



LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

SELECT COMMITTEE ON COST OF LIVING PRESSURES IN THE ACT
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Submission Cover Sheet

Inquiry into Cost of Living Pressures in the ACT

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Pressures in the ACT

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Introduction

The ACT Government knows that financial pressures can weigh more heavily on some Canberrans than others and we are committed to supporting equitable living standards and economic security across the Canberra community. There are over 65 direct programs and concessions to support vulnerable Canberrans as well as many more programs and initiatives targeted towards those experiencing disadvantage. The ACT Government also works in partnership with the Commonwealth and the other states and territories to reduce poverty in our community.

This submission provides a snapshot of the ACT economy. It then outlines the areas of service delivery that the ACT Government currently undertakes to address costs of living pressures in our community and discusses opportunities to work more closely with the Commonwealth Government to address systemic drivers of poverty and income inequality.

The ACT economy

The ACT economy has proved resilient against a range of economic shocks in recent years, supported by a strong labour market, wages growth and population inflows. Economic growth is expected to slow moderately through 2023 and 2024 amid inflation pressures and interest rate rises, before returning to more normal conditions.

The ACT labour market is the strongest in the country. We are at full employment with job vacancies exceeding unemployed people. Unemployment in the ACT the lowest of any state or territory in Australia at 3.0 per cent. Underemployment in the ACT, at 5.1 per cent, is also below the national average of 6.1 per cent.

Real Gross State Product (GSP) increased by 1.9 per cent in 2021-22, with this modest growth reflecting the lockdown the ACT experienced in the early stages of the financial year. GSP is expected to grow by 3½ per cent in 2022-23 before slowing modestly in 2023-24 and 2024-25.

The ACT's State Final Demand (SFD) increased by 0.3 per cent in the December quarter 2022, following a 0.7 per cent increase in the September quarter 2022, to be 3.9 per cent higher through the year. The quarterly increase was largely driven by increase in public consumption and marginal increase in household consumption.

Household consumption increased by 0.1 per cent in the December quarter 2022, reflecting rises in spending on food and health and select services such as transport services and hotels, cafes and restaurants. The rise was offset by a decrease in discretionary spending on recreation and culture, furnishings and household equipment, and clothing and footwear due to cost-of-living pressures.

ACT population

The ACT's population grew 14.4 per cent between the 2016 and 2021 censuses - the fastest among all states and territories.

While the growth rate for 2021-22 was relatively low due to international and state border restrictions, in the last decade our population has grown from 370,000 to 460,000 and, by 2027, is set to reach half a million people. This population boom has been driven by younger people and is significantly changing the demography of Canberra.

It is expected that population will grow by 1¾ per cent in 2022-23. This reflects the relative strength of our economy and labour market, as well as broader factors that make the ACT an attractive place to live and work. Population growth is expected to remain at 1¾ per cent in 2023-24 but increase to 2 per cent (each) in 2024-25 and 2025-26.

ACT Household Income

The *Census of Population and Housing, 2021* (Census 2021) showed that the ACT's median household income was \$2,373 per week, 36 per cent higher than the Australian median household income of \$1,746 per week. However, the lowest household income quintile was less than \$1,200 per week and the second lowest was around \$2,000 per week. This compares with households in the top quintile that earn around \$4,400 per week.

Rising interest rates and cost-of-living pressures are placing pressure on household budgets. While some households have substantial savings buffers to cushion the impact of these pressures, others have little to no buffers and are potentially experiencing a squeeze on their budgets. As a result, in the near term, growth in consumption in the ACT is expected to moderate as household savings erode and lower-income households reduce their consumption.

Inflation

In the December 2022 quarter, annual inflation (as measured by growth in the Consumer Price Index (CPI)) in Australia reached 7.8 cent – a three-decade high. According to the Reserve Bank of Australia (RBA), inflation seems to have peaked in Australia and it is now expected to slow as tighter monetary policy takes effect. However, while goods price inflation is moderating, service price inflation remains at elevated levels.

In the ACT, inflation reached 7.1 cent through the year to the December 2022 quarter, below the national average increase but the highest since June quarter 1990. Inflation is expected to be 5½ per cent in 2022-23 driven by price increases for groceries, housing, and market services.

CPI growth in the ACT is expected to slow to 3½ per cent in 2023-24 and stabilise at 2½ per cent growth in 2024-25 and 2025-26.

