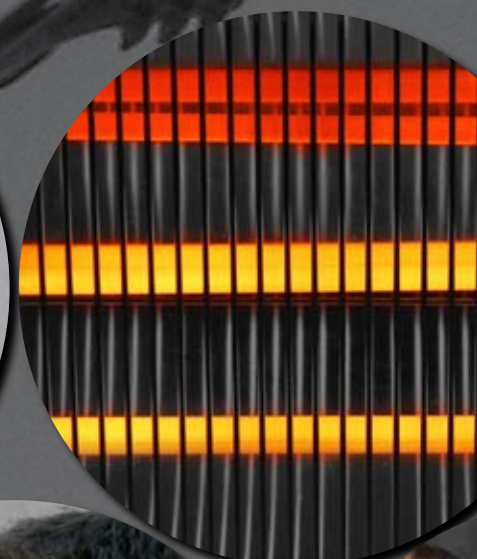


The price of poverty: the cost of living for low income earners

Jo Flanagan & Kathleen Flanagan
Social Action and Research Centre Anglicare Tasmania



A black and white photograph of a utility pole with power lines and insulators against a cloudy sky. The pole is the central vertical element, with several horizontal and diagonal lines extending from it. The sky is filled with soft, diffused clouds.

**The price of poverty:
the cost of living for low income earners**

Jo Flanagan & Kathleen Flanagan
Social Action and Research Centre Anglicare Tasmania

The price of poverty: the cost of living for low income earners

© Anglicare Tasmania, August 2011

Design by Clare Bradley

This work is copyright. Apart from any personal use permitted under the Copyright Act 1968 no part may be reproduced without permission of Anglicare Tasmania Inc.

National Library of Australia Cataloguing-in-Publication entry

Author: Flanagan, Josephine

Title: The price of poverty : the cost of living for low income earners

ISBN: 9781921267277 : Printed - Paperback
9781921267284 : Electronic document

Notes: Includes bibliographical references.

Subjects: Poor--Tasmania.

Poverty--Tasmania.

Cost and standard of living--Tasmania.

Other Author: Flanagan, Kathleen

Anglicare Tasmania.

Dewey Number: 362.509946

For further information contact:
The Social Action and Research Centre
Anglicare Tasmania
GPO Box 1620
HOBART
TAS 7001
Tel: 03 6213 3555
Email: SARC@anglicare-tas.org.au
Web: www.anglicare-tas.org.au

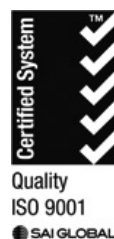


Table of contents

Executive summary	1
Part 1: Introduction	4
1.1 Background to the report	4
1.2 Project structure	4
1.2.1. Aims	4
1.2.2. Methodology	4
1.2.3. Limitations	5
1.2.4 Recruitment	5
1.2.5 Profile of the research participants	5
1.3 Structure of the report	8
1.4 The Tasmanian Cost of Living Strategy	9
Part 2: Low income earners and the market	10
2.1 What do we mean when we say ‘the poor pay more?’	10
2.2 The cost of living and the market	11
2.3 The difference between essential and discretionary expenditure	12
2.4 Affordability	13
Part 3: Do the poor pay more?	14
3.1 Are essential goods and services affordable?	14
3.1.1 Housing	14
3.1.2 Electricity	16
3.1.3 Food	18
3.1.4 Telecommunications	19
3.2 Budget priorities	20
3.2.1 How budgets are ordered	20
3.2.2 Housing costs: the first priority	21
3.2.3 Electricity costs: the second priority	21
3.2.4 Telecommunications: an essential connection	22
3.2.5 Food: the residual place of food in the household budget	22
3.3 The cost of essentials: how much are people budgeting for essential items?	24
3.3.1 Electricity	24
3.3.2 Food	25
3.3.3 Housing	26
3.3.4 Telecommunications	26
3.4 Budget management	28
3.4.1 Prepayment	28
3.4.2 Electricity prepayment and emergency credit	30
3.4.3 Bill juggling and the use of arrears as a form of credit	30
3.4.4 Catastrophic bills and dangerous budgeting decisions	30

3.5	Shopping patterns	32
3.5.1	Physical access to food outlets	32
3.5.2	'Price searching' and assessing value	34
3.5.3	Buying in bulk	35
3.6	Access to information	36
3.7	Access to choice	38
3.7.1	Electricity and consumer choice	38
3.7.2	Factors driving choice	39
3.8	Rationing and disconnection	39
3.8.1	Rationing food	40
3.8.2	Rationing electricity	41
3.8.3	Phones: when rationing becomes disconnection	44
3.9	Risk	44
3.9.1	Personal risk: underinvestment in insurance	45
3.9.2	Social risk: underinvestment in public services	45
3.9.2	Commercial risk: debt management strategies	46
3.10	Credit and debts	46
3.11	Crisis responses to market failure	48
3.11.1	Emergency relief	48
3.11.2	Hardship policies	48
3.12	Some successful responses to cost of living pressures	49
3.12.1	Food security initiatives	49
3.12.2	Micro-credit	50
3.12.3	Social media	50
3.13	Do poor Tasmanians pay more?	50
Part 4: Conclusions and recommendations		52
4.1	Policy issues arising from the research	52
4.1.1	Market failure	52
4.1.2	Market-based exclusion	52
4.1.3	Market residualisation	52
4.1.4	Customisation of the market	54
4.2	Other policy concerns	55
4.2.1	The capacity to pay	55
4.2.2	Consumer confidence and choice	57
4.2.3	Price competition	57
4.2.4	Place based effects	57
4.2.5	Affordable warmth	57
4.2.6	Food rationing and nutritional insecurity	57
4.3	Recommendations	58
Appendix 1 Mobile phone price comparison		69
Appendix 2 Prepaid internet pricing schedule		70
References		71

Acknowledgements

This research was undertaken by the Social Action and Research Centre at Anglicare Tasmania. The research project was funded by Anglicare Tasmania and the Tasmanian Government, with funds provided through the Family Assistance Program.

We would like to thank the members of the project's reference group: Ann Herbert (Social Inclusion Unit, Department of Premier and Cabinet), Rick Tipping (NILS Network of Tasmania), Kath McLean (TasCOSS), Sam Picot (Department of Treasury and Finance) and Ann Hughes (Anglicare Tasmania). The research findings and recommendations of this report are those of Anglicare and should not be attributed to members of the reference group. Any errors are the responsibility of the authors.

Thanks are also due to Michael Foley, our 'rainmaker', who travelled the state finding people to talk to and gathering the data for us. The service providers and workers who helped in promoting the research to clients and community members also deserve warm thanks.

Finally, we would like to express our gratitude to the people who shared their insights, their thoughtfully constructed budgets and their private difficulties with us. We were asking you about matters often kept private and personal and we appreciate that taking the risk to talk to us was a leap of faith. We hope we've been true to your stories and the knowledge you have earned the hard way about what could make life easier for Tasmanian people.



Terms used in this research

Homeless

In this research participants are described as homeless, or formerly homeless, if their experience conforms to the definition developed from the work of Professor Chris Chamberlain (1999). By this definition primary homelessness is described as the experience of being without conventional accommodation – ‘sleeping out’ or using derelict buildings etc. for shelter. People are said to be experiencing secondary homelessness if they are living in temporary accommodation, such as emergency accommodation, refuges and temporary shelters. This definition of secondary homelessness also includes people who use boarding house or family accommodation on a temporary basis. People living in boarding houses on a longer term basis are said to be in tertiary homelessness. This definition is widely accepted – it is used in the Tasmanian Homelessness Plan (DHHS 2010, p. 12) – although the methodology for counting the number of homeless people, which is based on this definition, is currently under review by the ABS (see Pink 2011).

Financial crisis

Participants in this research are described as being in financial crisis if they reported having used emergency relief services.

Rationing

In this report the word rationing is used to describe a deliberate strategy of managing a resource, with the supply of the resource being controlled and distributed in a regulated way.



