Budget Priorities Statement

Federal Budget 2019-20

February 2019

Who we are

ACOSS is the peak body of the community services and welfare sector and the national voice for the needs of people affected by poverty and inequality.

Our vision is for a fair, inclusive and sustainable Australia where all individuals and communities can participate in and benefit from social and economic life.

What we do

ACOSS leads and supports initiatives within the community services and welfare sector and acts as an independent non-party political voice.

By drawing on the direct experiences of people affected by poverty and inequality and the expertise of its diverse member base, ACOSS develops and promotes socially and economically responsible public policy and action by government, community and business.

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1 Executive Summary

This Federal Budget will be brought down in an election year, where it seems the main aim from Government will be a surplus. ACOSS has long supported efforts to responsibly return to surplus through good policy decisions, protecting people who have the least from spending cuts, and instead cutting back wasteful spending at the higher end, and tax breaks that are either unnecessary or leading to bad outcomes. We urge the Government to follow this path.

Now is not the time for more savage cuts to social security or essential services hitting people who are the most vulnerable. Now is also not the time for more tax cuts nor for pre-Election handouts to people who do not need financial help.

Australia continues to have a revenue challenge, and we cannot afford to further undermine the ability of future governments to meet both the urgent and future needs of the community as a whole. We need now to focus on essential expenditures that are long overdue to tackle poverty and disadvantage.

We need a Federal Budget which captures a clear vision and plan to reduce the most severe poverty, close the worst gaps in essential services, and guarantee affordable access to essential health and aged care services for an ageing population. At the same time, we need to restore the budget to make room for strong and timely intervention to ease the impact of a future economic downturn.

Even if a surplus is achieved, the Federal Budget position is unbalanced and unsustainable. Over $20 billion a year in annual tax cuts for high-income earners (the top 20% of taxpayers earning $90,000 or more) have already been handed out, to commence in 2023, regardless of the state of the economy in the meantime. At the same time, there are long-standing deficits in the resourcing of social security payments for those in the deepest poverty – especially people receiving unemployment payments and low-income families – and essential services such as social housing, dental health, aged care, First Nations, and community services, and domestic violence programs.

This submission proposes a rebalancing of the budget in favour of neglected services and people facing financial hardship and disadvantage, and away from wasteful schemes we cannot afford to continue such as the rebate for private health insurance and tax concessions for retirees who are already living comfortably.

After 25 years of inaction by successive governments, it is time to *Raise the Rate* of Newstart Allowance and related payments for single people and sole parents. People cannot properly feed themselves and their families and keep a roof over their heads on $40 a day.

Over the same period, the share of people receiving unemployment payments who are unemployed long-term (12 months of more) has grown from 40% to more than 60%.[1] This is due in large part to neglect of the employment services they need to secure a job, including wage subsidies to provide work experience in regular jobs, training to upgrade skills, and career counselling to help them find the right path to a right job. With average caseloads over 150, and rigid enforcement of unrealistic

[1] Labour market payments statistics.

activity requirements (such as applying for 20 jobs a month in regions with few jobs), the jobactive program is more a benefit compliance system than an employment service.

Housing policy settings have benefited relatively wealthy people who had the good fortune to enter the market decades ago, to the detriment of younger people and those with lower incomes who are locked out of secure and affordable housing. While average house prices fell by 4-5% over 2018, and a disorderly fall in home prices is in nobody's interest, it is worth recalling that average house prices rose by more than 400% over the last 25 years, and that so far prices have only declined (at most) to their 2016 levels.[2] This submission advocates tax reforms to discourage speculation in house prices during economic booms, together with $1 billion in direct public investment in social housing for low-income households and a new investment incentive for affordable rental housing.

For too long, Federal Budgets have been cutting away at essential services, including community services. Now is the Budget to restore funding to community services, again showing the discipline to target spending to essential areas.

As extreme weather events surround us, and people on low incomes are staggering under higher energy bills, now is also the time for a Budget that delivers on a package to help people on low incomes, and in rental properties to reduce their energy consumption and costs.

These reforms are needed and they are affordable, as long as poorly targeted and inefficient tax concessions and spending programs are wound back. We should all contribute to the extent of our ability to national efforts to eliminate poverty, achieve full employment, house everyone affordably, and guarantee essential services.

With a Federal Election only months away, it is tempting for Government to deliver a Budget that is designed for short-term political survival. This Government has a chance to show that it has learned from lessons past, and instead deliver a Budget that is focussed firmly only on additional spending and support for people and communities who need it most, and delivering a return to surplus by removing unnecessary corporate largesse and wasteful expenditures (including tax expenditures) particularly benefitting people on higher incomes.

Summary of major recommendations[3]

Major recommendations are listed in the table below. Note that not all recommendations are included here. More detailed information is provided in subsequent chapters. The cost and savings estimates are for the first year that the recommendations are fully implemented (generally 2020-21).

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[2] Aussie/CoreLogic (2018): "25 Years of Housing Trends" Available: https://www.aussie.com.au/content/dam/aussie/documents/home-loans/aussie_25_years_report.pdf

[3] Note that costings are annual costs in the first full year of implementation (in most but not all cases: 2020-21). Not all recommendations are costed as ACOSS does not have access to the modelling required in all cases. In some cases, all or part of proposed budget savings measures are allocated to other programs.

Table 1: Major recommendations

DESCRIPTION	COST/SAVING
Community Services	
Increase funding for community services to reverse cuts since the 2014 Budget, and respond to growing demand and rising costs.	Cost: $2,000 million
Extend at least two days a week of quality early childhood education and care to all children in the two years before school	Cost: $620 million
Extend and intensify early childhood services (including 30 hours a week of early childhood education and care) to Aboriginal and Torres Strait Islander children	Cost: not estimated
Employment	
Expand wage subsidies, training, employer engagement and career advice for people unemployed long-term, and introduce an independent employment services quality agency.	Cost: $500 million
Re-orient the employment services and benefits systems away from compliance with activity requirements towards positive help and agency for unemployed people.	
Replace the Community Development Program (CDP) with a community-led Remote Development and Employment Scheme.	Cost: not estimated
Social Security	
Raise the rate of Newstart, Youth Allowance and related payments for single people by a minimum of $75 per week and index these payments to wage movements.	Cost: $3,300 million
Increase Family Tax Benefit for older children and introduce a Single Parent Supplement.	Cost: $630 million
Establish a statutory Social Security Commission to advise government on payment levels.	Cost: $4 million[4]
Abolish the compulsory Cashless Debit Card and Income Management.	Saving: $70 million
Revenue	
Strengthen general budget revenue by cancelling post-2023 tax cuts and curbing the use of private trusts and companies to avoid personal income tax.	Saving: $2,900 million (plus $20,000 million in 2024-25)