Housing

A wide range of factors have resulted in rising house prices. These include Commonwealth tax policy, historically low interest rates in recent years, financial deregulation, and increasing house sizes. In the ACT, housing preferences are critical in determining the demand for and price of dwellings.

In addition, the recent increases to interest rates are increasing housing costs for existing homeowners. Nationally, the RBA expects scheduled mortgage payments to reach between 9½ and 9¾ per cent of household disposable income by the end of 2023, based on cash rate increases to date. Many mortgage holders across the ACT will face higher repayments which can negatively affect household consumption.

For renters, latest data on Canberra's vacancy rates show an easing from 0.6 per cent in February 2022 to 1.8 per cent in February 2023 (according to data from SQM Research). This compares with the national vacancy rate which fell from 1.4 per cent in February 2022 to 1.0 per cent in February 2023. There has been evidence of a recent increase in the availability of rental accommodation (with weekly rental listings increasing from 917 in February 2022 to 1,271 in March 2023) which should assist to take pressure off rents. Nonetheless, the current vacancy rates still indicate a tight residential property rental market.

Data from the ABS Housing Occupancy and Costs 2019-20 showed that 27.7 per cent of households in the lowest two income quintiles spent over 30 per cent of their household income as rent.

Census 2021 data showed:

- 9.4 per cent of ACT mortgage holder households paid more than 30 per cent of their household income as mortgage payments, the lowest in Australia (14.5 per cent). However, it is very likely that the figure would have increased due to the RBA's monetary policy actions since May 2022 to contain inflation.
- Around 23 per cent of ACT households which rented their dwelling paid more than 30 per cent of their household income as rent, compared to 32.2 per cent for Australia. This was the third lowest in Australia, after Other Territories (14.7 per cent) and the Northern Territory (16.3 per cent).
- Around 18.5 per cent of households which rented their dwelling in the ACT did so from the territory housing authority or community housing provider.

Role of the Commonwealth Government

The ACT Government notes the range of measures the Commonwealth Government is putting in place to support individuals and families and help more people into employment, including the recent (January 2023) large indexation increase of 6.1 per cent to pensions and welfare payments. We recognise, however, that further work needs to be done to increase the level of Commonwealth income support payments, including Commonwealth Rent Assistance.

Through adequate policies on welfare payments, the Commonwealth Government has the capacity to provide choice and control in the lives of Australians, and in a more direct manner than other government programs. The ACT is actively working with other states and territories to call for the Commonwealth Government to reinstate a suitable safety net that enables a decent standard of living.

The Commonwealth has committed \$1.5 billion to the National Energy Bill Fund for direct relief for electricity bills. We are working with the Commonwealth to implement this measure, including a matched contribution from the ACT, which will support eligible ACT households in 2023-24.

The ACT Government is also committed to working with the Commonwealth to address issues impacting housing affordability.

The Commonwealth Government has brought together state, territory and local governments, including the ACT, institutional investors and the construction sector, to agree the National Housing Accord (the Accord), which aims to address the supply and affordability of housing. The Accord includes an aspirational national target to deliver one million new, well-located homes over 5 years from 2024. It will also support delivery of an additional 20,000 affordable dwellings (10,000 to be delivered by the Commonwealth and 10,000 by the states/territories), as well as 20,000 social dwellings, and includes actions to facilitate investment in social and affordable housing.

The ACT Government strongly supports the Accord and looks forward to settling the implementation plan with the Commonwealth later this year. Housing affordability is a challenge across Australia, and the costs associated with housing are among the largest ongoing expenses people will incur over their lifetime. We will seek to exceed our per capita share of the new homes sought in the target, and work is already underway to improve financing for new social and affordable housing projects in Canberra, including through Commonwealth financing options through the Housing Australia Future Fund, consideration of zoning, planning and land release and the Growing and Renewing Public Housing Program.

The Build to Rent Prospectus released by our Government in August aligns with the broader objectives of the Accord to increase investment in new rental housing and affordable housing supply.

We are also continuing discussions with the Commonwealth about increasing social and affordable housing construction in Canberra. This includes discussions about the impact of waiving the ACT's historic housing debt to the Commonwealth which could be used to expand the provision of housing assistance in the Territory.

More broadly, the ACT Government notes that the Commonwealth Government increased the Child Care Subsidy in July 2022 and reduced the maximum cost of general scripts under the Pharmaceutical Benefits Scheme from 1 January 2023. These measures seek to relieve cost-pressures on households, and the increased Child Care Subsidy provides parents with more opportunities to work and increase their income.