Executive Summary

This report identifies a number of ways in which low income Tasmanians are subject to a 'poverty penalty' – an additional cost in money, time or health which they incur in their attempts to purchase basic goods and services.

Some of the costs are direct – people may actually pay more for the products that are available to them – or they may be indirect, such as increased exposure to risk because of their inability to afford insurance products. What is clear from this research is that the way the modern market place provides essential goods and services, whether through the open market or through government-owned businesses, is not always in the interest of low income consumers. Rather than enjoying the benefits of improved access and lower prices associated with free markets in classical economic theory, low income consumers are in fact relegated to residual markets, excluded from important markets (such as rental housing) or the market fails to deliver to them the products or information they need.

This research also found that the poverty penalty plays out in a broader context – that of a range of competing demands on low income earners' budgets. These demands impose difficult choices around expenditure on essential items.

The participants in this research experience great difficulty in affording essential goods such as food and essential services such as housing, electricity and telephones. This research suggests that the affordability of essential services is approaching crisis point, with research participants describing electricity costs as having such a dramatic and detrimental effect on household budgets that they require 'catastrophic expenditure', that is they require an excessively high share of the household resources. Housing costs too, in their ongoing impact on budgets, are having a significantly detrimental effect on the research participants' ability to afford other essential goods.

A significant issue for the research participants is their very low levels of income, which make it impossible to afford essential goods and services in the quantities they are needed. Rationing of essential services such as electricity and telephones and disconnection from these services, particularly telephones, are relatively common experiences.

The choices available to the participants in this research, as consumers of essential goods and services, are limited by a range of factors. Of

these the most significant is affordability, but the circumstances of their lives, such as their need to manage illness or caring responsibilities or their inability to physically get to certain shops or shopping centres, also limits their choice.

The research also exposes the cost in time and energy for low income people in navigating their way around the marketplace. Living in rural or regional areas, or peri-urban areas with poor local infrastructure including limited or no access to public transport, means that their ability to reduce costs by taking advantage of price discounts, bulk purchasing or shopping around is extremely limited.

In this context, the people who participated in this research have developed a range of coping strategies. A clear finding of the research is the importance to participants of the strategy of 'ordering' their household budgets. Commonly, participants prioritise housing costs in their budgets, after which they pay for electricity. In many instances telephones and debt repayments are given the next priority. Food is significantly marginalised in household budgets – purchased with the money left over after these significant deductions have been made. As a consequence of the difficulty this budget ordering causes when it comes to purchasing food, the participants reported that they adopt strategies such as rationing, substituting cheaper, less nutritious foods, and asking for help from emergency relief services. The long term health implications of these strategies are worrying.

The incapacity of a number of participants in this research to pay for essential goods and services raises serious concerns about the impact of increasing cost of living pressures on low income households and exposes the inadequacy of current measures to address this by government. Currently efforts focus on responses which can be managed through short term funding cycles and are largely focussed on crisis help when people become desperate, and a concessions system which does not tackle the problem of affordability. Clearly more needs to be done.

Summary of the recommendations

Recommendation 1: That the Australian Government urgently review all income support payments with a view towards equalising the payment levels of pensions and allowances, and ensuring that all payment levels are adequate to allow for an acceptable minimum standard of living for all recipients and retain parity with increases in wages and living costs.

Recommendation 2: That the Tasmanian Government, through the Council of Australian Governments, urge the Australian Government to review the level of income support payments with a view to ensuring they are set at a level adequate for an acceptable minimum standard of living for all recipients, and indexed to both prices and wages.

Recommendation 3: That the Australian Government reform social security income tests to support people to engage in part time and casual work.

Recommendation 4: That the Tasmanian Government fund an income maximisation pilot project.

Recommendation 5: That the Tasmanian Government work with employers to pursue targeted employment generation programs, with a focus on long-term unemployed people and those facing particular disadvantages that impose barriers when looking for work, such as mental illness, disability, or the risk of racial discrimination.

Recommendation 6: That the Tasmanian Government commit to appropriate funding for the implementation of the Tasmanian Food Security Strategy.

Recommendation 7: That the Australian and Tasmanian Governments place an urgent priority on funding the public housing system as a core government service, with appropriate recurrent investment to allow it to charge affordable rents, operate sustainably, increase the supply of houses, offer security of tenure and improve support services for tenants.

Recommendation 8: That the Tasmanian Department of Treasury and Finance be resourced to undertake a project to investigate options to introduce a 'social tariff' and appropriate concessions structure for eligible low income and vulnerable electricity customers to ensure that all Tasmanians have access to adequate amounts of electricity at a price that does not impose hardship.

Recommendation 9: That the Tasmanian Government invests further in publicly subsidised transport services to allow greater frequency of services and flexibility of service routes, particularly to urban fringe areas and disadvantaged and regional areas.

Recommendation 10: That the Tasmanian Government review the social outcomes required from businesses providing essential services (especially Aurora and Metro) and the adequacy of the funding provided to these businesses to deliver their community service obligations (or like activities).

Recommendation 11: That the Australian Government develop a national policy framework to guide the delivery of essential telephone and internet services at an affordable price to low income and disadvantaged Australians, with clearly defined social objectives and an adequately funded community service obligation.

Recommendation 12: That the Tasmanian Economic Regulator move to declare APAYG (Aurora Pay as You Go) a regulated tariff, to include the regulation of both the tariff price and the standard of customer protection that should apply to APAYG customers.

Recommendation 13: That the Tasmanian Government moves urgently to progress the review of the *Residential Tenancy Act 1997*, particularly with regard to the specification and enforcement of minimum standards for tenanted properties.

Recommendation 14: That the Tasmanian Government implement a 'bill smoothing' policy to allow Tasmanians to better cope with large bills for electricity and other essential services.

Recommendation 15: That the Tasmanian Government reviews the recommendations made by the Brotherhood of St Laurence in relation to insurance products for low income people, and work, in partnership with the Australian Government, the insurance industry and appropriate regulators, towards the implementation of these recommendations.

Recommendation 16: That the Australian Government work with consumer organisations to develop product comparison information for telephone customers in formats that are appropriate to an audience that may have low levels of literacy, limited funds or poor English skills.

Recommendation 17: That the Australian Government expand funding to the Commonwealth Financial Counselling Program.

Recommendation 18: That the Tasmanian Government and Aurora Energy fund a free, impartial, widely available financial information and support service for people living on low incomes with capacity to also provide group information sessions for people living on low incomes.



Part 1: Introduction

1.1 Background to the report

This research explores whether people living on low and fixed incomes pay more for some products and services than those on higher incomes in Tasmania. The research follows work in other parts of Australia and overseas on how ‘the poor pay more’, a phenomenon also referred to as the ‘poverty premium’ or the ‘poverty penalty’¹.

This report is being produced in part to inform the development of the Tasmanian Cost of Living Strategy by the Tasmanian Social Inclusion Commissioner, Professor David Adams. It is hoped this strategy will provide solutions to the cost of living problems facing many Tasmanians, particularly Tasmanians living on low incomes.

1.2 Project structure

1.2.1 Aims

The project aims to consider whether the cost of living for people on low incomes is higher than for people on higher incomes. This is an area that has not been extensively explored in Tasmania, although there is research available from other parts of Australian and overseas.

Specifically, the project aims to:

- identify household costs that may be proportionally more expensive for someone on a low income compared to someone on a higher income, and the households and groups that would be more likely to incur these costs;
- explore coping strategies used by low income earners to manage these additional costs;
- explore the role and extent of choice in low income earners’ budgeting decisions;
- provide an opportunity for low income earners to have input into the design of services, policies and products in response to cost of living issues; and
- identify points for intervention to inform the development of the cost of living strategy.

1.2.2 Methodology

The project methodology was divided into four parts. First, a targeted literature review was conducted. Rather than attempting to consider the immense body of literature available on poverty, financial hardship and cost of living issues more generally, the literature review focussed on academic and policy documents which explored the specific issue of ‘the poor paying more’ and its implications. The literature review was used to identify particular costs which merited further exploration in the Tasmanian context.

