



Response to the ACT Review into Concessions Program

Chief Minister and Treasury Directorate

February 2016

www.unionsact.org.au

UnionsACT Response to ACT Government Concessions Review

Thank you for the opportunity to contribute to the Concessions Review.

UnionsACT is the peak council for the ACT's union movement, representing 24 unions and over 33,000 union members. Many tens of thousands more have their conditions of employment shaped by the work and representation performed by our affiliates. As the independent voice for working people in the Canberra region, we have a strong interest in the proposals raised in the Concessions Review discussion paper.

Australia and the ACT's system of support and concession payments is more tightly tested than any other OECD country. The proportion of the working-age population receiving income support is at its lowest levels since the early 1990s, and the number of people (not just as a proportion of population) receiving a payment other than the Age Pension has fallen in recent years. The 2015-16 Budget papers (Paper 3, page 48) states that the Concessions budget for the previous year was just \$86.6 million, representing just 1.7% of the \$5.2 billion ACT Budget. The Discussion paper states that the budget for Concessions Programs will be \$51.3 million.

UnionsACT's view is that while there may be some justification for improved targeting of ACT-based concessions (i.e. based on income or need rather than age), the Concessions Program is already very targeted. There is a view, promoted in conservative media, that much of our welfare support goes to households in the middle and upper income brackets. This is not the case, as the discussion paper and other research demonstrates; again, this indicates that the Concessions Program is already very targeted.

Furthermore, UnionsACT does not support reduction in concessions ("savings") as a means to improve the ACT Budget bottom line. Of the ten options presented in the discussion paper, six focus on "sustainability" or "targeting", that is, a reduction in concession program cost.

UnionsACT suggests that if the principle (or even a significant) purpose of the Concessions Review is to address the ACT budget deficit ("reduce program cost"), then there are other areas that ACT Government should focus on before reducing concessions, and the priority must be to increase revenue. Similarly, if the Government is seeking to make concessions more sustainable over the long-term, there are other actions, especially regarding energy, water and sewerage concessions, that could be considered.

In our view it is not appropriate for a review into concessions to seek to make budget savings. Many of the options refer to other jurisdictions that have Liberal governments, and the rationale for many of the proposed changes are incongruous with the values of a Labor government.

As UnionsACT has noted in the past, the taxation and transfer systems should aim to be fair, efficient and equitable. There is a fallacy that efficiency is intrinsically equitable. In fact, in some cases efficiency must give way to equity and fairness.

For the ACT Concessions program, it may be fairer (but less efficient) to have concessions that are less targeted so as to reduce the risk of harming the most vulnerable and disadvantaged in our community.

It is the view of UnionsACT that overall, the proposals in the discussion paper would do little to improve the fairness of the ACT Concessions Program.

Finally, as noted by ACTCOSS in their April Submission to the Concessions Review, the focus of the review is limited to only a few concessions. The Concessions Review completely ignores a range of concessions, subsidies, foregone or waived revenue, and tax avoidance by high-wealth individuals and businesses in the ACT.

For example, the changes to taxi licensing to allow the operation of Uber in the ACT resulted in a reduction of \$2 million per year in taxi license fees, effectively corporate subsidies to a large, company-tax avoiding multinational corporation (Uber) and an industry that has enjoyed monopoly profits for many years.

Similarly, UnionsACT notes that the ACT Government in many cases effectively subsidises the low wages paid by major employers; for example a major private company recently shifted many of its workers to the Award (from a higher paying agreement), resulting in those workers in public housing receiving a rental adjustment.

A further example of how the ACT Government subsidises private companies is through the non-payment of payroll tax by businesses paying cash-in-hand. A recent Fair Work Ombudsman review of ACT businesses found that one in four paid cash-in-hand, thereby evading tax obligations and engaging in wage-theft.

UnionsACT suggests that concessions and subsidies to the corporate sector should be reviewed, and steps taken to tackle aggressive tax minimisation, tax avoidance, and cost-shifting by businesses.

Our summary responses to the ten options are set out in the table.