[4] Not including establishment costs

DESCRIPTION	COST/SAVING
Guarantee funding for essential health, aged care and disability services by reducing tax concessions for relatively well-off retirees (including the non-taxation of superannuation fund earnings and refunding of excess dividend imputation credits) and strengthening the Medicare Levy.	Saving: $9,000 million
Reform the tax treatment of housing to discourage speculation and encourage new investment in social and affordable housing by halving Capital Gains Tax concessions and restricting negative gearing.	Saving: $900 million[5]
Introduce uniform taxation of alcoholic drinks, and a tax on sugary drinks.	Saving: $2,800 million[6]
Housing	
Boost direct investment in new social housing.	Cost: $1,000 million
Increase Rent Assistance by 30%	Cost: $800 million
Introduce a two-tier investment incentive for new affordable rental housing	Cost: not estimated[7]
Develop a new national Aboriginal and Torres Strait Islander housing strategy and renew the intergovernmental remote housing agreement.	Cost: $600 million
Health	
Progressively lift funding for the National Partnership Agreement on Dental Health to double the number of adults treated in five years.	Cost: $320 million
Climate and energy	
Reduce carbon emissions by at least 45% by 2030 (and zero by 2050) through policies that are credible, stable, scalable, low-cost, equitable, and protect vulnerable groups	Cost: not estimated
Phase out fossil fuel subsidies, beginning with abolition of fuel tax credits for off-road use, except agriculture	Saving: $2,000 million
Support the community sector to prepare for extreme weather events through risk assessments, monitoring vulnerable people, and service continuity plans.	Cost: not estimated
Work with the States to introduce mandatory energy efficiency standards for rental properties and develop a funding mechanism for solar technology for households with low-incomes.	Cost: not estimated

[5] This amount would be allocated to an investment incentive for affordable rental housing.

[6] This amount would be allocated to health promotion programs.

[7] Funded from savings from reduction in CGT concessions and negative gearing (see above).

2 Budget strategy

Behind the good news of a modest estimated budget surplus lies a serious fiscal challenge for the next government.

Public revenues, boosted temporarily by company tax from mining profits, will only grow in a sustained way once wages growth is restored and gaps in the tax base are closed, especially the effective exemption from income tax of 84% of individuals over 64 years old.[8]

Yet, over the coming decade, more will need to be spent to meet legitimate and growing demands in health, aged care and disability services; to repair holes in the social security safety net such as the poverty-inducing level of Newstart Allowance; and to ensure that people on low and modest incomes have access to affordable housing.

There is scope to improve the cost-effectiveness of some expenditure programs, for example by moving to a single-purchaser model of funding for public health services (rather than rely on subsidies for private insurance) and reassessing major defence procurement projects. Nevertheless, if we are to truly guarantee essential universal services such as health care and public education, stem the rapid growth in user charges for these services, and take effective action to reduce poverty, public expenditures will need to lift closer to OECD-average levels (we are currently the sixth lowest-spending OECD nation).[9]

At the same time, there is a strong case for at least balancing the budget over the business cycle, to make room for necessary stimulus in the event of an economic downturn and keep public debt levels modest and sustainable.

A modest lift in the share of Gross Domestic Product (GDP) collected in public revenue – again closer to OECD-average levels – will be needed to achieve all of these goals at the same time (we are currently the eighth-lowest taxing nation in the OECD).[10]

This is not the time to commit to large personal income tax cuts, especially considering that 60% of individual taxpayers are still paying less income tax than they would have paid under the tax scales in place 15 years ago before income taxes were cut for eight years in succession.[11] Those income tax cuts, more than any other factor, caused the large structural budget deficit that governments have since struggled to overcome.

Instead, as we propose in the Revenue chapter of this submission, gaps in the income tax base such as the non-taxation of superannuation fund earnings post-retirement and the use of private trusts by high-income earners to avoid tax, should be closed. Where appropriate, these revenue reforms should be linked to service guarantees on the expenditure side of the budget: for example, reform of the taxation of superannuation could be linked to service guarantees in health and aged care, easing anxiety among many retired people that they will not be able to afford those services as they grow older.

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[8] Grattan Institute (2015): ''Super tax targeting.''

[9] OECD (2018): Public expenditure data base.

[10] OECD (2018): Revenue Statistics

[11] Parliamentary Budget Office (2017): "Changes in average personal income tax rates: distributional impact, Report No 03/2017".

3 Community services

Australia's community sector is a vital part of society and the economy, working to alleviate poverty and disadvantage, reduce social and economic inequality, create opportunity and build a fairer country. The services, advocacy and support that our sector delivers make Australia a better place.

Our sector faces considerable funding and regulatory challenges that make it harder to achieve outcomes for the people and communities that we work with. Many of these challenges have accumulated over many years, and now present a series of unnecessary roadblocks to achieving the change we want to see for people experiencing poverty and disadvantage. Removing them would make a real difference to our sector's capacity to do our important work.

In addition, in the last five years the funding climate for essential and innovative community services has been one of chronic uncertainty. The combination of cuts, followed by partial reversals or freezes or the 'repackaging' of funding allocations have wrought havoc in critical areas of social infrastructure. Indexation has not been adequate to account for higher wage costs. Providers cannot plan for quality service delivery let alone innovate, when community sector workers are uncertain about their futures.

Policy proposals

Increase funding for community services to restore income lost to budget cuts and meet increased demand for assistance

Commonwealth funding for community services has for the last five years been marked by uncertainty, under-resourcing and cuts. Since 2013 we have seen billions of dollars cut from the programs and services that people in the greatest need rely on, cuts which have occurred in the context of growth in population and demand for services, and increases in the cost of providing them. The impact of this under-resourcing is being felt across the country: by those on the lowest incomes, people experiencing financial crisis or family breakdown, children at risk, vulnerable young people, new mothers and babies, people facing eviction and homelessness, carers in need of respite, those struggling with drug and alcohol addictions, and people with mental health problems or other serious health concerns.

RECOMMENDATION 1. Commonwealth funding for community services should be increased by $2 billion per annum in order to reverse the cuts seen since the 2014 Budget, respond to growth in population and increases in the cost of delivering services, and meet more of the demand for services, with a focus on the following:

- **Indigenous Advancement Strategy initiatives;**
- **Community Legal Centres;**
- **Family and Relationship Support Programs;**
- **Playgroup Programs;**
- **Domestic and Family Violence programs;**
- **Financial Counselling, Emergency Relief and Food Relief;**
- **Community Development, Diversity and Social Cohesion;**

- **Programs for migrants, refugees and asylum seekers;**
- **Homelessness programs;**
- **Volunteer Grants;**
- **Programs for older people;**
- **Representation of and advocacy for people with disability;**
- **Support for Carers;**
- **Community Mental Health Programs.**

Cost: $2,000 million [12]

Improve access to early childhood education and care

Early childhood education can have a significant positive impact on a child's development and future learning outcomes. Children who attend early childhood education for at least a year before starting school are half as likely to have developmental vulnerabilities when they start school as children who have not received early learning services. Despite significant strides in lifting enrolments of children in preschool programs in the year before school (four year olds), Australia lags in enrolment of three year olds, and is in the bottom third of countries ranked by the OECD (at 69%).