ACT Government targeted programs to address cost of living pressures

As part of every Budget process the ACT Government considers financial supports available through the levers available at this level of Government, noting that broader income support is the responsibility of the Federal Government who has the applicable broad income tax base to underpin such financial supports, as well as the existing delivery architecture.

Nonetheless, the ACT Government has a range of targeted support programs to help households address cost of living pressures and Canberrans living in poverty.

In recent years, the ACT Government has taken additional steps to help low-income households dealing with rising cost-of-living pressures.

- From 2020 to 2022, Canberra Relief Network provided food relief support to Canberra households in need as part of ACT Government's response to economic pressures during COVID-19 public health regulations. Additional support was also provided to culturally and linguistically diverse community members, responding to the kinds of support needed by those households. Following the end of the Canberra Relief Network program, ACT Government have increased support to the Canberra network of community sector food relief services through funding for a database and a staff member to support the Food Security Project at Volunteering ACT. Community Services Directorate also continues to support freight costs for supplying the network of food relief services through Foodbank and St Vincent de Paul.
- In 2021, we rolled out the \$150 million Sustainable Household Scheme to all eligible households across Canberra to provide more Canberra households with the opportunity to share in the benefits of sustainable technologies to make their homes more efficient. The scheme provides zero interest loans of up to \$15,000 for households and not-for-profit community organisations to assist with the upfront costs of investing in rooftop

solar panels; household battery storage; zero emission vehicles; and efficient electric appliance.

- In the 2022-23 Budget, we continued reducing residential and commercial stamp duty tax rates as part of stage 3 of our tax reform program, including:
 - raising the lowest stamp duty threshold for residential owner-occupiers from \$200,000 to \$260,000, reducing duty on homes between \$260,000 and \$1,455,000 by \$1,120 when combined with ongoing tax rate reductions;
 - increasing the Home Buyer Concession Scheme income eligibility threshold from \$160,000 to \$170,000 (the threshold continues to increase by \$3,330 per child up to a maximum of five children); and
 - increasing the Deferred Duty and Disability Duty Concession Scheme price eligibility thresholds from \$750,000 to \$1 million.
- In 2021-22 Budget Review, we expanded the off-the-plan unit stamp duty concession by increasing the cap to \$600,000 which will ensure that the concession remains effective in supporting affordable housing purchases by owner occupiers as property prices increase.
- In 2022-23, the Utilities Concession received a one-off \$50 increase.
- The 2022-23 Budget delivered the next stage of the \$50 million that was provisioned in the 2020-21 Budget for the Vulnerable Household Energy Support Scheme. The scheme helps low-income homeowners, public, private, and social housing renters cut their energy bills with subsidies to switch from fossil fuel gas to efficient electric appliances.
- The Home Energy Support Program provides rebates of up to \$5,000 for eligible homeowners to install energy-efficient electric appliances and roof-top solar systems. Low-income households can also apply for a Sustainable Household Scheme zero interest loan to pay the balance of the installation further removing the cost barrier.

All concessions, programs and relevant resources offered are outlined in the table below.

Assistance	Description
Housing, Rates and Utilities	
General Rates and Deferments Pensioner Assistance	Assistance for pensioners to pay rates.
General Rates and Deferments Aged Assistance	Assistance for property owners aged 65 and over to pay rates.

Assistance	Description
General Rates and Deferments Hardship Assistance	Assistance for people receiving unemployment or other Government benefits, or suffering significant financial hardship to pay rates.
Utilities Concession	A rebate towards the ongoing costs of electricity and gas services.
Rental Bond Help	Interest-free financial help that covers up to 100% of a rental bond.
Affordable Home Purchase Scheme	The ACT Government's Affordable Home Purchase Scheme provides assistance to low-to-moderate income households by providing homes for purchase at affordable rates.
Home Buyer Concession Scheme	An initiative to assist eligible home buyers purchase a home or residential land by removing the payment of conveyance duty.
First Home Owner Grant	The grant provides financial assistance to people buying their first new or substantially renovated home.
Deferred Duty	Allows for deferred payment of conveyance duty on the purchase of a home.
Pensioner Duty Concession Scheme	The scheme assists eligible pensioners who own a residential home, to move to accommodation more suited to their needs.
Affordable Rent Scheme	The scheme provides affordable housing for older people who are on low incomes.
Public Housing Rental Rebate	The subsidy helps eligible applicants meet the cost of renting social housing.
Supportive Tenancy Service	Support for people facing barriers in establishing a private tenancy.
Tenants Advice Service	The service provides free, confidential legal advice to tenants and renters about renting issues in Canberra.
Short Stay Low Cost Accommodation	A guide containing information about short-stay, low-cost accommodation in Canberra.
Special Disability Trust Duty Exemption	An exemption from duties for trusts established for the future care and accommodation needs of someone with a severe disability.
Land Rent Scheme	The scheme gives people the option of renting land through a land rent lease rather than purchasing the land to build a home.
ActewAGL Staying Connected Program - Electricity and Water	The program provides support to help households get back on track with electricity, gas and water bills.
Wheelie Bin Assistance	Support for people who are unable to put their garbage or recycling bins out for collection.
Green Waste Bin Concession	Eligible residents can access a green waste bin at no cost.

