

Select Committee on Cost of Living
PO Box 6100
Parliament House
Canberra ACT 2601

12 May 2023

Dear Officer,

RE: Select Committee into Cost of Living

The Australian National University Law Reform and Social Justice Research Hub ('ANU LRSJ Research Hub') welcomes the opportunity to provide this submission to the Select Committee on the Cost of Living, responding to the terms of reference of the inquiry.

The ANU LRSJ Research Hub falls within the ANU College of Law's Law Reform and Social Justice program, which supports the integration of law reform and principles of social justice into teaching, research, and study across the College. Members of the group are students of the ANU College of Law, who are engaged with a range of projects with the aim of exploring the law's complex role in society, and the part that lawyers play in using and improving law to promote both social justice and social stability.

Summary of Recommendations:

1. Increased funding for emergency food services.
2. Removal of the Cashless Debit Card as an income management tool.
3. Reduction in tax on electric vehicles (EVs) in the Luxury Car Tax (LCT) and increased tax on diesel and petrol consuming vehicles in the same LCT.
4. Replace Negative Gearing with a tax reduction for property owners who offer sub-market price rent.

If further information is required, please contact us at anulrsjresearchhub@gmail.com.

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Introduction

This submission addresses the need to improve everyday Australians' lives in the face of an increasing cost of living crisis. This submission finds current systems and policies in place are insufficient in improving lives in a long-term and sustainable manner.

1. Increased funding for emergency food services

According to Foodbank's 2022 Hunger Report at least 1/3 of Australian households are experiencing food insecurity.¹ Being forced to skip meals is something that no family or individual should have to suffer through. Unfortunately, it is households with children that are more at risk of being unable to afford meals.² However, accessing food assistance is a barrier for many people due to stigma and shame around it, and because so many organisations run out, people are afraid if they get the assistance, it may take it away from someone who needs it as well.³

The Consumer Price Index (CPI) shows food increasing by 8% from March 2022 to March 2023, the 3rd highest category of increases⁴, compared to wages growing by only 3.3% as of December 2022.⁵ This shows a clear need for emergency food support to play a bigger role in the lives of those who, already marginalised, are being punished the most for the rising costs of living.

It is our recommendation that the ACT government look to increase funding for the 3 biggest food assistance organisations in Australia: OzHarvest, Second Bite, and Foodbank.⁶ With additional funding these organisations will be able to feed more households and improve nutritional education and decrease the current amount of food waste that costs the Australian economy \$36.6 billion per year.⁷ It is not only an investment in to an underserved part of the economy but a permanent raising of services that save lives of individuals and families.

¹ Miller, K & Li E (2022) Foodbank Hunger Report 2022, Foodbank. Available at: <https://reports.foodbank.org.au/foodbank-hunger-report-2022/?state=sa>

² Miller, K & Li E (2022) Foodbank Hunger Report 2022, Foodbank. Available at: <https://reports.foodbank.org.au/foodbank-hunger-report-2022/?state=sa>

³ Gomes L.H. (2022) *Inflation and inadequate welfare fuelling Australia's food insecurity crisis*, Foodbank finds, The Guardian. Available at: <https://www.theguardian.com/australia-news/2022/oct/17/inflation-and-inadequate-welfare-fuelling-australias-food-insecurity-crisis-foodbank-finds>

⁴ Australian Bureau of Statistics. (2023) *Consumer Price Index Australia*. Australian Bureau of Statistics. Available at: <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release>

⁵ Australian Bureau of Statistics. (2023) *Wage Price Index Australia*. Australian Bureau of Statistics. Available at: <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/wage-price-index-australia/latest-release>

⁶ Australian Department of Human Services. (2023) *Communities and vulnerable people: Food Relief*. Department of Human Services. Available at: <https://www.dss.gov.au/communities-and-vulnerable-people/programmes-services/financial-wellbeing-and-capability-overview-of-changes/food-relief>

⁷ Biene M.V. (2021) National Food Waste Strategy Feasibility Study. FIAL. Available at: <https://www.fial.com.au/sharing-knowledge/food-waste>

2. Review of income payments made with the Cashless Debit Card

Despite Labor's election campaign and promise to get rid of the Cashless Debit Card (CDC)⁸ there has still been no progress in removing this program that is actively causing harm to many members of affected communities.