The second part of the project involved identifying groups and locations to target for further research. Another piece of work being produced to contribute to the development of the Cost of Living Strategy, a report on the ‘relative price index’ for Tasmania, was used, together with the findings of the literature review, to identify population groups and household types that might be most affected by ‘the poor paying more’. This information was then used to structure focus groups that included representatives of these groups and were held in appropriate locations.

The third part of the project was the interviews. These explored in detail the identified costs and the coping strategies used by low income earners to manage and respond to these issues. The discussions were recorded and transcribed for analysis. Interviewees were asked where particular cost items were ranked in their budgets and how much they expended in particular areas each fortnight. Budgets were constructed from this information and expanded to include any further reference to debt payments or direct payments.

The final part of the project involved bringing together the findings of the literature review and the analysis of the focus group transcripts to develop policy recommendations. This enabled key findings of the report and its indicative recommendations to be incorporated into the development of the Cost of Living Strategy.

¹ Some of the examples include *The poor pay more*, a famous study by David Caplovitz, published in 1963, which looked at how public housing tenants in New York paid more for household items like furniture and whitegoods; an Australian report called *Do the poor pay more?* published by the Consumer Law Centre in Victoria, which looks at the higher price paid by poor people for financial services, credit, telecommunications, utilities and household goods and services; a major US study called *From poverty, opportunity*, produced by the Brookings Institution in Washington, which looked at the higher prices paid by low income earners for basic financial services, cars, housing and food; a report from two UK charities called *The poverty premium*; and a substantial report by the Public Services International Research Unit in the UK called *Poor choices*, which looked at the limits of competitive markets in the provision of services to low income earners.

1.2.3 Limitations

This research was designed to gather in-depth information about the information, experiences and priorities which inform the decisions of low income consumers in Tasmania. The goal of this was to discover whether there were particular costs faced by low income people which could be ameliorated through regulatory, policy or market interventions. However, there were limitations to the project and therefore to the findings which should be borne in mind when reading this report. These are:

- The study's 'point in time response' from people about their financial situation. The report collates and analyses qualitative data, which includes individuals' estimates of their expenditure. The research did not gather longitudinal information on budgeting or expenditure patterns, or empirical evidence on the research participants' actual expenditure patterns to support this self-reported data.
- While the research contains a balance of people living on different income support payment types, living in different areas in Tasmania and in a range of tenure types, the participants in this research are not intended to be representative of the whole population of Tasmanians who are on low incomes. It is not possible to extrapolate from this research to draw any statistically valid conclusions about the experiences of all low income Tasmanians.
- The literature review identified some key areas of expenditure which have a significant impact on cost of living for low income households and these were explored in the research. This is not to suggest that there are other areas of expenditure, such as the costs associated with disability or chronic ill health or the cost of transport, which are not important or worthy of study. However, these are not explored in this research except where they emerged in relation to the core costs under study.
- This research does not look at the cost of alcohol, tobacco or other drugs including medications.

1.2.4 Recruitment

Participants for this research were recruited with the assistance of staff and volunteers in a range of community and health services including Neighbourhood Houses (Rokeby, Clarendon Vale, Chigwell, Northern Suburbs and George Town), Community Health Centres (Tasman Peninsula), local government (Dorset) and community service organisations (Red Cross, Mission Australia, Anglicare, Launceston City Mission and the Wyndarra Community and Resource Centre). Recruitment of participants from the Tasmanian Aboriginal community was done with the assistance of key informants within that community.

Efforts were made to prioritise the recruitment of key groups identified as particularly vulnerable to cost of living pressures through the literature review. These were people living in private rental properties, people dependent on Newstart Allowance and Youth Allowance, and people with large families (three or more children).

1.2.5 Profile of the research participants

Sixty-six people were interviewed as part of the research.

- There were 21 men and 45 women.
- Eleven participants identified as Aboriginal or Torres Strait Islander and two participants were from refugee-initiated communities.
- Participants ranged in age from 18 to 82. Eight were under 20, 48 were between 20 and 60 years of age, and 10 were aged between 60 and 82.
- They lived in a range of housing tenures.

Table 1: Participants by housing tenure type

Private rental tenants	21
Public housing tenants	21
Home owners/purchasers	10
Boarding with parents (not primary tenant) ^a	5
Social housing ^b	4
Emergency housing ^c	2
Homeless ^d	3
TOTAL	66

^aThese included independent adults and adult children with accompanying children.

^bCouncil housing or affordable housing property managed by a community service organisation.

^cTransitional housing managed by a community service organisation.

^dAll those homeless at time of interview were experiencing secondary homelessness.

- Six participants had recent or current experiences of homelessness. Three people were homeless at the time of interview: one was sleeping on her sister's couch, one was sleeping on her daughter's couch, and one was resident in a women's shelter. Two of the private rental tenants had moved into their housing very recently after having been homeless (sleeping in a tent or on the street) for 9 and 10 months respectively. One participant was living with his parents and looking for housing, having been homeless and living on the street recently.
- Two participants and the children they cared for were living in emergency housing managed by community service organisations.
- Thirty-three of the participants had dependent children. Collectively they cared for 79 children.

Table 2: Research participants: household composition

Sole parent living with their children	26
Living alone	17
Living with partner and children	7
Living with parents (includes sole parent headed families living with grandparents)	5
Living with partner (no children)	3
Living in shared housing with other adults	3
Homeless	3
TOTAL	66

- The participants came from a range of locations around Tasmania, including the south (the Greater Hobart area, the Tasman Peninsula, the Huon and the Channel), the north (Launceston and the Tamar Valley), the north-east (St Helens), the north-west (Devonport, Burnie and Circular Head), and the West Coast (Rosebery and Zeehan).

Table 3: Research participants: place of residence

Hobart (Greater Metropolitan area)	31
South (Rural and regional centres)	9
North (Urban)	4
North (Rural areas and regional centres)	4
North East (Rural areas and regional centres)	3
North West (Urban)	4
North West (Rural areas and regional centres)	7
West Coast (Regional centres)	4
TOTAL	66



- The participants were dependent on a range of income sources but all were eligible for a Commonwealth concession card due to low income. Their sources of income are listed in the table below.

Table 4: Research participants: main source of income

Main source of income	Number	Other household income
Parenting Payment Single	24	All received Family Tax Benefit. Three participants also worked part-time. One was caring for a child with a disability and received Carer Allowance to support this.
Newstart Allowance	14	One participant had some casual work. Two were sole parents and received Family Tax Benefit.
Disability Support Pension	8	One participant had a partner who received Parenting Payment Partnered and they received Family Tax Benefit for their child. One participant was caring for a child with a disability and received Carer Allowance.
Age Pension	5	All the participants who received the Age Pension lived alone. There were no other sources of household income.
Low wage earner	5	One participant was a sole parent and received Family Tax Benefit. Two lived alone and two were living in share houses and were in full-time training/ education.
Parenting Payment Partnered	4	All received Family Tax Benefit. Three had partners whose main source of income was income support payments. One had a partner in low waged work.
Youth Allowance	4	All the participants who received Youth Allowance were living independently. One participant also received a Living Away From Home Allowance. One had some casual work.
Wife's Pension	1	This participant had a partner who had a disability and depended on the Disability Support Pension.
Unable To Live At Home Allowance	1	This participant was homeless and living in a crisis shelter.

1.3 Structure of the report

The report is divided into four parts, structured as follows.

Part 1 provides an overview of the structure of the research, including its aims, methodology and limitations. It also contains a short review of the development to date of the Tasmanian Cost of Living Strategy, which this report is intended to inform.

Part 2 contains a discussion of some of the ideas and concepts that emerged during the initial literature review. These ideas form the framework for the analysis in later sections. The chapter explores what we mean when we say ‘the poor pay

more’, how modern societies rely almost exclusively upon markets to provide people with essential goods and services, and some of the implications, particularly for low income earners, when these markets fail to work as they are theoretically supposed to do.