RECOMMENDATION 2. The government should commit to improving access to early childhood education and care so that:

1) **children have the right to at least two days per week of quality early childhood education and care, irrespective of their parents' workforce participation or other activity;**
2) **they have access to high-quality early education two years before school;**
3) **this is backed by long-term funding commitments.**

Cost: $620 million

Ensure equality for Aboriginal and Torres Strait Islander children in their early years

Aboriginal and Torres Strait Islander children are supported by their families, their communities and their culture. Despite this support, Aboriginal and Torres Strait Islander children continue to face challenges arising from colonisation and its effects. Achieving equality means we need to dismantle the systems that perpetuate the ongoing trauma experienced by Aboriginal and Torres Strait Islander children.

[12] As indicated, costings are annual costs in the first full year of implementation (in most but not all cases: 2020-21). Not all recommendations are costed as ACOSS does not have access to the modelling required. In some cases, all or part of proposed budget savings measures are allocated to other programs.

RECOMMENDATION 3. To improve access to early childhood services by Aboriginal and Torres Strait Islander children, the following steps should be taken in line with the *SNAICC and Energy Consumers Australia (ECA) position paper – Working Together to ensure Equality for Aboriginal and Torres Strait Islander Children*:

1) **Ensure Aboriginal and Torres Strait Islander three and four year olds have a minimum of three days per week of high-quality preschool with a bachelor-qualified teacher;**
2) **Separately to the universal service commitments in Recommendation 2, adjust the activity test within the Child Care Subsidy so that Aboriginal and Torres Strait Islander children can have up to 30 hours per week of subsidised early education and care, without parents having to meet work or study requirements;**
3) **Fund a targeted program to support evidence informed, culturally safe, and well integrated early childhood and family-focussed programs, across the nurturing care spectrum in early education and care services that work with high numbers of Aboriginal and Torres Strait Islander children.**

Apply fair and uniform indexation to all grants and contracts for community sector organisations.

The Commonwealth does not have a consistent or adequate approach to indexation of funding to community organisations. As a result, many community sector organisations have seen real cuts to the value of their funding. Unfunded shortfalls seriously impact on the sector's capacity to offer services to local communities. In real terms the indexation arrangements amount to a gradual reduction of Commonwealth funding against projected cost increases, which mainly comprise wages.

RECOMMENDATION 4. Indexation for community sector funding should be improved by:

1) **publishing the rate of indexation in the Budget Papers;**
2) **establishing the Wage Price Index (when greater than the Consumer Price Index for the same period) as the primary index for annual funding adjustments;**
3) **exempting community sector funding from the Efficiency Dividend.**

Cost: $350 million

Establish an Evaluator General to oversee the evaluation and monitoring of policy, programs and initiatives.

Ensuring that programs and initiatives delivered by government are effective is vital so that public money is invested well. Evaluations of programs undertaken by departments and agencies are of inconsistent quality; reports and data are not always promptly released; and there is a lack of coordination of effort to make use of data across government, and learn from evaluations in other portfolios. Rather than centralising all data and evaluations, the first step to improving this situation is to establish a central oversight agency to improve consistency and coordination in the evaluation of programs.

RECOMMENDATION 5. A high-level independent body should be established to oversee rigorous evaluation (quantitative and qualitative) of the impact of public policies, programs and initiatives with maximum input from people who use social services, and evaluations and data should be promptly released (subject to privacy rules).

Cost: $5 million

Increase funding to peaks and advocacy organisations to ensure marginalised voices are heard in public and policy debate

Public debate in Australia is heavily influenced by well-resourced interests. These powerful voices often dominate, and communities and groups affected by poverty, disadvantage and marginalisation can sometimes struggle to be heard. One of the most significant factors that affect a community or people's capacity to engage in effective advocacy is the resources available to it. Yet over the past five years we have seen significant funding cuts and defunding of organisations that represent or are focussed on Aboriginal and Torres Strait Islander peoples, young people, refugees and migrants, people experiencing homelessness or struggling in the housing market and other disadvantaged people and communities.

RECOMMENDATION 6. In order to ensure that everyone's voice is heard in our public debate, peak bodies and advocacy organisations representing people facing disadvantage should be adequately funded.

Cost: $5 million

4 Employment

While the official unemployment rate is close to the Reserve Bank's estimate of 'full employment' (5%), the labour market is still very tough for people with limited skills or paid work experience, especially those unemployed long-term.

For every job vacancy there are 17 applicants, including eight people who are unemployed or looking for more paid hours. Among people receiving Newstart Allowance, 30% have a disability, almost 50% are over 45 years of age, and about one in five have children in their care. Two thirds have received unemployment payments for over a year.

Yet our social security and employment services systems are designed on the assumption that finding employment is simple for those with the incentive to do so. People on unemployment payments are forced to apply for 20 jobs a month regardless of whether there are enough suitable jobs advertised.

The government spends less than half of the OECD average on employment services. As a result, the average caseload for jobactive employment consultants is 150, and the Employment Fund to pay for work experience, training and other support for people disadvantaged in the labour market amounts to just $850 to $1,200 to cover the entire unemployment spell, which could run for five years or more.

The purchasing model for jobactive hampers the collaboration among local service providers and partnerships with employers that are needed to get people over the line into paid work, who are deeply disadvantaged in employment or live in regions with high unemployment.

Policy proposals

Ensure employment services are fit for purpose and meet the needs of employers and people who are unemployed, including those most disadvantaged in the labour market

The government's expert panel on employment services found that jobactive and related employment services were not fit for purpose to assist people disadvantaged in the labour market to secure employment.[13]

RECOMMENDATION 7. In the next employment services system that replaces *jobactive*, both the quality and quantity of public investment in employment assistance for people unemployed long-term and those at risk should be improved by:

1) **an increased Employment Fund for investment in help such as wage subsidies and training, topped up annually for each unemployed person;**
2) **replacing Work for the Dole and Youth Jobs Path with a scheme providing appropriately-paid work experience and training in regular jobs;**

[13] Employment Services Expert Panel (2018), "I want to work", Australian government, Canberra.

3) **offering a career counselling service (with training and related supports such as child care) for new entrants to the paid workforce, parents and carers returning to it after a prolonged period, and older workers who need to refresh their skills;**
4) **lifting restrictions on education and vocational training courses for recipients of unemployment payments and encourage and support employment service providers to invest in training that improves their chances of employment over the medium term (2-3 years);**
5) **establishing and properly resourcing schemes to support local partnerships among employment services, employers, training organisations, and community and health services, to assist the minority of unemployed people facing entrenched labour market disadvantage (including those living in regions with very high unemployment);**
6) **redesigning the purchasing system for employment services to give providers sufficient stability of funding to hire suitable staff, reduce caseloads, and invest in people who are disadvantaged in the labour market, while ensuring they have the right incentives to achieve results for them;**
7) **establishing an independent statutory employment services quality agency with power to issue and revoke licenses to practice, and a remit to monitor and improve service standards, respond to user complaints, and encourage and share best practice.**

Cost: $500 million [14]

Reform benefit compliance systems and promote and support agency

Jobactive operates as a benefit compliance system rather than an employment services system. This has led to widespread anxiety among participants, without significantly improving their employment prospects. This is confirmed by an online survey of jobactive participants undertaken by ACOSS in late 2018.[15]

RECOMMENDATION 8. The employment services system should be re-oriented away from compliance with activity requirements towards positive help and agency for unemployed people, by:

1) **restoring the role of Centrelink in assessing compliance with activity requirements, including the first 5 'breaches';**
2) **restoring discretion for employment services to excuse (not report) breaches, and Centrelink to waive penalties where appropriate;**
3) **reviewing the appropriateness of activity requirements for people with caring roles, disabilities, and other major barriers to employment (for example, referrals to shift-**

[14] This would reduce by half the gap between Australian expenditure on employment assistance and the OECD average. The OECD proposes that Australia lift its spending in this area by half (OECD 2018, Economic Outlook Australia).