Assistance	Description
Low Income Household Program	The program offers practical ways for low-income households in the ACT to reduce energy and water bills.
Mortgage Relief	A repayable, interest-free loan to mortgage holders having difficulty making their mortgage repayments.
Home Energy Support: Rebates for Homeowners	Eligible homeowners can apply for rebates of up to \$5,000 towards purchasing and installing rooftop solar systems, hot water heat pumps, reverse cycle heating and cooling systems, and electric stovetop.
Home Energy Efficiency Program	This free program gives households experiencing financial hardships practical ways to reduce their energy and water bills.
Renters' Home Energy Program	Expert advice regarding the best actions renters can take to make their rental home more comfortable and reduce energy use and costs.
Sustainable Home Advice Program	Advice for all Canberrans to help improve their home's energy efficiency and save money.
Sustainable Household Scheme	Eligible homeowners can borrow up to \$15,000 interest-free to improve their homes energy efficiency and install efficient all-electric appliances.
Transport	
Concession cash fare or pension MyWay card/fare	Eligible people can access reduced or free fares when travelling on Transport Canberra bus and light rail services.
Concession cash fare or ACT Seniors MyWay card/fare	Eligible seniors can access reduced or free fares when travelling on Transport Canberra bus and light rail services.
Concession cash fare or school student MyWay card/fare	Eligible school students can access reduced or free fares when travelling on Transport Canberra bus and light rail services.
Concession cash fare or tertiary student MyWay card/fare	Eligible higher education students can access reduced or free fares when travelling on Transport Canberra bus and light rail services.
Free public transport travel	Eligible people can access reduced or free fares when travelling on Transport Canberra bus and light rail services.
Student Transport Program	Free travel to school for eligible students.
Taxi Subsidy Scheme	The scheme provides financial assistance to ACT residents with a disability or significant mobility restriction preventing them from using public and community transport.
Pensioner Vehicle Registration	Holders of a current Centrelink Pension Concession Card are entitled to 100% discount on registration.
Seniors Vehicle Registration	Holders of ACT Seniors Cards are entitled to 10% discount on registration.
Pensioner and DVA Licence	Holders of a current Centrelink or Department of Veterans' Affairs (DVA) Pension Concession Card or DVA Gold Card are

Assistance	Description
	entitled to 100% fee discount upon issue or renewal of provisional, full or national heavy vehicle licence.
DVA Vehicle Registration	Holders of a current Department of Veterans' Affairs (DVA) Pension Concession Card are entitled to 100% discount on registration.
Primary Producer Registration	Primary producers are entitled to 45% discount on registration.
Health Care Card Licence	Holders of a current Centrelink Health Care Card may be eligible for a discount on a one year licence.
Community Bus Services	A bus service for people who may be socially isolated because a lack of transport options.
Aboriginal and Torres Strait Islander Community Bus	A bus service for Aboriginal and Torres Strait Islander people who do not have access to regular bus services.
Special Needs Transport Assistance Program	The service provides transport for special needs students.
Flexible Bus Network	The services helps Canberra residents, such as the aged or people with a mobility difficulty, to get from their home to local community locations.
Wheelchair Accessible Taxi Centralised Booking Service	A central booking service for people requiring wheelchair taxis.
Gas/electric vehicle seniors registration	Seniors with gas or electric powered vehicles are entitled to 28% discount on registration.
Gas/electric vehicle primary producer registration	Primary producers with gas or electric powered vehicles are entitled to 55% discount on registration.
Gas/electric vehicle registration	Owners of Gas and electric powered vehicles are entitled to 20% discount on registration.
Infringement Notice Payment Plan	Flexible payment plans are available for people unable to pay the cost of a range of infringement notices upfront.
Health and dental	
Walk in Centres	Free treatment is provided for minor injuries and illnesses without an appointment.
Interstate Patient Travel Assistance Scheme	Financial assistance towards travel and accommodation costs to permanent residents of the ACT who are required to travel interstate for specialist medical treatment.
Dental Health Program	A range of public dental services are provided for children, young people and adults.
Community care nutrition service	Dietary assessments, advice and counselling for nutrition related conditions are available.