Part 3 contains the findings of the report. It looks at the ways in which the research participants paid more because they were on a low income, both financially and in other ways. It looks at the coping strategies that people used to manage their budgets when the total cost of essentials exceeded the sum they had available. This section also includes discussion of the relevant policy context for the major findings.

Part 4 draws the findings from earlier chapters together into conclusions and makes recommendations for policy change. The recommendations are designed to be incorporated into the Social Inclusion Commissioner's Cost of Living Strategy, and thus there is a focus on policy areas where there is the potential for the Tasmanian Government and other key Tasmanian stakeholders to have greatest influence. However, more extensive recommendations for structural reform are also included to point the way for the future.

1.4 The Tasmanian Cost of Living Strategy

The 2010-11 State Budget in Tasmania included an allocation of \$75,000 to the Social Inclusion Unit for the development of a Tasmanian Cost of Living Strategy. The strategy is intended to provide an accurate picture of cost of living issues in Tasmania and to identify current activity, resources and options to address cost of living pressures. This includes recognising policy levers outside the control of the Tasmanian Government, outlining the range of current policy responses being implemented by the Tasmanian Government and identifying policy options available to the government as well as individuals, the market and the community in Tasmania².

The Social Inclusion Commissioner is to report to the Tasmanian Government by August 2011. An interim report was produced in February 2011, which focussed mainly on the issue of rising electricity prices and made a number of recommendations around emergency relief and consumer protection and education.

The Premier's response to this interim report was to promise some 'modest steps' which included the appointment of a Parliamentary Secretary for Cost of Living and a willingness to consider a Select Parliamentary Committee into cost of living issues. In addition, she made a commitment to seek further advice on the possibilities of 'bill smoothing' (that is, a mechanism to allow people to spread costs across monthly or fortnightly instalments and avoid the shock of large bills) and on the concessions system, to ensure it is well targeted.

The following State Budget, which included widespread cost-cutting measures, did include some modest measures targeted at crisis responses – these included increased funds for emergency relief, an allocation of funds to food security initiatives largely working in the welfare sector and funds for a scheme to assist low income households in the private rental market with energy efficiency measures to reduce bills. However, it also included counter-productive government cost saving measures, such as increased rents for tenants in public housing, cuts to public education and foreshadowed widespread cuts to health and human services, which, it was implicitly acknowledged, will have an impact on core services (Giddings 2011).

The strategy is being produced in parallel with a number of other projects and initiatives, including a review of Tasmania's three electricity companies, Aurora, Transend and Hydro, a cross-party review of state taxation, the continuing rollout of significant reforms to Tasmania's water and sewerage sector, a review of the Tasmanian *Residential Tenancy Act 1997*, the activities of the Tasmanian Food Security Council (which has allocated \$750,000 in funding to a range of projects to enhance food security around the state), the implementation of *Coming in from the cold* (the Tasmanian Homelessness Plan), the Tasmanian Innovation Strategy and the Tasmanian Economic Development Plan. All of these initiatives have some bearing on cost of living issues in Tasmania and also form part of the policy context for this report.

² An Expert Advisory Group was convened to inform the development of the strategy's recommendations and includes in its membership one of the authors of this report. The strategy that will be produced however remains that of the Social Inclusion Commissioner, with the Advisory Group providing only one source of advice and information to the Commissioner.

Part 2: Low income earners and the market

2.1 What do we mean when we say 'the poor pay more'?

A basic internet search for 'the poor pay more' returns between 32,500 and 362,000,000 results, depending on the search engine used. Not all of these results are relevant to Australia, of course, but the numbers indicate that the phrase itself is well-worn. It is the title of a well-known book by David Caplovitz from 1963, and has been used as the title of a number of research reports produced in Australia and around the world. Other phrases which refer to the same phenomenon include 'the poverty penalty', 'the cost of being poor' and 'the poverty premium'. Essentially these phrases mean the same thing. They refer to those instances where people with little money pay relatively more for goods or services or participation in certain markets. As one US journalist put it: '[t]he poorer you are, the more things cost. More in money, time, hassle, exhaustion, menace' (Brown 2009).

This report uses as its starting point an article by Ronald Mendoza and published in the *Journal of International Development* which discusses the poverty penalty. Most of Mendoza's discussion of the poverty penalty is in relation to global poverty and people living in developing and transitional economies, but his analysis summarises current business and economics literature and is equally pertinent to wealthier countries. He argues that the poverty penalty can take at least five forms, all of which drive social exclusion (Mendoza 2008). The poverty penalty can exist in a subtle form, such as when the goods sold to poorer people are of **poorer quality** than those sold to the 'non-poor' (but they are sold at the same price), or when poor people pay a **higher price** for a similar product or service than non-poor consumers. Or it can take more direct forms, such as: **non-access** (this is when the price of a good or service is so high that it is completely unaffordable for a poor consumer and so they are effectively priced out of the market); **non-usage** (this is when the poor opt out from consuming the good or service because of its high price – or poor quality at its price – thus effectively exiting the market) or when purchasing a good or service causes a **catastrophic spending burden**. This last occurs when the purchase of a good or service is a necessity, but the price is so high that the household must do something extreme to finance it, like going into debt. This means that the household's whole budget, and therefore the money that they have available to

spend on essentials, is reduced for an extended period of time to cover the costs of the original necessity – or it means payments are in excess of a critical threshold share of the household budget³. Because these households are living so close to the margins, in the first place, this long-term reduction is genuinely 'catastrophic' (Xu et al., cited in Mendoza 2008).

Mendoza also explores a number of reasons as to why the poverty penalty might arise, in any of its forms, in poorer countries. Many of these reasons would be applicable, although perhaps not in the same form, to Tasmania. They include **living on a low income**, as this increases people's vulnerability to any loss of income, increase in prices or unexpected and urgent purchase and the disadvantages that can come with the **location** where people live. People on low incomes often live in areas that are poorly serviced by transport and other infrastructure. This can mean they have difficulty accessing markets to get the best product at the best price. It can also mean that markets are reluctant to come to them.

Other reasons include what is described in the literature as 'store and size effects' and some forms of market failure.

Store effects refers to the fact that smaller shops, for a range of reasons, often charge higher prices than would be charged by larger shops for the same products. Yet people on low incomes, again for a range of reasons, may have to purchase from these smaller shops.

Size effects refers to the economies that can be achieved by buying more food than you need immediately. It can mean buying items in bulk, either through specially packaged 'bulk buys' or simply buying in larger sizes can mean that the price per item is much lower than if the item is purchased singly or in a small size. People on low incomes often have a reduced capacity to save by buying items in bulk. This is generally because their incomes are low and they need to spread their available money over as wide a range of items on their list of essential goods and services as possible, but it may also be because they have an insecure or inadequate home environment that makes storage of goods purchased in bulk difficult, or lack the means to transport larger quantities.

³ The critical threshold has been defined in studies as anywhere between 5% and 20% of total household income (Xu et al 2003)

Mendoza also discusses:

- **Lack of access to information:** according to economic theory, perfect competitive markets require perfect information to be held by both producers and consumers. In reality, low income consumers often lack sufficient information about products and services that could enable them to choose the most affordable options. This can be because of the cost of getting information, a lack of access to technology (for example, internet access) or lower literacy levels. People with less financial literacy skills are at risk of being the victims of discriminatory activities by retailers. The cost of getting information, and the negative consequences of poor information, can also be exacerbated by less developed public and private infrastructure where they live.
- **The cost of switching products and services:** changing from one product or supplier to an alternative, more affordable product or supplier incurs a range of financial and other costs. These include the need for compatibility with existing equipment, transaction costs such as bank fees or disconnection fees, the need to learn to use new brands, uncertainty about the quality of untested brands (a more intangible cost), the loss of the benefits of discount coupons or loyalty programs, psychological costs of changing loyalties and the costs of undertaking the research needed to decide whether or not to switch products in the first place.
- **Missing markets:** this is where markets fail to develop (for example, in the area of insurance products for low income earners), and thus some types of services or products fail to be available for the poor at all, at any price. This can mean that when the product is required due to a necessity, a catastrophic spending decision must be made.