[15] ACOSS (2018): "Voices of Unemployment". Available: https://www.acoss.org.au/wp-content/uploads/2018/10/Voices-of-Unemployment_October-2018_web.pdf

work jobs and appointments on school holidays for sole parents; Parents Next requirements commencing when the youngest child is just 6 months old);

4) **reducing default job search requirements (below 20 job searches a month) for people facing higher than average barriers to employment (including principal carers, people with partial work capacity, older people, and people in regions with high unemployment);**
5) **removing requirements to work for benefits (*Work for the Dole*), and social requirements attached to benefits (including children's attendance at playgroups or school, and drug treatment);**
6) **restoring default hours for compulsory annual activities for unemployed people to 15 hours a week, instead of the current 25 hours.**

Replace the CDP with a community-led Remote Development and Employment Scheme

The CDP is generating widespread financial hardship in remote Aboriginal and Torres Strait Islander communities instead of improving people's prospects of properly-paid employment.

RECOMMENDATION 9. The CDP should be replaced by a new Remote Development and Employment Scheme, in which activity requirements are no greater than for the general population receiving unemployment payments.

More detail on our proposals to *reform employment services*, including the case for reform, is provided at: https://www.acoss.org.au/wp-content/uploads/2018/08/ACOSS_submission-on-future-employment-services_FINAL.pdf

5 Social security

Seven in ten of us will live in a household that receives social security at some stage of our lives. Our social security system is one of the most important pieces of civic infrastructure we have. Without it, there would be widespread destitution, hunger, and sickness. Our social security system should therefore be a source of great pride, given its role in our society. However, in recent years, the safety net has been systemically weakened through social security cuts that have hurt those on the lowest incomes, an increase in conditionality tied to payments, and unfair criticism of social security recipients which implies people receiving social security are deficient in some way.

Below we outline measures designed to strengthen our social security system to ensure it best achieves its goal of preventing poverty and deprivation. These measures aim to put the dignity of people first and facilitate access to the system for all who need it.

Policy proposals

Reduce poverty for 900,000 people on allowances

The biggest risk of living in poverty in Australia is to receive Newstart, Youth Allowance or another allowance as the sole source of income. These payments have not been increased in real terms in 25 years and trap people in poverty. They must be raised as a matter of urgency.

RECOMMENDATION 10. Raise the rate of Newstart, Youth Allowance and related payments for single people by a minimum of $75 per week, and index these payments to wages. The immediate increase should apply to:

- **Newstart Allowance (including the single parent rate)**
- **Youth Allowance (both away from home rates for student/apprentice and Other)**
- **Austudy**
- **Abstudy**
- **Sickness Allowance**
- **Special Benefit**
- **Widow Allowance**
- **Crisis Payment**

Cost: $3,300 million [16]

Reduce child poverty by establishing a Single Parent Supplement

More than one in six children live in poverty, with children in single parent families at highest risk of living in a household that cannot afford the essentials. Government policy changes have reduced the incomes of single parent families, which has led to an increase in child poverty. We need to lift

[16] The cost of this policy would be offset by significant economic benefits and increased tax revenue, reducing the net cost to less than $1.5 billion per annum by 2028/29 - Deloitte Access Economics (2018) 'Analysis of the impact of raising benefit rates' September, https://www.acoss.org.au/wp-content/uploads/2018/09/DAE-Analysis-of-the-impact-of-raising-benefit-rates-FINAL-4-September-...-1.pdf

payments for these families and improve access to regular, secure employment to ensure no child lives in poverty in Australia. Priority should be given to payments to compensate for the extra costs of raising a child alone, and payments for older children (who are more expensive to raise).

RECOMMENDATION 11. To reduce child poverty:

1) **Family Tax Benefits should be benchmarked to the costs of children as they grow older.**
2) **Family Tax Benefit Part B should be replaced with a Single Parent Supplement for single parent families, reflecting the diseconomies of scale experienced by single parents.**
3) **As a starting point, the Supplement should be set at a level that brings single parent families with children in the middle and teenage years at least up to the same income level as families with children under 8 years (currently receiving Parenting Payment Single), in conjunction with proposed increases in unemployment payments.**

Cost: $630 million

Let's get social security right - establish a Social Security Commission

The setting of social security payment rates has largely been a political process. An independent body to advise the parliament on the setting of payment rates and payment settings would enable a fairer approach to social security design.

RECOMMENDATION 12. A statutory Social Security Commission would provide independent expert advice to the Parliament about the setting of social security payment rates (including family payments), covering adequacy, means test settings and indexation.

Cost: $4 million[17]

Abolish compulsory Cashless Debit Card and Income Management

Around 25,000 people across the country are subjected to the ''quarantining'' of their social security payment (controls over their spending) largely because of where they live, the type of payment they receive and, for some, the length of time they have received their payment. There is no reliable evidence that this kind of intervention improves people's lives. Government must conduct genuine engagement with people subjected to cashless debit and income management about how to best address problems affecting them and their communities.

RECOMMENDATION 13. Compulsory income quarantining should cease, with participants given the option to continue cashless debit or income management arrangements on a voluntary basis or leave the schemes.

Saving: $70 million

[17] Estimated establishment cost in 2019-20 is $7 million.

People who are unemployed should have more ability to supplement income with private earnings

Unlike students and pensioners, people receiving Newstart and Youth Allowance (Other) start to lose payment after earning relatively small amounts of income. Not only does this reduce the benefit of getting some paid work, it increases the risks of social security debt. Reporting income accurately each fortnight is difficult, especially when working in casual employment because often people need to make an estimate how much they will earn. A more flexible ''income bank'' would reduce the risk of accruing debt and allow people who are unemployed to keep more of their income.

RECOMMENDATION 14. The working credit scheme for Newstart and Youth Allowance (Other) recipients should be replaced with a $4,000 income bank that accrues from the day they start receiving the allowance. The income bank would reach the full amount after six months if the person has been without work.

Cost: $320 million

Strengthen the capacity of Centrelink to meet need

Centrelink plays a critical role in millions of people's lives. It must be adequately staffed and operate in the best interests of all who access payments or access payments in the future. Instead of obstructing access to income support (for example, through the highly visible presence of police outside Centrelink offices and lengthy wait times on inquiry lines), Centrelink should be designed and resourced to encourage people to seek the help they need.