Instead of completely removing the concept of a card that only allows specific transactions with the income received, the current government plan is still allowing income management through a card.⁹ This type of policy that is forced upon First Nations communities is harmful and negates their sense of self-determination and independence.¹⁰ With many of the communities the card being used in, including Wyndham, Kununurra, and Ceduna, having between 15-54% of the population identifying as Indigenous (ABS 2021 Census) the CDC has the impression of targeting these specific communities when looking at the 2.7% of Indigenous people making up Australia's overall population. After being consulted, many of these communities disagreed with the previous government's sentiment that it was a "co-designed policy", and many recommendations by Indigenous communities were not listened to.¹¹

If the current government is committed to repairing and fostering its relationship with First Nations people, we recommend an increase in co-design meetings around First Nations Elders and communities. By having these meetings local culture will be able to be considered within the context of the CDC and can then be altered to its best effect for all involved.

3. Reduce tax on electric vehicles (EVs) in the Luxury Car Tax (LCT) and increase tax on regular cars

Currently the rate of tax on imported vehicles that are fuel efficient is 33% above the value of \$84,916 and for other vehicles is \$71,849.¹² We believe there should be a new amendment to the Luxury Car Tax (LCT) that increases the minimum purchase price of fuel-efficient vehicles before taxation to at least \$100,000. This is to provide an incentive for importing luxury electric vehicles (EVs) over non-fuel-efficient vehicles and to index it relative to the production of advanced and more expensive EVs which are expected to increase substantially on a global scale.¹³

⁸ Karp P. (2022) *Labor pledge to scrap the cashless debit card will save budget \$286.5m over four years*. The Guardian. Available at: <https://www.theguardian.com/australia-news/2022/jul/14/labor-pledge-to-scrap-the-cashless-debit-card-will-save-budget-2865m-over-four-years>

⁹ Klein E. (2022) *Has Labor learnt from the failure of the cashless debit card?*. The Conversation. Available at: <https://theconversation.com/has-labor-learnt-from-the-failure-of-the-cashless-debit-card-188065>

¹⁰ Klein E & Razi S. (2019) Contemporary tools of dispossession: The cashless debit card trial in East Kimberley. The Journal of Australian Political Economy. Available at: <https://www.proquest.com/docview/2394536541?pq-origsite=primo>

¹¹ Dalley C. (2020) The "White Card" is grey: Surveillance, endurance and the cashless debit card. Australian Journal of Social Issues. Available at: <https://onlinelibrary-wiley-com.virtual.anu.edu.au/doi/full/10.1111/1467-8500.12558>

¹² *A New Tax System (Luxury Car Tax) Act*

¹³ International Energy Agency (2023) Global EV Outlook 2023. International Energy Agency. Available at: <https://www.iea.org/reports/global-ev-outlook-2023/executive-summary>

In November 2022 the Treasury Laws Amendment (Electric Car Discount) Bill 2022 was introduced to Parliament. This Bill has increased savings for people that use EVs however, the condition is if the vehicle's purchase price is below the value of \$84,916.¹⁴ According to Electric Vehicle Council's 2021 survey, over half of respondents want to get an EV as their next car and would be willing to pay more. The most agreed upon barriers for purchasing one was the initial cost of the vehicle, accessibility to charging infrastructure, and the limited range of models to choose from.¹⁵ With the government's National Electrical Vehicle Strategy poised to deliver a National Electrical Vehicle Charging Network that has chargers every 150km on Australia's major highways and Fringe Benefits Tax changes alongside state and territory incentives, the accessibility and initial cost of EVs has been reduced as a barrier. What needs to happen now is the range of models expanding. The simplest way to do this while achieving an economic benefit would be to increase the minimum amount of LCT for EV to at least \$100,000 as that is closer to the current price range of the latest EV models by Tesla, while increasing the proportion of tax for non-fuel-efficient cars. This will help in lowering the number of fuel-based cars being imported and increase the number of EVs on the road without compromising a well-designed tax system. An alternative to the increase of LCT fuel efficient vehicle's minimum value before being taxed, would be to create a new category for EVs entirely. EVs are unable to be converted in to a 'litres per 100km' measurement because of their reliance on kilowatts and can convert this energy to driving force at a rate of 90% relative to a standard vehicle's 35% efficiency.¹⁶