People who are poor are also exposed to a much greater level of risk than the non-poor. Potentially they have less stable income flows, they are more vulnerable to some types of shocks (such as theft or poor quality goods) and their capacity to protect themselves against these (by having insurance or savings) is less. They are also more vulnerable to

health related problems and crises due to poor nutrition, poor quality housing and poor access to infrastructure.

In summary, as Mendoza says, '[e]ssentially then, the poverty penalty is a reflection of inequality *vis-à-vis* participating in markets' (Mendoza 2008, p. 20). Yet in our developed world, in order to obtain the essentials of life, participation in markets is necessary.

2.2 The cost of living and the market

Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.

Article 25(1) of the Universal Declaration of Human Rights

The Universal Declaration of Human Rights lists the basic rights and freedoms of all people in the world and stresses that these rights are the entitlement of everyone, 'without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status' (Article 2). Yet in a modern society, many of these rights, and particularly the essentials for life, such as food, clothing and shelter, are only available to people who can buy them ('people with property', to use an old-fashioned term) – whether through purchasing them on the open market or second-hand or by renting. Virtually none of them are available for free.

In Australia a social safety net exists, incorporating a range of strategies from emergency relief services (which provide food parcels to households in need) through to the provision of means-tested income support payments and the availability of more universal measures like access to necessary medical services through Medicare. However, the Australian Government, like other social democracies throughout the world, is increasingly turning towards the market to deliver products and services to its citizens, including to people on low incomes. Consumers' capacity to obtain the essentials of life therefore depends on two things: their income, and

thus their capacity to afford to buy everything they need, and the extent to which the market functions to meet their needs.

For low income earners, the income part of this equation is clearly a problem. One in three Tasmanian households depends on income support payments as their main source of income (ABS 2009). Yet the income support system has been repeatedly shown to provide an inadequate level of income to support a reasonable standard of living (Flanagan, K 2010a). Low income households in Tasmania have an average disposable income of just \$359 per week (Adams 2009), compared to the average income of all Tasmanian households, which is \$1224 per week (ABS 2009). Thirteen per cent of Tasmanians live on an after tax income of less than \$281 per week (Adams 2009).

The market part of the equation can also worsen the situation of low income households. The literature review that accompanied this research and the findings from the interviews with participants revealed that there were a number of ways in which this could happen. These include:

- Markets sometimes fail. In economic terms, a 'market failure' occurs when 'a market left to itself does not allocate resources efficiently' (Better Regulation Office 2009, pp. 29-30). Some of the ways markets fail have particular implications for this research. One is that economic transactions can have costs for people who are not involved in that transaction. Another is 'information asymmetry' – that is when one party to an economic transaction has less information than the other party. The final is when a supplier of goods has significant influence over the quantity of goods and services traded, or the price at which they are traded. The end result of market failure can be that some groups of customers are unable to access a particular product or service.
- Markets can become segmented and residualised. 'Unattractive' customers can be assigned to residual markets, sub-prime markets, or markets of 'last resort' (Sharam & Duggan 2004).
- Markets can become customised. Sometimes the market tailors itself to the needs of an excluded or disadvantaged group in ways that are ultimately exploitative or harmful.
- The issue of 'capacity to pay' is excluded

from most discussions of market forces and appropriate consumer policy responses.

- There are gaps in the government-provided 'safety net' that sits under the market in the event of problems.
- The reforms that would be required to adequately address these issues are large and politically challenging to implement.
- Low income earners are often told to 'just do without', but this is essentially unrealistic in a modern society and impossible when referring to life essentials such as food, warmth and shelter.

Much of the literature on social capital links it explicitly to membership of community groups and volunteer activity, with such activity seen as the answer to the failures of both market and state in response to disadvantage. The work of Tasmania's Social Inclusion Commissioner has identified the benefits of the social economy that exist in Tasmania – relatively high rates of volunteering and civic engagement and participation in arts and culture (Adams 2009). However, social capital is compromised by inequality (e.g. Wilkinson & Pickett 2009), and as Anglicare has argued elsewhere, even though 'the community' has the capacity to provide innovative policy responses and clear values in response to social problems, we must be wary of assuming that it holds all the answers. It is 'a blunt instrument to solve intractable social problems' (Hess & Adams, cited in Flanagan, K 2010b, p. 40).

2.3 The difference between essential and discretionary expenditure

In this report expenditure on essential goods and services is deemed to be essential expenditure. Essential services are commonly understood to be the services which meet common public needs, such as the need for fuel (electricity and gas), sewage disposal or water. The essential nature of the service is its link to safety and health of the whole, or part, of the population. Legislators attempting to codify essential goods and commodities have also used this link as a guide – defining essential goods as those commodities or foods required by the community for health and life (e.g. the Northern Territory *Essential Goods and Services Act 1981*). Transport and telecommunications services are commonly included in the definitions of essential goods and

services (e.g. The Swiss Confederation *National Economic Supply Act 1982*). This understanding is not confined to legislators concerned with times of national crisis. The common understanding of the right of community members to have access to these services is reflected in the support by labour organisations for some forms of limitation on the right to strike of those workers employed in the delivery of essential services (e.g. International Labour Organization 1998) .

2.4 Affordability

This research raises a series of questions about the affordability or not of essential products and services and asks research participants to assess whether these products are affordable for them. But what do we mean by affordable?

Much policy debate centres on the affordability or not of public and essential services for customers. However, the word ‘affordable’ requires further definition as this is a complex area. As Milne (c. 2003, p. 1) states,

[b]eing affordable is not the same thing as being low-cost (though that helps); nor is it the same as being cost-effective (which may help) or sustainable... The essence of affordability lies in the resources that are available for a purchase. This means that affordability only has meaning when speaking of a certain group getting particular products or services.

Elsewhere, she argues that affordability includes elements of the ‘ability to pay a price without suffering hardship’ and the ‘degree of need for what is bought’, but notes that there is a ‘big variation in people’s needs as well as resources’ (Milne 2003, p. 3). What is ‘affordable’ will vary from household to household, depending on individual financial responsibilities (Feder 2009). Two households of the same size on the same income may have very different benchmarks for affordability in relation to electricity, for example, if one of the households includes an elderly person who needs to keep warm around the clock.

Obviously the adequacy of what is purchased for the price is also a consideration in the judgement of affordability. For example, the National Forum on Affordable Housing describes affordable housing as: ‘housing which is reasonably adequate

in standard and location for a lower- or middle-income household and does not cost so much that such a household is unlikely to be able to meet other basic living costs on a sustainable basis’ (cited in Flanagan, K 2007, p. 5).

As this definition also shows, the affordability of one item is related to the cost of all of the other items the household needs to buy – housing, for example, is affordable only if, once it is paid for, the household can afford to meet all its other basic living costs. This means that the affordability of a given item cannot be treated in isolation, but depends on a consideration of the entire household budget. This, and the way in which affordability varies from household to household according to individual circumstances, makes setting an affordable price for food, or electricity, or housing, a complex exercise involving the reconciliation of the competing demands of different retailers, as well as an assessment of what is an acceptable standard of living. It becomes especially difficult when the amount of household income available to go around is very low.

But this does not mean it should not be attempted. With regard to the areas of focus of this research – electricity, housing, food, telecommunications and credit – affordability was assessed to be a sufficient level of service to meet research participants’ reasonable needs for health, wellbeing and dignity at a cost which did not cause continual crises in their household budgets.

Part 3: Do The Poor Pay More?

This research explores the question of whether a 'poverty penalty' applies to people on low incomes in Tasmania in relation to essential services, a penalty imposed by virtue of where they live or the information or resources available to them, or simply because the price they are charged is a higher price than that asked of people on higher incomes.

Whether or not a service is essential is often determined by buyers' insensitivity to price, or price inelasticity. That is, 'consumers will continue to consume an essential service even if the price of the service rises, sometimes to the point that the consumer struggles to afford the service, because they need the service – there are few or no substitutes for the service' (Rich 2005, p.36). The areas of expenditure identified for discussion in this study – electricity, telecommunications, housing, credit and food – are all essential areas of expenditure over which consumers can exert little flexibility.