RECOMMENDATION 15. Centrelink funding should be increased to:

1) **expand permanent staff and reduce reliance on contractors and call centres;**
2) **establish robust user advisory bodies;**
3) **establish a Centrelink Domestic Violence line to improve access to domestic violence-related supports and payments; and**
4) **Australian Federal Police should no longer play a role in ''Taskforce Integrity''.**

6 Revenue

Australia is the eighth-lowest taxing country among 39 OECD nations (at 39.4% of GDP), ahead of only Mexico, Chile, the Czech Republic, Ireland, the United States, Switzerland and Korea.[18]

While the government predicts a small surplus in its budget for 2019-20, pressures on the budget will build as the cost of providing the essential services we expect – especially health, aged care and disability services, is expected to be $21 billion higher per year in a decade's time. This is before necessary action is taken to close gaps in our social security system and essential services, including poverty and unemployment among people relying on our lowest social security payments, access to dental and mental health services, and affordable housing (see social security, health and housing chapters).

In the face of these budget pressures, and despite the fact that 60% of taxpayers are still paying less than they would have in the early 2000s before eight annual tax cuts were given, regressive income tax cuts costing at least $20 billion per years by 2024 have been legislated.

At the same time, major gaps in the income tax system that enable people with high incomes to avoid contributing their fair share remain in place, including:

- over-generous tax breaks for superannuation post-retirement, which, along with tax offsets for older people, exempt 84% of people over 64 years from income tax;
- gaps in the Medicare Levy;
- the use of private trusts and companies to avoid tax; and
- negative gearing and the 50% Capital Gains Tax 'discount'.

Policy proposals

To improve fairness in the tax system and ease future pressures on the budget, tax cuts legislated to commence from 2023 should be removed and personal tax shelters closed:

Despite future pressures on the budget, regressive ('Stage 2 and 3') income tax cuts costing at least $20 billion per year by 2024 have been legislated. These tax cuts mainly benefit the top 20% of taxpayers earning $90,000 or more (who will gain at least $160 a week). The top 3% of taxpayers with $200,000 or more will gain $227 a week.

High-income earners with 'smart' advice can readily avoid paying income tax at their proper marginal rate, and often pay at a lower marginal rate than the average worker. Tax shelters used for this purpose include private trusts and companies, fringe benefits, and 'luxury' work related deductions.

RECOMMENDATION 16. To strengthen the progressive personal income tax base and revenue for essential services:

[18] OECD (2017): 'Revenue Statistics. Public revenue from all levels of government. In 2015.

1) **The personal income tax cuts legislated to be introduced from July 2022 should be withdrawn, and the savings devoted to essential services. (Saving: $20,000 million in 2024-25).**
2) **Any new tax cuts should be funded by closing income tax shelters and loopholes (including excessive work-related deductions and tax breaks for company cars).**
3) **Tax avoidance and evasion by high-wealth individuals using private trusts should be curbed by:**
   - **tightening of the tax treatment of capital gains within discretionary trusts; (Saving: $1,500 million)**
   - **a public register of express trusts, including settlors, trustees, beneficiaries, and annual income and expenditure (where the trustee makes a family trust election, details of beneficiaries could be held confidentially by the Australian Taxation Office (ATO)).**
4) **The use of private companies to shelter personal income, especially passive investment income, should be curbed. (Saving: $1,400 million).**

To properly fund essential health, aged care and disability services for an ageing population, tax concessions for relatively well-off retirees should be reduced and the Medicare Levy strengthened.

Due to the over-generous tax treatment of superannuation, and other special tax breaks for older people, only 16% of people over 64 years pays income tax, despite the fact that this cohort is now the wealthiest of all age groups (with average net wealth of $1.3 million of which half is from their home).[19] As more people retire, tax revenues will fall while the cost of the health and aged care they need will rise.

Superannuation fund earnings and benefits after retirement are tax free, and the tax free threshold for all *other* income of a retired couple is almost $60,000. Tax concessions for superannuation now cost more each year ($40 billion in 2017-18) than the Age Pension.[20] At the same time, retired people are rightly concerned that will be not be able to afford nursing home deposits and essential medical services when they grow old. This is neither fair nor sustainable.

In addition, the Medicare Levy should be strengthened so that high-income earners cannot use tax shelters to avoid paying it.

RECOMMENDATION 17. Affordable access to essential health, aged care and disability services should be guaranteed, and this should be funded by the following tax reforms:

1) **extending the 15% tax on fund earnings in the accumulation phase of superannuation to the pension phase; (Saving: $1,500 million)**
2) **removing refunds for dividend imputation credits above a fixed annual level (for example, $2,000); (Saving: $5,600 million)**

[19] ACOSS and UNSW Sydney (2018): "Inequality in Australia"; Grattan Institute (2015): ''Super tax targeting.''

[20] Treasury (2018): ''Tax Expenditures Statement.''

3) **curbing the use of 're-investment strategies' to avoid taxation of income from superannuation and the diversion of assets to super to avoid Capital Gains Tax**
4) **replacing existing complex and inequitable tax concessions for superannuation contributions (the 15% and 30% flat taxes on employer contributions, deductions for personal contributions, the rebate for spouse contributions, concessions for 'catch-up contributions' and deductions for saving for a first home) with a simpler and fairer two-tier rebate (with rates of 100% and 20%) based on the principle that all should receive the same tax benefit per dollar contributed[21]**
5) **limiting the Seniors and Pensioners Tax Offset (SAPTO) to pensioners, and redesigning it to exempt from tax the Age Pension plus income within the 'free area' of the pension income test; (Saving: $700 million)**
6) **broadening the income definition for the Medicare Levy to that applying to the Medicare Levy Surcharge, and removing the exemption for the Medicare high-income surcharge for individuals with private health insurance. (Saving: $1,200 million)**

RECOMMENDATION 18. Any increase in the Superannuation Guarantee should only be considered on the basis that:

1) **the tax treatment of superannuation contributions is fair and sustainable;**
2) **people with low and modest incomes benefit (taking into account the effect on their lifetime incomes);**
3) **people have reasonable access to part of their superannuation savings for purposes other than retirement, when needed.**

Tax reform to make housing more affordable

One of the main reasons that Australia recently recorded the highest housing costs in the OECD is that our tax system favours property speculation. Negative gearing, together with the generous tax breaks for capital gains (only 50% of gains are taxed in the hands of individual taxpayers), encourage people to go heavily into debt to ''bet'' on property prices, driving up home prices and household debt. A better way to support new housing construction (including by institutional investors who do not benefit from negative gearing) is to introduce a direct incentive for construction of new dwellings rented at below-market rates and for social housing.[22]

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[21] As in the present system, deductable contributions should be capped. People with income below the tax free threshold should receive the rebate as a tax credit or co-contribution. In addition, a modest level of contributions (for example $500 a year) should attract a dollar-for-dollar tax credit or co-contribution to boost superannuation savings of people with low incomes.

[22] This is detailed in the Housing chapter.