Option	UnionsACT Response
1. Water & sewerage – lower concessions from 68% to 50%	<p>UnionsACT does not support lowering concessions for water and sewerage. Concessions should be based on need, rather than the rationale provided to simply lower the concession to the national average.</p> <p>If the ACT Government is seeking long-term savings, it should seek to reduce consumption of energy and water through expanding the EEIS.</p>
2. Motor vehicle registration – reduce concession from 100% to 50%	<p>UnionsACT notes that motor vehicle registration concessions could be made more equitable if access was based on income and need, and allowed greater flexibility in paying by instalment. For example, the concession to be extended to job-seekers and recipients of NewStart</p> <p>We are not convinced by the rationale for this option (lowering concession to be in line with other states).</p>
3. Public transport seniors card – remove or reduce concession	<p>UnionsACT does not support either the removal or concession fares, or their reduction. The estimated savings (\$35,000 or \$85,000) are not sufficient to justify the potential negative social impacts.</p> <p>Nonetheless, UnionsACT agrees that the criteria for public transport concessions should be based on need.</p>
4. Seniors card – increase eligibility	<p>UnionsACT notes that the rationale used for this proposed change is similar to those made by Liberal governments in other jurisdictions. Additionally, there</p>

Option	UnionsACT Response
age from 60 to 65 over 10 years	<p>appears to be inconsistency; other proposed changes state that age alone should not be used to justify concessions, yet for this concession, the aging population is the primary rationale for reducing eligibility.</p> <p>UnionsACT notes again that needs-based concessions, for example, income, would be a fairer and more targeted way to determine eligibility for the Seniors Card; nonetheless the modest savings that would be achieved may come at social costs.</p>
5. Part pensioners – limit assistance to 75% or 50% of current concession	<p>UnionsACT again notes that in principle access to concessions should be based on income. In this instance, it appears that the two recommendations are focused on “sustainability” rather than fairness, that implementing the changes would result in “additional administration costs” in the early years, and that the “actual impact” on individuals would “vary greatly”. Without additional information and assurances that Age Pensioners on low incomes would not be disadvantaged, UnionsACT does not agree with the proposed changes.</p>
6. General rates – reduce difference between the capped and uncapped concessions	<p>UnionsACT accepts that the current concession may be poorly targeted, and is not tied to need or income. The equity and fairness of this concession could be improved by expanding access to Health Care Card holders. Further means-testing on “grandfathered arrangements”, phased in over time could improve the targeting of this concession so that people on low incomes were not disadvantaged.</p>
7. Family Tax benefit A – provide a concession to help with the cost of living	<p>UnionsACT supports in principle the intention of this proposal. We note that the proposal (\$100 annual concession for electricity) appears arbitrary and not tied to need. Could other more targeted uses be found for the proposed \$1.1 million per annum cost?</p>
8. Utility concessions – combine into one broader concession	<p>UnionsACT welcomes the intent of this proposal, in particular the intention to expand access to utility concessions to renters and broadening access. We note the potential risk of property owners shifting water and sewerage costs to renters.</p> <p>UnionsACT suggests that the government investigate means by which energy consumption could be substantially reduced, for example by expanding the EES.</p>
9. Energy and Utility – extend concession to residents of retirement villages	<p>UnionsACT broadly agrees with extension of concessions to retirement village residents, noting that eligible residents should receive the concession directly rather than via accommodation operators.</p>
10. General rates – obtain valuations for	<p>UnionsACT in principle supports the proposal. More consultation must be undertaken with affected</p>

Option	UnionsACT Response
eligible organisation with exemptions	communities about the impact of this change, especially whether there may be adverse impacts for child care affordability or education in the event that concession circumstances change as a result of the valuations.

UnionsACT again notes that the majority of the changes proposed are aimed at reducing ACT Government expenditure on concessions for individuals and households, while ignoring the wide number of corporate and business concessions and/or subsidies.

Noting the significant fiscal impact of Federal Government cuts, UnionsACT believes that cost-savings should not be the primary driver of changes to concessions. UnionsACT believes that concession programs are generally well targeted currently. Nonetheless, there is in-principle support for reforms of concessions that provide support based on need.

Earlier in 2016, UnionsACT released a discussion paper proposing ways for the ACT Government to make considerable long-term savings in energy and water concessions through substantially expanding the EEIS. UnionsACT recommends that the ACT Government consider alternatives such as this as a means to reduce long-term expenditure, create jobs and improve social inclusion, rather than further restricting concessions. Reducing energy and water consumption through an expanded EEIS would have considerable benefits in addition to reducing cost of concession programs.

Similarly, UnionsACT suggests that the ACT Government consider how additional revenues can be raised to fund services that our community needs, rather than make savings from programs designed to assist people who need support. The Government should consider whether its proposals to abolish certain taxes should proceed while simultaneously considering options to reduce concessions.

There is a strong moral and economic case for reforming our tax-transfer system, to ensure that helps create a more equal, and therefore more prosperous Canberra. Arguably, given the overall low level of transfer in our taxation system, more could and should be done to ensure that our collective wealth is used to reduce poverty and inequality. Reform must obviously take place in a manner not directed by short-term economic pressures.

We again welcome the opportunity to make this public submission to the Concessions Review discussion paper.