Rather than looking at the areas of expenditure separately, the information gathered through interviews has been sorted into themes. The themes cover the patterns of expenditure on essential services and products, the decision making that drives budget management and shopping decisions, the experiences of shortages, rationing and disconnection from services, and the experiences of the research participants of the ways in which retailers and government respond to market failure in relation to low income consumers. Some themes draw strongly on two or more areas of expenditure, others are relevant to only one. Not all of these explorations directly point to a higher price being paid by low income people; in some cases the penalty for 'the poor' lies rather in the detrimental relationships between costs and the long term consequences of straitened budgeting decisions.

Before these themes are explored, however, some background information on each of the chosen areas of expenditure is provided.

3.1 Are essential goods and services affordable?

3.1.1 Housing

Nationally, low income earners (those in the lowest 40% of income distribution) tend to be either renters or outright home owners, reflecting the high level of home ownership among age pensioners (ABS 2009). Some however, including

families with children, are excluded from the mainstream housing market and are living in a range of alternative forms of shelter, including caravans, improvised homes and tents or are sleeping out (ABS, cited in Flanagan, K 2007a, p.6). Participants in this research include outright homeowners and people purchasing their own homes, people living in the private rental market and in public and social housing, and people who are living in emergency accommodation. It also includes one person who was homeless at the time they were interviewed. The research participants live in both rural and urban Tasmania. In this way the research presents a picture of most of the housing experiences of Tasmanians today.

Not all housing is affordable for low income households. When a household is in the lowest 40% of income distribution and spending more than 30% of its income on housing costs, the household is said to be in 'housing stress'. Some experts argue that the 30% benchmark is arbitrary and that for households on very low incomes, rents that take up less than 30% of income can still cause financial hardship (e.g. Burke 2007). However, the 30% benchmark is widely used in policy discussions as an indicator of affordability issues. In 2004, the National Centre for Social and Economic Modelling (NATSEM) estimated that some 26,000 Tasmanian income units, or 10.6% of the population, were in housing stress. The national average was 8.8%. Single parent families and private renters were most at risk (Harding, Phillips & Kelly 2004).

While a minority of Tasmanian households are renters in the private market (16.4%) (ABS 2006b), people renting in the private rental market are particularly at risk of housing stress. Census data from 2006 shows that 38.2% of Tasmanian renters (11,113 households) are in housing stress. This is the second highest rate in Australia after New South Wales (Swan & Plibersek 2007).

The Australian Government assists low income earners to defray the costs of private rental through Commonwealth Rent Assistance (CRA). In theory, rent assistance allows tenants to make their own decisions about their housing priorities, such as choosing to accept higher rent in a well-located property in exchange for reduced transport costs. However, even with the assistance of CRA, low income tenants in the private rental market are limited in where they can live due to restrictions on availability and affordability (Luxford 2006). Advocates have criticised the CRA program's inability to address these restrictions due to the

uniformity of the payment rates across the country, and the low amount of assistance provided, which leaves many recipients still in 'housing stress' (see Flanagan, K 2007a). More recently, the Henry tax review found that CRA payment rates were inadequate and did not support access to an adequate level of housing (Henry 2009, p. 409).

Under the Coalition government, CRA was favoured over social housing on the grounds that it provided flexibility to cope with changing demand and promotes choice for consumers (SCRGSP 2007, p. 16.74). The current government places less emphasis on the merits of CRA, simply acknowledging that it provides households with assistance to access housing (SCRGSP 2009, p. 16.88). But issues with CRA have been acknowledged by both sides of government: the Coalition government noted that choices about housing expenditure 'can involve a trade-off with other expenses and with the consumer's after-housing income' (SCRGSP 2007, p. 16.74), and both governments acknowledge that the program 'has no specific benchmark for affordability' (e.g. SCRGSP 2007, p. 16.74; SCRGSP 2009, p. 16.88).⁴

Tenure in the private rental market can be short term and insecure for low income renters. Most of Tasmania's private rental properties are owned by small scale 'mum-and-dad' investors (Housing Tasmania 2003) and average Tasmanian leases are between six and twelve months. While there is evidence that the flexibility of shorter leases is preferred by many private tenants, older people, those on low incomes, those dependent on social security, single parent households and households with school-aged children are more likely to prefer the certainty provided by longer term leases (Minnery et al. 2003). However, landlords keep leases short to keep their options open and so security for the tenant is minimal.

The findings of this research confirm that for those renting in the private rental market difficulty affording their homes is a problem that drives the bulk of their budgetary decision making. Renting their homes is not the tenure of choice for most of the research participants, but one that they have taken up due to circumstances. A number of the research participants indicated that they would like

to move into, or were on the waiting list for, public housing, and some indicated that they hoped to move into home ownership if or when they could afford it.

The participants in this research who are renting in the private rental market report that the need to prioritise rent payments in order to retain their rental properties means they have to make a number of trade-offs. These include compromises on their food budget and electricity consumption, compromises on housing quality and location, and compromises on housing size and amenity (including warmth). This suggests that the current government housing policy direction, which sees people who are often living in poverty remaining in the private rental market for long periods, is having a significant effect on budgetary decisions, and in the long term, on health and well-being.

Like the rest of Australia, Tasmania's housing system is still dominated by home ownership, with 38.4% of households owning their own home outright and 33.8% currently purchasing their home (ABS 2006b). That home ownership is an intrinsic good which brings only benefits is a belief widely held and one shared and promoted by governments. Hayward (1996) has argued that Australian governments have always preferred to promote home ownership over other forms of tenure such as public housing. The Tasmanian Government has offered different programs to people on low incomes to assist them into home ownership, including Streets Ahead, an incentive program offering \$6,000 of deposit assistance to buy an ex-public housing property.

Ten of the people interviewed for this research own or are purchasing their own homes, and two of these purchased their homes through the Housing Tasmania sales program. A number of these research participants describe a level of vulnerability to cost of living pressures; the stories of these home purchasers reinforce the fact that home ownership does not automatically provide financial security for low income households. Anglicare's previous research has shown how vulnerable marginal home buyers can be to financial hardship caused by the pressure of mortgage repayments (Flanagan, K 2010a). The

⁴The Coalition Government argued that such a benchmark would be inappropriate because it 'would fail to recognise the element of choice exercised by consumers who place a higher value on housing than others in comparable circumstances' (SCRGSP 2007, p. 16.74).

quote below is from an interviewee who has purchased a public housing property which she describes as poorly oriented for the sun, cold and with damp and mould problems. She has done some maintenance work on her children's bedrooms, painting the walls and ceilings with anti-mould paint, and wishes to do more of this in order to protect her children's health, but she cannot afford the paint. Essential appliances which are also required to maintain the family's health and wellbeing (the stove and wood heater) have also broken down and she cannot afford to get them repaired.

Housing, that's been hard. I bought my house seven years ago through the Streets Ahead program It was \$42,000. It was pretty cheap – it has a decent block of land. I got the loan through a finance bloke... I wanted to borrow off my mortgage to fix the fire and the stove. They [the bank] wouldn't loan me money – they said they would give me a credit card. They said because I had had something go to the debt collectors in the last 12 months I wouldn't be entitled to a loan. I didn't want that, I wanted to borrow against my mortgage – they said my income was too low. The value of the house has gone up – you'd think it would provide enough collateral just to fix it up a bit.