RECOMMENDATION 19. As part of a comprehensive national affordable housing strategy, the tax treatment of housing should be reformed to discourage speculation in asset prices and directly encourage new investment social and affordable housing by institutions and individuals, by:

1) **introducing a two-tier rental housing investment incentive to encourage investment in affordable and social housing by individuals and institutions (as detailed in R23);**
2) **progressively reducing the 50% discount for personal taxes on capital gains to 25% (without grand-fathering), over a five year period; (Saving: $300 million);**
3) **quarantining losses from passive investment in assets yielding capital gains (such as property and shares, including newly-constructed housing) to income from that class of assets (that is, disallow 'negative gearing'); (Saving: $600 million);**
4) **grand-fathering existing 'negatively geared' assets, subject to anti-avoidance tests to prevent the owners from prolonging investment 'losses' by re-financing;**
5) **encouraging State and Territory governments to progressively replace housing Stamp Duties with a broad-based Land Tax (including owner-occupied housing), with deferred payment arrangements for people with low incomes.**

Reduce harms from overuse of alcohol and sugary drinks

Taxes can be used to meet social objectives, as with alcohol and tobacco excise. There are two major gaps in our tax treatment of products that are harmful to health: sugary drinks are lightly taxed, and alcohol is inconsistently taxed (with cheap wines and ciders taxed at lower rates than other drinks). Reforming the tax treatment of these products would discourage over-consumption and bring in revenue to improve public health.

RECOMMENDATION 20. To discourage over-consumption of alcohol and sugary drinks:

1) **Taxation of alcoholic drinks by alcohol content and volume should be uniform, lifting tax rates on cheaper wines and ciders. (Saving: $2,300 million)**
2) **A tax on water-based sugary drinks should be introduced. (Saving: $500 million)**
3) **Revenue from the above should be earmarked to health promotion and illness prevention programs.**

More detail on ACOSS' public revenue policies is available at:

- **Income tax cuts:** https://www.acoss.org.au/wp-content/uploads/2018/05/ACOSS-submission-to-Personal-Income-Tax-Plan-Bill-2018.pdf
- **Medicare Levy:** https://www.acoss.org.au/wp-content/uploads/2017/09/ACOSS_medicare-levy-FINAL.pdf
- **Housing:** https://www.acoss.org.au/wp-content/uploads/2016/04/Fuel_on_the_fire_ACOSS.pdf
- **Superannuation and retirement incomes:** https://www.acoss.org.au/wp-content/uploads/2015/08/ACOSS-submission-to-retirement-incomes-review_Tax-Talks-4_Final.pdf
- **Trusts:** https://www.acoss.org.au/ending-tax-avoidance-evasion-and-money-laundering-through-private-trusts/

7 Housing and homelessness

High housing costs are a major source of financial stress, especially for private tenants on the lowest 20% of incomes, with four out of five paying more than 30% of their income in rent. Housing costs are also the main cause of Australia's dangerously high household debt levels, with average house prices 4-5 times average annual household earnings.[23]

Australia has a severe shortfall of social and affordable housing, including a shortage of over 500,000 rental dwellings that are affordable and available to the lowest income households.[24] A legacy of underinvestment remains, as does the absence of an overarching national strategy.

The government should prioritise developing a national affordable housing strategy in dialogue with other governments and stakeholders which boosts funding for capital growth under the new affordable housing agreement, reforms housing taxation (capital gains and negative gearing and land tax, as proposed in the Revenue chapter), incentivises private sector investment in affordable rental housing, and improves financial support to low-income renters.

The government must also develop a new **r**emote housing funding agreement for Aboriginal and Torres Strait Islander people with costs shared equally between State/Territory parties. This should be complemented by a national urban, rural, regional and remote Aboriginal and Torres Strait Islander strategy with funds in the new national housing agreement earmarked to support the growth of Indigenous Community Housing Organisations.

Policy proposals

Substantially lift direct investment in new social housing which meets accessibility and energy efficiency standards.

Social housing has declined as a share of all households from 6.2% in 1991 to 4.9% in 2016.[25] Waiting lists stand around 187,000 households.[26] This equates to the national shortage of 187,000 dwellings affordable for low-income households renting privately.[27]

RECOMMENDATION 21. Additional capital funding should be provided to State and Territory governments to increase the supply of social housing for people on low incomes, with the fund growing to $10 billion over 10 years.

Cost: $1,000 million

[23] Ryan Fox and Richard Finlay (2012): Dwelling prices and household income, Reserve Bank of Australia Bulletin, December Quarter 2012

[24] National Housing Supply Council (2013): Housing supply and affordability issues 2012-13

[25] Data from the Australian Institute of Health and Welfare, the Productivity Commission's Report on Government Services (ROGS) and the Australian Bureau of Statistics.

[26] Council of Federal Financial Relations (2016): Affordable Housing Working Group: Issues Paper

[27] Hulse, K., Reynolds, M. and Yates, J (2014): Changes in the supply of affordable housing in the private rental sector for lower income households, 2006–2011, Final Report No 235, AHURI, Melbourne

Improve Rent Assistance to relieve rental stress for renters in the private market.

Rent Assistance provides important assistance to low-income residents of private housing but has failed to keep pace with steep increases in rents.

> **RECOMMENDATION 22. The rate and indexation of Rent Assistance should be reviewed to ensure that it best meets the needs of people who are on low incomes. As a first step, the maximum rate should be increased by 30% (approximately $20 per week) for low-income households currently receiving the maximum rate.**
>
> **Cost: $800 million**

Introduce a new rental investment incentive to stimulate investment in affordable rental housing and replace negative gearing arrangements for housing.

A new rental investment incentive scheme for affordable housing is needed to replace the discontinued National Rental Affordability Scheme, and to complement the National Housing Finance Investment Corporation, Bond Aggregator and Housing Infrastructure Facility by bridging the finance gap for potential investors in housing with below-market rents. It is vital that this includes a higher subsidy for social housing, given the very limited financial capacity of most social housing tenants (who generally pay rent of 25% of their income).

This should replace the existing negative gearing 'subsidy' for new dwellings, which is not justified on tax policy grounds and is an inefficient way to encourage investment as it privileges debt financing and individual investors over the institutional investment the rental housing sector needs (see Revenue chapter). Consideration should also be given to simplifying the overall system of tax rebates for residential rental properties by replacing the Building Works Allowance with a third (lower) tier of the proposed rental investment incentive described below.[28]

> **RECOMMENDATION 23.**
>
> 1) **As part of the proposed wider reforms of the taxation of housing proposed in R19, a two-tier rental housing investment incentive should be paid as a direct subsidy or tax credit to investors in new affordable rental dwellings (where rents are held at least 20% below market levels for at least 10 years) (Tier 2), with a larger subsidy for investment in social housing for people with low incomes (Tier 1).**
> 2) **This more efficient and better targeted investment incentive would replace negative gearing arrangements for new residential property investments.**
>
> **Cost: Funded using savings from reform of Capital Gains Tax and negative gearing** [29]

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[28] While in principle the Building Works Allowance is no different to depreciation allowances for other investments in depreciating assets, the value of the building combined with that of the land on which it sits generally rises over time.

