a view to progressive implementation of new initiatives designed to help those in the Canberra community most in need.

Taxation reform assistance

To assist households in the transition to a more efficient taxation system, as well as to support disadvantaged households more broadly, a number of concession schemes were provided in the 2012-13 Budget to improve housing affordability in the Territory.

The ACT Government continued to implement measures to improve housing affordability in the 2013-14 Budget, including changes to the First Home Owner Grant, the Home Buyer Concessions Scheme, the Land Rent Scheme and the Rates Rebate Scheme.

First Home Owner Grant

From 1 September 2013, the First Home Owner Grant will be retargeted to apply only to new and substantially renovated homes. The value of the grant will also be increased from \$7,000 to \$12,500.

The Home Buyer Concession Scheme

The Home Buyer Concession Scheme provides eligible purchasers of a concessional amount of conveyance duty. The Scheme has been further expanded to assist first home buyers in the Territory through an increase in the income eligibility test from \$150,000 to \$160,000. The property threshold for the full concession will also be increased. A full duty concession will be provided for properties valued at up to \$425,000, while a partial concession will be provided for properties valued at up to \$525,000.

Land Rent Scheme

The Land Rent Scheme gives a lessee the option of renting land through a land rent lease rather than purchasing the land to building a home. From 1 October 2013, the Scheme will be modified to provide improved access to housing for low to medium income households by retargeting the eligibility requirements regarding income, ownership and residency.

The criteria include:

- the total income of all lessees must be less than \$94,500;
- lessees cannot own any other property; and
- at least one of the lessees must reside in the property.

Rates Rebate Scheme

Property owners who receive a Centrelink or Department of Veterans' Affairs pension with entitlement to a Pensioner Concession Card, or a War Veteran's pension are eligible for the Rates Rebate. For 2013-14, the rebate increased from \$565 to \$622.

Other concessions

The ACT Government also provides a number of other concessions to eligible Canberrans. For example, concessions are available on electricity and gas, water and sewerage, motor

vehicle registration, drivers licences, ACTION bus fares, entrance to swimming pools, ACT Government venues, library fines and dog registration.

A number of health related concessions are provided, including low vision aids, spectacle subsidy scheme and the ambulance transport exemption. Education related concessions provided include the Government assisted transport scheme and the special needs transport scheme.

Concessions relating to home ownership are provided by the ACT Revenue Office and include: the General Rates/Fire and Emergency Services rebate, General Rates Deferral and the Pensioner Duty Concession Scheme.

Other concessions provided by the ACT Government include:

- ToiletSmart and ToiletSmart Plus;
- Short Term Registration Surcharge concession;
- Taxi Subsidy Scheme;
- ACT Equipment Subsidy Scheme;
- Artificial Limb Scheme;
- Home Enteral Nutrition;
- Home Haemodialysis Rebate;
- Life Support;
- Blood Supply Plan;
- Interstate Patient Travel Assistance Scheme;
- Funeral Assistance;
- Rental bond loan; and
- Free plant issue scheme.

ACT's Greenhouse Gas Targets and Reducing Fossil Fuels for Electricity and Transport

The Assembly Resolution called on the Assembly to reduce Canberra's reliance on increasingly expensive fossil fuels for electricity and transport.

Response: Agreed

The ACT Government has implemented a number of measures to reduce Canberra's reliance on fossil fuels for electricity and transport.

The promotion of a dynamic and equitable economy allows the Territory to place greater efforts upon environmental considerations. In Triple Bottom Line terms, the sustainability to the Territory is dependent upon a balanced consideration of social, economic and environmental objectives. In this perspective, ambitious microeconomic reform and a well constructed, targeted assistance program are complementary aspects of a higher level emphasis on the Territory's quality of life, which includes an emphasis on the natural environment.

As part of this broader commitment towards sustainability, the ACT has implemented the most ambitious greenhouse gas reduction targets of any jurisdiction in Australia. The *Climate Change and Greenhouse Gas Reduction Act 2010* includes targets to cut greenhouse gas emissions by 40 per cent by 2020, and 80 per cent by 2050, based on 1990 levels. The legislation also includes a commitment to zero net greenhouse gas emissions by 2060.

The ACT Government has released *Weathering the Change: Action Plan 2* (Action Plan 2). Action Plan 2 provides a strategic pathway for the ACT to achieve its 2020 emissions reduction targets.

Action Plan 2 identifies six main areas for targeted action:

- residential sector energy use;
- non-residential sector energy use;
- transport sector emissions;
- waste sector emissions; and
- energy supply sector emissions.

As a broad overview, the most significant approaches the Territory can undertake to reduce Canberra's reliance on increasingly expensive fossil fuels for electricity and transport will involve: reducing electricity and gas consumption through energy efficiency measures; promoting more sustainable forms of transport; and encouraging renewable electricity generation.

The ACT Government's most significant work in this space has included:

- establishing a retailer obligation energy efficiency scheme;
- implementing the Transport for Canberra 2012-2031; and

- investing in solar electricity generation through an innovative large-scale solar Feed-in Tariff auction scheme as well as a small-medium scale solar Feed-in Tariff scheme (which is now closed).

While the costs of renewable energy and the cost-savings from energy efficiency to 2020 are subject to variation, economic modelling undertaken as part of the development of Action Plan 2 outlines potential costs and savings of these initiatives. Based on the modelling, net savings have the potential to result from the pathway set out in Action Plan 2 at around \$30 per household from 2013 to 2017.