Mother of five primary school aged children, sole parent dependent on pension, rural Tasmania

The stories of the participants who had purchased their homes from Housing Tasmania raise interesting questions about home ownership assistance schemes. Research has indicated that while home ownership assistance schemes in Australia to date have been extremely successful, they are not without risk. Specifically, their success depends on increasing property values, which means it is critical that governments providing home ownership assistance take into account the issue of location (Grieve et al. 2005). International research has found that some home buyers can be exposed to detrimental levels of stress if they

accumulate mortgage arrears, face repossession of their homes or end up in negative equity (i.e. owe more on their home than it is worth) (Hulse & Burke 2009). There is little research into other costs which accompany home ownership, such as rates, insurance, repairs and maintenance to the home and gardens. Nor is there adequate research into the capacity of lower income households to build wealth through home ownership (Hulse & Burke 2009). A recent Australian study into home ownership among low to moderate income households found that 43% of home buyers on low to moderate incomes were in 'housing stress', 25% experienced financial hardship and 8% were in financial crisis (Hulse et al. 2010)

The stories of the participants in this research suggest that, for these participants at least, purchasing a home does not automatically ensure that people can build wealth in the long term, or even be guaranteed financial security in the short term. A number of participants who are living in private rental properties or public housing said that they had in the past been purchasing their own homes but had lost these properties after personal or financial crises.

3.1.2 Electricity

Electricity is the main form of energy used for all purposes in Tasmanian households, and Tasmanians use a great deal of it. Due to our cooler climate and the limited use of natural gas for cooking and heating, the residential consumption of electricity in Tasmania is about one third higher than the national average and the highest in Australia (OTTER 2011). For those who cannot afford enough electricity, disconnection is a serious setback for the entire household, not just for the account holder.

Using data from the ABS's Household Expenditure Survey, Richardson and Travers suggest that of all the components in a household budget expenditure on electricity is one that is least sensitive to changes in income. This means that the percentage of income spent on energy is higher in low income households and as a consequence any significant increase in electricity prices will be regressive in its impact and a relatively severe burden for all low-income households (Richardson & Travers 2004).

Advocates in Tasmania have long been concerned that electricity bills are too often an unmanageable

cost for low income Tasmanians. In the past advocacy around affordability has largely been focussed on the adequacy of the electricity concession, which has been viewed as the chief mechanism by which affordability could be delivered to low income households. However, in the context of dramatically increasing electricity bills, an ageing population and concerns about the impact of climate change, more recent advocacy has started to look at pricing structures and mechanisms for increasing targeted assistance to the most vulnerable households (Anglicare & TasCOSS 2010; Morris 2010).

In the UK, a concerted effort has been made over the last fifteen years to address the problems caused by the high cost of energy. The UK Fuel Poverty Strategy, released in 2001, determined that 'a household is in fuel poverty if, in order to maintain a satisfactory heating regime, it would be required to spend more than 10 per cent of its income on all household fuel use' (cited in Thomas 2008, p. 233). Following the World Health Organization's recommendations, a 'satisfactory' heating regime is considered to be 18°C but 2-3 degrees higher for people at risk of detrimental health impacts⁵, specifically one where the temperature in the main living area is at least 21°C and the other occupied rooms are at 18°C, for 16 hours of the day for those at home during the day (Owen 2010).

The fuel poverty definition is a high profile and influential definition used in discussions about electricity affordability and it has triggered significant government action in the United Kingdom. UK policy makers identified three elements as contributors to fuel poverty: the cost of fuel (determined by the energy price), the amount needed by the household (determined by the energy efficiency of the property) and the ability of the household to afford the necessary fuel (determined by income) (Boardman, cited in Thomas 2008, p. 226) and as a consequence a high level of investment has been made in energy efficiency programs and targeted assistance directed to those households most vulnerable to the

consequences of not being able to afford electricity (those containing children, elderly people or someone who is sick or otherwise vulnerable).

An important feature of this definition is that a household is classified as fuel poor on the basis of what it *needs* to spend to keep warm, rather than on the basis of what it actually does spend.⁶ This has been done in order to capture information about those people who are living in colder homes in order to keep their electricity costs lower, as well as those who have bills that they cannot afford. (This differentiates fuel poverty from the concept of housing stress, which is based on what households actually do spend). The thermal quality of homes is therefore an important factor in thinking about the fuel poverty strategy.

The thermal quality of Tasmanian homes is poor. Many of them are old (23% of the housing stock in 2000 was built before 1955), made of timber (27% of the stock in 2008) and poorly insulated, despite Tasmania's climate being the coldest in Australia (ABS 2000, 2008). At the same time, Tasmanians are more likely than people in other parts of the country to rely on electricity for space heating as well as to heat hot water, and heating is needed for a longer proportion of the year (ABS 2008). Contrary to popular belief, Tasmania's higher need for electricity for heating is not offset by the requirement for cooling that exists in other parts of Australia. Tasmanian households have a higher requirement for heating than places such as Melbourne, Sydney or Darwin have for cooling, or for heating *and* cooling combined (Szokoloy 1988).

This research is not suggesting that Australia, or Tasmania, adopt the fuel poverty benchmark used in the UK but it is an interesting starting point for a discussion of electricity affordability. Firstly, in the face of rapidly escalating electricity prices, UK advocates have been critical of the approach taken by Fuel Poverty Strategy, arguing that energy efficiency initiatives and targeted payments ultimately don't deal with the real issue, which

⁵ Research underpinning the strategy identified the following health impacts of poorly heated homes: in homes heated to 18-24°C, there was no health risk to sedentary healthy people; in homes heated to below 16°C there was an increased risk of respiratory disorders; and below 12°C, there was an increased risk of cardiovascular strain (Collins, cited in Owen 2010, p.10).

⁶ Fuel poverty is calculated on two bases – income and fuel costs. Fuel costs are modelled, rather than based on actual spending. They are calculated by combining the fuel requirements of the household (for space and water heating, lights, appliances and cooking) with fuel prices. The modelling assumes that the household achieves the adequate level of thermal comfort (warmth) set out in the definition of fuel poverty. The assumed heating demand temperatures and heating durations come from the main UK household energy model – BREDEM (the Building Research Establishment's Domestic Energy Model) (Owen 2010).

is that incomes are too low to afford electricity (Energy Action Scotland 2004) and electricity prices are too high for low income households (Thomas 2008). Certainly many participants in this research struggle to afford electricity and many described cold, uncomfortable and damp homes. The findings suggest that a serious effort needs to be made to identify whether vulnerable Tasmanian households are experiencing hardship as a result of their inability to afford to keep their homes warm and if so, to consider direct interventions to assist these households. But the findings also suggest that many households that are on a low income and have levels of resilience, such as slightly higher incomes (in addition to income support payments), family and community supports, or ready access to services, are also unable to afford electricity prices at current levels and that, in the words of one participant, 'we need cheaper electricity – prices we can afford'.

My house is too expensive to heat. We watch TV under blankets.

Mother of two children, living on Parenting Payment Single, private rental property, Hobart

My home is expensive to heat. I'm trying to heat a very cold flat with no natural heating or insulation.

61-year-old man, living on Newstart Allowance, private rental property, Hobart

My house isn't insulated. Heating is the biggest cost for my bill.

65-year-old woman, living on Age Pension, private rental property, Hobart

My house is so cold. It doesn't get any direct sunlight.

67-year-old man, living on Age Pension, social housing, regional centre

3.1.3 Food

There are large differences in the consumption of the foods necessary for a healthy diet between members of the community even in affluent countries such as Australia, differences related to socioeconomic status, age, gender and location. For example, the National Health Survey found that 5% of all Australians had run out of food at some point in the previous 12 months and had been unable to afford to buy more, but that the figure increased to 9% in areas of most disadvantage, rose to 11% when broken down to youth, and again to 17% when broken down to youth on low incomes (ABS 1995). Data from a range of surveys suggest that the figures for Tasmania are similar⁷ (DHHS 2004, p33). And socio-economic status doesn't just affect the experience of food shortages; it also affects patterns of expenditure. The UK's National Food Survey shows daily fruit and fruit product consumption is twice as high in high-income households as in low-income households (Wrigley 2002). This of course affects people's health outcomes, with significant differences in mortality and morbidity rates across socio-economic groups and by place of residence, particularly in relation to specific health problems (Wrigley 2002; DHHS 2003).