4. Replace Negative Gearing with a tax reduction for property owners who offer sub-market price rent

Negative Gearing, the process by which property owners deduct losses accrued by their property is deducted from their total tax bill (including unrelated income), accounted for \$24.4b of Tax Reductions in 2022-2023, 35% of which went to those already in the highest income band.¹⁷ A 2017 report from the RBA found that that "eliminating negative gearing would lead to an overall welfare gain of 1.5 percent for the Australian economy in which 76 percent of households become better off".¹⁸ The current Negative Gearing scheme has driven up both house and rent prices, allowing those who already own investment

¹⁴ The Hon Dr Jim Chalmers, MP Treasurer, Joint media release with The Hon Chris Bowen MP, *Electric Car Discount Bill introduced to Parliament*, Treasury Portfolio. Available at: <https://ministers.treasury.gov.au/ministers/jim-chalmers-2022/media-releases/electric-car-discount-bill-introduced-parliament>

¹⁵ Electric Vehicle Council (2021) Consumer Attitudes Survey 2021. Electric Vehicle Council. Available at: <https://electricvehiclecouncil.com.au/wp-content/uploads/2021/10/2021-EVC-carsales-Consumer-attitudes-survey-web.pdf>

¹⁶ Energide.be (n.d.) How much power does an electric car use?. Energide.be. Available at: <https://www.energide.be/en/questions-answers/how-much-power-does-an-electric-car-use/212/#:~:text=Most%20electric%20vehicles%20can%20cover,car%20reaches%2090%20%25%20and%20more>

¹⁷ *2022-23 Tax Expenditures and Insights Statement* (Tax Expenditures Statement, Treasury, 28 February 2023) <<https://treasury.gov.au/publication/p2023-370286>>.

¹⁸ Yunho Cho, Shuyun May Li and Lawrence Uren, 'Negative Gearing and Welfare: A Quantitative Study for the Australian Housing Market' <<https://www.rba.gov.au/publications/workshops/research/2017/pdf/rba-workshop-2017-simon-cho-may-li.pdf>>.

properties to purchase more and more while locking first-time buyers out of the market.¹⁹ In 2016 and 2019, Labor went to the election with a promise to end Negative Gearing; however, ultimately took it out of the platform for the 2022 election. The question of Negative Gearing is a deeply divisive issue. A suitable compromise would be to replace Negative Gearing with a tax reduction for property owners that offer below-market rate rent. A similar scheme already exists in the ACT, where property owners that rent through registered Community Housing Initiatives are able to claim a reduction on their Land Tax.²⁰ Providing a tax reduction akin to Negative Gearing that applies when property owners rent out their houses for below-market rates would cool the rental market, not dis-incentivise property ownership, and help target one of the primary causes of our current Cost of Living Crisis.

¹⁹ *Fuel on the Fire* (ACOSS, 2016) <https://www.acoss.org.au/wp-content/uploads/2016/04/Fuel_on_the_fire_ACOSS.pdf>.

²⁰ Yvette Berry MLA, *Land Tax (Affordable Community Housing) Determination 2019 (No 2)*, Explanatory Statement, <https://www.legislation.act.gov.au/DownloadFile/es/db_59837/20190327-70834/PDF/db_59837.PDF>.