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21<sup>st</sup> June 2005

Dear Committee Members,

**RE: COMMITTEE OF INQUIRY INTO FINANCIAL HARDSHIP OF ENERGY CONSUMERS ISSUES PAPER FOR COUNSULATION WITH STAKEHOLDERS**

The Tenants Union of Victoria welcomes the opportunity to respond to the Committee of Inquiry into Financial Hardship of Energy Consumers Issues Paper for Consultation with Stakeholders.

In general terms, we endorse the submission made to you by the Victorian Council of Social Services (VCOSS), as it analyses the propensity of low income households to experience energy debt and their inability to pay utility bills in the context of poverty and financial hardship generally. It also canvasses effective solutions to mitigate the potential for accumulating energy related debt.

However, the Tenants Union thought it appropriate to respond to this Issues Paper to draw attention to the plight of low-income households in the private and public rental sectors in Victoria.

#### **Who we are**

The Tenants Union of Victoria was established in 1975 as an advocacy organisation and specialist community legal centre, providing information and advice to residential tenants, rooming house and caravan park residents across the state. We assist about 30,000 private and public renters in Victoria every year through out telephone and email advice services, and at our drop-in centres throughout metropolitan Melbourne. We also promote community awareness of tenancy law and issues, lobby for tenancy law reform and provide accredited training for tenancy and housing workers in Victoria.

The Tenants Union is committed to improving the status, rights and conditions of all tenants in Victoria. We represent the interests of tenants in law and policy making by lobbying government and businesses to achieve better outcomes for tenants, and

by promoting realistic and equitable alternatives to the present forms of rental housing and financial assistance provided to low income households.

### **The Rental Sector Context**

A significant proportion of renter households subsist in poverty, and their housing costs contribute to their both general hardship and to their inability to pay their utilities bills. While we appreciate that a comprehensive analysis of the causes of poverty is not the purpose of this Inquiry, we nonetheless believe that the Committee, the State Government and utility retailers need to understand the context in which low income renters live, and the effect that the cost of rent alone has on the amount of disposable income available to meet the other living expenses, including necessities such as utilities.

There are 382,918 households living in the private rental market in Victoria. This amounts to 17.9% of all Victorian households. Of these households, 194,507 people receive Commonwealth Rent Assistance (CRA) - a statutory income supplement intended to ameliorate the cost of housing in the non-government sector. Even when in receipt of CRA, 67,051 households still pay 30% or more of their income for housing, a proportion that is generally recognised as a key indicator of poverty if the household is in receipt of government income support. There are 85,186 households in the private rental market whose weekly income is less than \$500.

Private rental is the most likely form of housing tenure for low income earners (excluding aged pensioner), particular for the young adult and middle aged demographics. According to the Australian Housing and Urban Research Institute report *Analysis of Expenditure Patterns and Levels of Household Indebtedness of Public and Private Rental Households, 1975 to 1999*, the cost of private rental has increased by 24% during the period 1975-99, and for low income households, housing costs (on average) increased from 16% to 23% of income.

These statistics demonstrate that the cost of rent is a direct cause of the poverty experienced by many low-income households in Victoria. This is 'housing related poverty', whereby households direct such a large proportion of their income towards rent that they have insufficient remaining to meet the other essential costs of living.

As poverty is the direct consequence of the high costs of rent for many low-income households, the Tenants Union contends the most sensible way to alleviate financial hardship is to make housing more affordable - whether by increasing the amount of CRA, investing in more social housing or encouraging the building of more affordable and environmentally sustainable housing via the planning and taxation systems. Given that rent is likely the single largest weekly expense of low-income households, more affordable housing would increase the proportion of income available to be directed at other essential living costs, such as utility bills.

The adverse impact of utility costs on low income households is not just a function of price. The gas and electricity liability of households is increased by poor thermal efficiency and the use of energy inefficient appliances. Both low-income households in the private rental sector and the 62,645 households in public housing in Victoria are potentially affected by the poor quality housing stock available. These are households whose inability to pay much rent means that their choices are very

limited in the housing market, and that the decision to rent one property over another is based on price rather than any features or the quality of the property.

The Tenants Union contends that this aspect of utilities-related hardship could be ameliorated by instituting minimum standards addressing insulation and the efficiency of fixture appliances for rental properties in both the public and private rental markets, and retrofitting all properties to comply with these standards.

The Tenants Union supports recent changes to the Building Code that increase water and energy efficiency standards for new dwellings from July 2005, but believes that these standards should be extended to all housing stock, both in the public and private housing sectors. Increasing the thermal and energy efficiency of all housing in Victoria will also have the desirable effect of reducing greenhouse emissions and other impacts on the environment, thus contributing to community and governmental conservation goals.

In regard to the private rental market, we believe that landlords will ultimately appreciate the long-term benefits of maintaining rental properties to a required standard. Any innovations that improved thermal and appliance efficiency would be capital improvements that are likely to be tax deductible or depreciable.

### **Key Questions for Discussion**

In regard to the Key Questions for Discussion, the Tenants Union contends that:

1. Financial hardship for low income households in the private rental market is often a function of the high cost of rent. In this context, and given that rent – particularly in Melbourne – is becoming more expensive, the measures and concessions that currently exist to assist consumers in financial hardship may not be adequate. Concessions must be maintained, and must be indexed to movements in pricing so that they deliver affordable utilities to those in need.
2. While the concessions and certain provisions of the retail code help ameliorate financial hardship experienced by consumers, and must be retained (particularly post 2007), concessions alone do not sufficiently ensure more affordable utilities. The poor quality of some public and private rental sector housing stock, and concomitant low levels of thermal efficiency and lack of energy efficient appliances, contributes directly to higher utility costs. We support developing and enforcing minimum standards for new properties and retrofitting existing housing stock according to these standards, as this will contribute significantly to reducing utilities costs for low income households and have desirable environmental outcomes.

Whilst we support the development of hardship programs for all utility providers, we believe that delivery of a minimum quantity of service, sufficient to ensure the health and safety of consumers, must be guaranteed for gas and electricity. Any punitive restrictions of supply or disconnection should only occur in the most egregious instances of refusal to pay bills.

3. A worrisome gap in the regulatory framework for utilities is the exclusion of exempt or embedded networks, such as the Docklands precinct and large residential developments such as retirement complexes and long - term

residential caravan parks. The exclusion of residents of these area from the protections contained in the regulatory framework is unjust, and we contend that all Victorians deserve to be treated equally in the provision of essential services.

4. We believe that the Essential Services Commission should more actively ensure and enforce compliance with the regulations and the retail code, as an essential aspect of its consumer protection function.
5. We believe that the operation of market forces alone will not adequately provide low-income consumers with affordable utilities and will not protect these consumers from experiencing utilities-related debt. Government and its authorities must maintain a strong regulatory presence in the market to ensure that all consumers can rely on an adequate supply of gas and electricity, and that those in financial difficulties are supported so that they can meet their financial obligations.

The Tenants Union thanks the Committee Members for this opportunity, and hopes that our submission, and those of other community organisations, clarifies the position of low income Victorians in relation to utilities related debt and fuel poverty. If you wish to discuss this submission further, or require further information about the experience of Victorian tenants and the supply and cost of utilities, please contact Rebecca Harrison, Research and Policy Worker, on 9411 1410 or 0409 092 949.

Yours sincerely,

Rebecca Harrison  
Research & Policy Worker  
Tenants Union of Victoria