Energy Efficiency Improvement Scheme

The Energy Efficiency Improvement Scheme (EEIS) started on 1 January 2013. The EEIS sets a Territory wide energy savings target and includes obligations for ACT electricity retailers to meet an individual energy savings obligation.

As a result of the EEIS, ActewAGL has introduced a free energy efficiency program to provide ACT households with energy savings house calls to install products such as: standby power controllers; energy efficient light bulbs and draught stoppers. These types of low-cost products can involve extremely short payback periods, with ACT households benefiting immediately from lower household energy bills. The Government anticipates that as the EEIS continues and the targets are expanded in the future, ActewAGL will target other energy savings areas.

In April 2013, the Government released a Regulatory Impact Statement considering the extension of the EEIS to include small and medium ACT businesses. Modelling conducted as part of the Regulatory Impact Statement indicated that the EEIS would involve net present benefits for the ACT community in the order of \$42 million. Lifetime energy cost savings for ACT households was estimated to amount to around \$126 million.

While, electricity retailers will pass on the costs of implementing the scheme to customers, the EEIS will have a positive net economic impact on ACT households. The Environment and Sustainable Development Directorate estimates, based on ActewAGL's report of activities undertaken in the first quarter of the EEIS, that participating households will save over \$100 on electricity in the first year of implementation. It is expected approximately 30 per cent of these savings will occur in priority households due to the legislated requirement which requires 25 per cent of GHG savings to occur in priority households.

Transport for Canberra 2012-2031

The Government has prepared the Transport for Canberra plan to support a shift to more sustainable transport in the Territory. Transport for Canberra includes a strong focus on reducing traffic congestion and greenhouse gas emissions while increasing the number of people using active travel and public transport.

The ACT Government has announced the commencement of work to install real time passenger information infrastructure at bus stations and selected major bus stops around Canberra. This should be completed by December 2013. This will track ACTION buses and provide live information about arrival times for commuters.

Development of the Capital Metro project is the best transport choice for responding to projected population growth rates in the Gunghalin to City corridor and to providing Canberrans with more affordable and sustainable transport choices. On business as usual projections, over 14,000 extra people are projected to be living in the corridor by 2031 and 5,500 additional in the City itself. The number of jobs is also projected to significantly increase. These high rates of population and employment growth show why it is so important for Government to take the long term view on best transport solutions.

Development of Capital Metro will drive population and jobs growth beyond these normal business as usual projections – with light rail in place, population increase in the corridor is projected to be 78% and in the City 237%, meaning nearly 40,000 more people in the corridor by 2031 and nearly 8000 living in the city centre.

These figures demonstrate the potential of light rail to change the pattern of urban development and to enable a more compact city to be developed, with more people living close to jobs, community, cultural and retail facilities, and critically, close to better public transport services.

Light rail is the mode best placed to drive a fundamental change in the pattern of urban development and deliver a more sustainable city structure, to the benefit of all Canberrans.

The Government is undertaking a comprehensive review of Canberra's bus network with a focus on improving frequency and service delivery. This will involve a detailed analysis of transport use as well as examining feedback from the Canberra community. The proposed changes will be released for public consultation in the coming months.

Solar Auction and small-medium scale feed-in tariff

The ACT Government currently allocating the rights to a Feed-in Tariff for 40 Megawatts of large-scale solar generation capacity through an innovative reverse auction process. Under the reverse auction, the Government guarantees that successful bidders receive a Feed-in Tariff for their eligible electricity generation for 20 years. ActewAGL Distribution will pay the difference between the Feed-in Tariff and the wholesale cost of electricity and will pass the cost on to the ACT's electricity consumers. This difference is expected to decrease significantly over time as the wholesale cost of electricity increases.

In September 2012, the first stage of the large scale solar reverse auction delivered a highly competitive result, with a Feed-in Tariff of \$186 per Megawatt hour awarded to Fotowatio Renewable Ventures to construct a 20 Megawatt solar facility in the Territory. The Minister for the Environment and Sustainable Development has indicated that the facility will produce enough electricity to power 4,400 Canberra homes, at a maximum cost of 25 cents per week per household or \$13 per year which will significantly decrease over time. A further 20 Megawatts is currently being auctioned and the Government expects to make an announcement regarding the outcome of the auction in August. After this second round, the Government will conduct a review of the auction process. The release of any further

tranches of renewable generation will be subject to this review and a consideration of the expected impacts on ACT households.

Between 2009 and 2011, the ACT Government initiated another Feed-in Tariff scheme for small and medium sized solar generators up to a maximum capacity of 200 kilowatts. To date, the scheme has been responsible for around 24 Megawatts of new solar capacity being installed in the Territory with another 6 to 10 Megawatts of capacity supported by the scheme yet to be installed. In addition to this capacity, there has been a further 10 Megawatts of small to medium solar generating capacity installed in the ACT that has not been supported by the Feed-in Tariff scheme.

Costs and benefits of climate change measures

The Government has undertaken economic analysis on the potential costs and benefits of achieving the Territory's greenhouse gas targets. Independent cost benefit analysis has also been conducted for individual measures under Action Plan 2. This overall analysis has indicated that, while some options such as the promotion of renewable electricity could involve net financial costs in the short to medium term, other options such as energy efficiency and modal transport shifts are likely to deliver net benefits to the ACT community. All options should, however, deliver overall net benefits to the ACT community.

The ACT Government is mindful that some climate change measures proposed under Action Plan 2 may impose cost of living pressures on the community through impacts such as increases in the cost of energy. For that reason, implementation at each step of the way will be subject to annual cost of living reviews. The ACT Government expects that the first annual cost of living review will be completed and presented to the ACT Legislative Assembly by the end of 2013.