Assistance	Description
Community care program	Our community-based physiotherapy team provides short term treatment for people experiencing a wide range of conditions.
Ambulance Transport Fee Exemption	Ambulances services within the ACT are available without charge in certain circumstances.
Funeral Assistance	The program supports ACT residents in financial hardship who are unable to meet the full costs of a funeral for immediate family members.
ACT Equipment Scheme	The scheme offers funding to assist eligible ACT residents with a long term disability to obtain and maintain a range of equipment in order to assist mobility, safety and general physical ability to live at home in the community.
Spectacles Subsidy Scheme	The scheme provides financial support to eligible ACT residents with the purchase of spectacles.
Low Vision Aids Scheme	The scheme supports eligible ACT residents who suffer from a range of degenerative eye conditions that affect their daily living activities.
Home Haemodialysis Rebate	The rebate provides financial support to eligible home dialysis patients with a rebate of water costs.
Life Support Rebate	The rebate provides financial support to users of electrically-operated life support equipment.
Artificial Limb Scheme	The scheme provides funding for prostheses and componentry.
Immunisations	A range of free immunisations are available for different groups.
Education and training	
Future of Education Equity Fund	The Fund makes financial support available to families of students in years P-12 who are experiencing financial stress. Independent students may also apply.
Canberra Institute of Technology (CIT) concessions and fee assistance	CIT (TAFE) Fee Assistance is a financial assistance program that can assist with course costs for eligible students who are experiencing financial hardship.
ACT JobTrainer	JobTrainer offers free vocational education and training to school leavers, young people and job seekers across Canberra in areas of employment growth.
Fee-Free Training	This initiative provides tuition-free vocational education and training at CIT to eligible students wanting to train, retrain or upskill.
Food	

Assistance	Description
Food Assistance	A guide is available containing information on organisations that can provide free meals, laundry and shower services for those that are homeless.
Legal	
ACT Legal Services Guide	A guide containing information on where to find free legal services within the ACT.
Legal Aid ACT	Legal Aid ACT helps people in the ACT with their legal problems, especially people who are socially or economically disadvantaged.
The Consumer Law Centre and CARE Inc	The Consumer Law Centre, alongside Care Financial, provides financial counselling, legal advice and microfinance services to those who are experiencing financial vulnerability and/or have experienced or are experiencing economic abuse.
Women's Legal Centre	The Women's Legal Centre provides specialist advice in relation to family law, care and protection, domestic and family violence, employment and discrimination issues. The Centre's Aboriginal Women's Program, Mulleun Mura, provides culturally safe legal assistance support to Aboriginal and Torres Strait Islander women.
Canberra Community Law	Canberra Community Law provides legal assistance and representation to people in the ACT on low incomes for matters relating to public housing, community housing and occupancy agreements, social security and disability discrimination law. Canberra Community Law also provides public housing, social security and race discrimination legal services to Aboriginal and Torres Strait Islander communities through its Dhurrawang Aboriginal Human Rights Program, and general services to persons experiencing or at risk of homelessness through its Street Law Program.
Aboriginal Legal Service NSW/ACT	The Aboriginal Legal Service NSW/ACT's Canberra Office provides legal advice, court representation and referral support in criminal law for the Aboriginal and Torres Strait Islander communities of the ACT and surrounding regions. It also provides a range of culturally specific community justice programs.
Concessions cards	
ACT Seniors Card	The ACT Seniors Card is issued free and provides access to savings on a range of goods and services.
ACT Services Access Card	The Services Access card facilitates access to a range of ACT Government and other services for asylum seekers living in the ACT.

In providing cost of living assistance to Canberrans, the ACT Government primarily targets Commonwealth concession card holders.