[29] See Revenue chapter.

Develop a new national Aboriginal and Torres Strait Islander housing strategy for urban, rural, regional and remote areas

Since 2009, there has been no dedicated Commonwealth funding for Aboriginal and Torres Strait Islander housing supply outside of remote areas and services have increasingly been mainstreamed, in a context of little or no overall growth. This is despite the benefits of culturally appropriate housing for Aboriginal people around the country and the large Aboriginal populations in urban centres.

Earmarked funding for Indigenous Community Housing Organisations (ICHOs) under the National Housing and Homelessness Agreement would support the viability of ICHOs as an alternative to mainstream providers, and support their capacity to take advantage of new financing options such as the Bond Aggregator.

RECOMMENDATION 24. A new national Aboriginal and Torres Strait Islander housing strategy should be developed with a 10% boost to funding under the National Housing and Homelessness Agreement earmarked to build capacity for ICHOs.

Cost: $150 million

Develop a new intergovernmental remote housing agreement.

The National Partnership on Remote Indigenous Housing expired in June 2018, and has not been replaced leaving a critical funding gap affecting Australia's most disadvantaged communities.

RECOMMENDATION 25. A new remote housing funding agreement should be negotiated between the Commonwealth and State and Territory governments, with finding shared equally between the parties.

Cost: $450 million [30]

[30] This is the Commonwealth contribution. Total funding would be $900 million per annum

8 Health

Health is one of the largest and fastest-growing areas of expenditure growth in the Commonwealth budget, as is appropriate in a wealthy nation. Expenditure growth is largely due to the costs associated with preventable chronic diseases, population ageing and health technology and its consequential increased spending on health and other services, including aged care.[31]

Although Australia's health system is based on a model of universal healthcare, people on low incomes or living in disadvantaged or isolated communities have difficulty obtaining services that are readily available to other Australians. These include general medical and oral health care as well as specialist care. In addition, people on low incomes often find it difficult to balance the costs of prescriptions, medical appointments and health maintenance, with other household expenses.

No wealthy OECD country has found the 'magic bullet' to stop the public health share of GDP from rising. Therefore reform of health programs should be focussed not on cutting expenditure, but on a far better distribution of that expenditure, to ensure it achieves value for money in an effective, accessible and affordable health system.

Policy proposals

Increase funding for communicable and non-communicable preventive health

Too much of our public health spend is directed towards tertiary or hospital services, with inadequate investment in preventive health initiatives. We fail to prevent a whole range of conditions (including chronic disease and preventable communicable diseases) that significantly inhibit people's health and wellbeing, while also placing an unsustainable burden on our health system. [32]

RECOMMENDATION 26. Investment in preventive health care and support for people to adopt healthier lifestyles should be increased.

Cost: $150 million

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[31] Productivity Commission (2013): "Ageing Population Preparing for the Future"; AIHW (2014): "Australia's Health 2014"; "Reform of the Federation Issues Paper Number 3, Roles and Responsibilities in Health"

[32] For a strong rationale for preventive services, see for example Australian Government (2010): Taking preventative action: a response to 'Australia: the healthiest country by 2020', Commonwealth of Australia, Canberra.

Increase investment in affordable, accessible dental care

The Australian Institute of Health and Welfare found that people already pay 60% of the total spend on dental care through out-of-pocket costs.[33] For people on low incomes, this is unaffordable and many go without much needed dental treatment. Former Minister Ley has acknowledged that 63,000 people are hospitalised each year for preventable and treatable oral health conditions.[34] The lack of public dental care not only incurs a cost in our broader health system; it impacts on people's ability to live their lives, including to eat well, undertake paid employment, and participate in their communities.

RECOMMENDATION 27. Funding for the National Partnership Agreement on Dental Health should be lifted progressively in partnership with the States, so that the number of adults treated within five years is doubled.

Cost: $320 million

Abolish the Private Health Insurance (PHI) Rebate, with half the savings redirected to public health programs

Despite being a significant component of health expenditure, the PHI rebate has failed in its promise to take pressure off public hospitals by increasing use of private health insurance. Abolition of the PHI rebate could save a net $3.5 billion[35], with total savings of $6 billion offset to a degree by an anticipated increase in demand for public hospital services should the rebate be abolished.[36]

RECOMMENDATION 28. The Private Health Insurance Rebate should be abolished and savings redirected into the public health system with full transparency as to how these funds are spent.

Saving: $3,500 million

Abolish the Extended Medicare Safety Net, with savings redirected to public health services

ACOSS remains concerned by the lack of attention being paid to rising out-of-pocket costs for healthcare consumers and the impact this has on access to services for people on low incomes who are more likely to experience poor health.

By encouraging specialists to lift their fees, the Extended Medicare Safety Net (EMSN) is more likely to inflate medical costs than to reduce them for most patients. [37] An independent review of the

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[33] AIHW: Chrisopoulos S, Harford JE & Ellershaw A (2016): Oral health and dental care in Australia: key facts and figures 2015 Cat. no. DEN 229. Canberra: AIHW. p.vii

[34] Ley, S (2016): Turnbull Government to double public dental investment Media Release, 23 April.

[35] Commonwealth of Australia (2016): Budget Paper 1 pp: 5-12.

[36] Grattan Institute (2013): Balancing Budgets: tough choices we need

[37] The EMSN provides an additional rebate for people who incur out-of-pocket costs for Medicare eligible out-of-hospital services. Once the relevant annual threshold of out-of-pocket costs has been met, Medicare will pay for 80% of any future

EMSN showed that less than 4 per cent of EMSN benefits go to the most socioeconomically disadvantaged 20 per cent of the population.[38] This is because they struggle to afford the gap fees that enable them to reach the EMSN thresholds. While EMSN benefit caps were set on all consultations as part of the 2012-13 budget, ACOSS is concerned by the lack of public data to assess whether this has reduced the costs (or reduced growth in costs) of specialist and allied health services and led to a more equitable distribution of EMSN benefits across the income distribution.

In addition to abolishing the EMSN, more fundamental reform is needed including greater transparency for consumers on the outpatient fees charged by specialists and out-of-pocket costs to patients.

RECOMMENDATION 29. The EMSN should be abolished and savings directed to public hospitals and community based health services.

Saving: $500 million

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out-of-pocket costs for out-of-hospital Medicare services for the remainder of the calendar year. From 1 January 2017 the annual EMSN thresholds are:

- $656.30 for Commonwealth concession cardholders
- $2,056.30 for all other singles and families [Department of Health (2016), Medicare Safety Net Arrangements, 1 January 2017, Australian Government).

[38] CHERE (2011): ''Extended Medicare Safety Net Review of Capping Arrangements.'' Centre for Health Economics Research and Evaluation, University of Technology Sydney.

9 Climate and Energy

Australia's poorly-managed transition to clean energy is deeply concerning. To limit the impacts of dangerous climate change the world and Australia needs to rapidly reduce its emissions. This can, and should, be achieved in a low-cost, equitable and inclusive manner, to make sure that people on low incomes or experiencing disadvantage are not left worse off. While there are likely to be some costs as we transition to a clean economy, these costs increase the longer we delay that necessary shift. Where there are costs, those most at risk of disadvantage must be supported, including those on low incomes.

The energy sector is Australia's largest single emitter of greenhouse gases and must be a key part of Australia's contribution to limit global warming. It also has better access to affordable clean technology than many other sectors, so it can and should transition faster.[39] This must be done in an affordable and equitable way. Skyrocketing electricity prices, inequitable clean energy policies, and uneven distribution of distributive energy such as household solar and batteries, means low-income households are struggling to heat and cool their homes. They pay disproportionately more of their income on energy bills compared to other households, and lack choice and control over their energy use. Energy affordability and equity measures are needed to relieve financial stress and support the rapid transition to cleaner energy.

Even if we rapidly reduce emissions, the world has already locked in significant levels of pollution so that sea levels will continue to rise, oceans will acidify, and extreme weather events such as heatwaves, fires, floods and storms will become more common. Policies are needed to build resilience and reduce the impact of climate change on people experiencing poverty and disadvantage to reduce their vulnerability to climate change.

Policy proposals

Set emissions reduction targets in line with Paris Agreement to limit global warming to 1.5^{0}C.

Australia has committed to achieving the Paris Agreement goal to limit global temperate increases to well below 2 degrees Celsius and to aim to keep them below 1.5 degrees. As a relatively wealthy nation with high per-capita carbon emissions, we have a responsibility to lead by responding more rapidly than other countries. Australia is not on track to meet this goal. Failure to contribute is putting at risk the environment, and threatening people's homes, livelihoods, health, quality of life, employment and increases risks and burdens for future generations.

[39] Department of Environment and Energy (2018) *Quarterly Update of Australia's National Greenhouse Gas Inventory: June 2018* http://www.environment.gov.au/system/files/resources/e2b0a880-74b9-436b-9ddd-941a74d81fad/files/nggi-quarterly-update-june-2018.pdf

RECOMMENDATION 30. The Australian government should:

1) **set a long-term domestic emissions reduction targets to achieve zero net emissions before 2050 and short-term emissions reduction targets of at least 45% by 2030;**
2) **prioritise the energy sector for faster, early emissions reductions;**
3) **ensure the target-setting process is consistent with the Paris Agreement by:**
    - **including a no-backsliding provision,**
    - **enabling emissions reduction target to be increased outside set review periods, and**
    - **giving the relevant federal minister discretion to change the target after consultation with the public.**

Implement credible, stable, scalable, least-cost and equitable emission reduction polices for emissions-intensive sectors.

At a national level there are no credible policies in place to reduce Australia's emissions, which continue to rise. Independent global analyst ClimateTracker finds that "for Australia to meet its 'insufficient' 2030 emissions targets, emissions should decrease by an annual rate of 1.5% to 1.7% until 2030; instead, with current policies they are set to increase by an annual rate of around 0.3% per year."[40]

RECOMMENDATION 31. Policies should urgently be implemented to reduce carbon emissions, that are credible (delivering on the Paris target), stable, scalable, low-cost, and equitable, and protect vulnerable groups. These reforms should:

1) **preferably take the form of an emission trading scheme (with complementary measures);**
2) **prioritise the emissions-intensive electricity sector;**
3) **be informed by a review of the impact on affected groups, such as low-income households, workers and communities, and energy-intensive trade exposed industries, and include appropriate equity measures to assist those affected;**
4) **raise funds to support the transition for vulnerable groups including households with low incomes, and investment in clean technology and climate resilience.**

Ensure a just transition

Some communities will experience negative effects from our response to climate change, such as those depending heavily on burning or extracting fossil fuels. Successful transition plans must be place-based, and include developing new economic opportunities, and the skills and support to exploit them.

RECOMMENDATION 32. The Australian government should establish a statutory authority responsible for supporting communities adversely affected by the transition to cleaner energy sources, to:

[40] https://climateactiontracker.org/countries/australia/current-policy-projections/

1) **coordinate plans to strengthen regional economic diversity;**
2) **manage coal closure and oversee worker support;**
3) **oversee an industry-wide multi-employer pooling and redeployment scheme which provides retrenched workers with the opportunity to transfer to roles with renewable or low-emission generators as well as remaining fossil fuel generators.**

Phase out fossil fuel subsidies

Fossil fuel subsidies for particular industries work against energy efficiency policies, fuel-switching, and investment in renewable energy and transport - the very things governments are subsidising in other parts of the economy to encourage.

RECOMMENDATION 33. Public subsidies that are specifically directed towards the use of fossil fuels should be reviewed and phased out, beginning with the abolition of fuel tax credits for off-road use, except agriculture.

Saving: $2,000 million

Energy efficiency and generation in public and private housing

More than 95% of homes in Australia have poor energy efficiency leading to higher energy bills or energy deprivation, serious health impacts and financial stress. Recent research by ACOSS and the Brotherhood of St Laurence found the energy efficiency and productivity measures such as rooftop solar, can reduce energy bills by more than $1,000 per annum in some cases.[41] Without assistance, people on low incomes and renters have few opportunities to improve the energy efficiency of their homes.

RECOMMENDATION 34. The Australian government should:

1) **coordinate with State and Territory governments to introduce mandatory energy efficiency standards for rental properties, including landlord incentives and safeguards to minimise rent increases;**
2) **develop a funding mechanism (like the Solar Cities program) in conjunction with State governments, local councils and energy retailers, to provide access to solar photovoltaic technology for households with low-incomes or who are otherwise disadvantaged;**
3) **work with State governments to create an investment vehicle to invest in solar and energy efficiency equity programs for public and community housing;**
4) **establish a Clean Energy for Indigenous Communities Fund to invest in energy efficiency improvements for remote Aboriginal and Torres Strait Islander communities.**

[41] ACOSS and BSL (2019): "Affordable, clean energy for people on low incomes" Available: https://www.acoss.org.au/

Help community organisations respond to climate change

Community sector organisations play a critical role in disaster preparedness, management and recovery, especially for vulnerable people, and are themselves vulnerable to extreme weather events. They should be supported to reduce their emissions and improve organisational resilience to better provide help in times of need.

RECOMMENDATION 35. The Australian government should establish a program to support the community sector to:

1) **implement the within the community sector, undertake risk assessments and disaster management and service continuity plans;** [42]
2) **deliver the emergency RediPlan (personal emergency plan) to community sector clients;** [43]
3) **monitor vulnerable people (especially those who are homeless, living in general public housing and in rooming houses) during emergencies;**
4) **undertake climate change and extreme weather preparedness and response training for staff and volunteers;**
5) **raise awareness of the serious risks to its service delivery and to people experiencing poverty from climate change and worsening extreme weather impacts.**

[42] ACOSS has developed a Resilient Community Organisations Toolkit for this purpose: http://resilience.acoss.org.au/

[43] Available at: https://www.redcross.org.au/campaigns/prepare/prepare-protect-what-matters

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