Food security is the phrase used to refer to the ability of individuals, households and communities to acquire food that is sufficient, reliable, nutritious, safe, acceptable and sustainable (Rychetnik et al. 2003). Food *insecurity* is the hard edge of the issue, when food and social systems fail. It is the experience of not having enough food or of having very limited food options, or of relying on emergency relief. A much quoted analysis of food insecurity and useful interventions to address it defined food insecurity in the Australian context as meaning that:

sections of the population experience hunger as a result of insufficient food or eat a nutritionally inadequate diet due to poor food options. They may also suffer from anxiety and other psychological ill effects because their food supply is of poor quality, their capacity to acquire food is unreliable, and the situation of being unable to acquire enough food carries a lot of social stigma (Rychetnik et al. 2003, p. 2).

⁷ This includes the Department of Health and Human Services' *Healthy Community Survey* (1998) and Anglicare's *Tasmanian Community Survey* (Madden & Law 2005). Differences in the sampling methods and questions asked of respondents places limitations on direct comparisons of the data from these surveys.

Food security and insecurity is a broad area of research and policy development encompassing food production and food supply issues. It is a major international concern in the face of a growing global population, emerging food production constraints, changing consumption patterns, environmental issues and the anticipated impact of climate change (PMSEIC 2010). Australia has enjoyed cheap, safe food for decades and is a net food exporting nation which currently produces enough food to feed 60 million people (PMSEIC 2010). Yet at the same time, sections of the Australian community experience 'food insecurity'.

The capacity of individuals and households to acquire appropriate and nutritious food is determined by a range of factors, including local food supply, food prices and availability, access to food outlets, access to transport and the capacity and resources of individual households, including financial resources. Those groups in Australia that are most vulnerable to food insecurity include people who are on low incomes, people who are unemployed, people who are homeless, young people and people who don't own their own home. Aboriginals and Torres Strait Islanders, refugees and other migrants are also vulnerable to food insecurity (see DHHS 2004).

Low levels of income are a particular risk factor for food insecurity. It is strongly associated with poverty and therefore many responses to the problem at the community level have emerged from the welfare and community sector as responses to crises. However, the importance of being able to get access to food in ways which do not invite social stigma, which are not about food parcels and emergency relief provision, is an important cornerstone of thinking in this area. For example, the United States Department of Agriculture has stated that food security 'includes at a minimum: (1) the ready availability of nutritionally adequate and safe foods, and (2) an assured ability to acquire acceptable foods in socially acceptable ways (e.g. without resorting to emergency food supplies, scavenging, stealing, or other coping strategies)' (cited in Babbington & Donato-Hunt 2007, p. 10).

A number of the participants in this research described shortages of food which had led them to get help from a range of community supports,

including emergency relief outlets, and a small number of people in this research reported times when they did not have enough food to eat and had missed meals.

With your Newstart Allowance, do you think you are able to provide yourself with good nutritious food?

It doesn't get me through the fortnight, sometimes before the end of the fortnight I already run out of everything, trying to get help somewhere or anywhere. Most of the time I don't get it.

So what happens then?

I'm just waiting for the next fortnight or just eating at mates' to get food.

24-year-old jobseeker living on Newstart Allowance, Hobart

3.1.4 Telecommunications

The telecommunications industry (fixed-line and mobile telephone services and internet services) is undergoing extraordinary sales growth and innovation: fixed-line services are in decline, with customers shifting to mobile phones for which they are sometimes purchasing complex data packages for 'smartphone' technology. It appears that the industry is outstripping the speed with which regulators can respond and tensions are emerging between the needs of customers, who see telephones as a utility, and the focus of both industry and telecommunications policy (Harrison 2011). For Australians, telephone services are an essential service: several Australian studies have shown that increases in basic call or access costs are now having little impact on demand (Rich 2005). For people who are disadvantaged or isolated, mobile phones in particular are essential ways of staying socially connected. In contrast, it appears that internet take up remains subject to income, with low income households less likely to have access to the internet at home. However the capacity to access the internet through smartphones and prepaid credit is increasing access for these customers and given the value of the internet in accessing services and information, Rich (2005) argues that it may also become an essential service.

The Australian telecommunications industry is open to full competition and Telstra, once a government-owned business, is now a private company, but it has also been determined by the government to be the 'primary universal service provider' with a universal service obligation which

requires it to ensure that ‘all people in Australia, no matter where they live or conduct business, have reasonable access, on an equitable basis, to standard telephone services; payphones; and prescribed carriage services’ (Telstra 2005, p. 3). Telstra is also required by the Australian Government to offer special services and programs, such as flexible payment options and ‘no frills’ services, to people who are on low incomes or in hardship. But ‘reasonable access’ includes consideration of the cost to Telstra in providing the service, and the hardship program receives no financial support from the government but is funded by Telstra from its own resources (Flanagan, K 2010a). Universal service obligations are the mechanism by which governments ensure everyone has access to essential services but their effectiveness is compromised if they are inadequately funded or determined within cost constraints. It is perhaps not surprising that Telstra operates under a commercial sales philosophy with a commitment to what its CEO David Thoday has described as ‘a sales and marketing-led culture’ (cited in Harrison 2011). Harrison argues

A sales model is essentially driven by outcomes at the point of purchase. It is about getting consumers to the purchase situation. When performance is measured by sales figures, marketing strategies, whether intentional or not, become focused on driving demand for products because these sales increase direct revenue, rather than “post-purchase” factors such as general service delivery and technology maintenance which will be seen as a cost. ... The telcos will argue that it is in their longer-term interests to provide good service after the initial sale, because consumers will punish them if they don’t. But if a business model is based around driving demand and constantly selling new products, then customer service and delivery factors in the entire sector will always lag behind strategies designed to meet sales objectives (Harrison 2011).

Increasingly the telecommunications authority is under pressure to treat communications as an essential service, like water or electricity, and to consider regulation in those terms. Some of the factors that will need to be considered under future regulation are of relevance to this research and are also those troubling advocates in the energy sector with regard to electricity pre-payment meters:

- Is the dependence on a particular product (mobile phones) and prepaid credit among low income earners because these are the products

which are the most affordable and best meet their needs, or are these more expensive options being adopted because of a lack of other realistic choices?

- Are low income customers choosing these products because they are actually excluded from better deals?
- Is it acceptable to have a high rate of self-disconnection from a product (mobile phones) if these are the only way to access an essential utility?
- What safety net provisions need to exist for low income users of mobile phones?

In relation to the electricity market, the Essential Services Commission of South Australia (2004, p. 87) has argued that the absence of a safety net for prepayment meter customers occurs primarily because ‘the relationship between consumer and retailer revolves around meter supply rather than electricity supply’. In the context of telecommunications this could be restated as the absence of a safety net for people using mobile phones occurs because the relationship between consumer and retailer revolves around the supply and purchase of products to customers with money, rather than ensuring service for everyone.

3.2 Budget priorities

3.2.1 How budgets are ordered

While it is acknowledged that flexibility is an important strategy for low income budget management, various budgeting tools are utilised by low income earners which restrict this flexibility and even impose a set of priorities on how low income people spend their money. These tools include prepayment and forms of direct debit (including ‘Centrepay’ deductions administered by Centrelink). There is discussion about how these budgeting tools act to manage and order low income households’ budgets. In relation to the promotion of prepayment meters to low income electricity customers, Duggan and Sharam (2004) argue that the central aim of the meters is to ‘reorder’ household expenditure. Prepayment meters disconnect when the customer cannot recharge them – by denying supply when the customer cannot pay, the meter requires that the customer prioritise electricity expenditure over other items in their budget. The low income householder pays the retailer before they pay for any other essentials.

Duggan and Sharam's paper is focussed on the competition between landlords and electricity retailers for priority in low income earners' budgets, and is set in the context of a fully contestable electricity market. However, this attempt to reorder expenditure has been noted elsewhere. Anglicare's previous research on fringe lenders noted the insistence placed by fringe lenders on repayment of their loans by direct debit, effectively ensuring 'first call on the borrower's income, before housing, food and other essentials are covered' (Hughes 2009, p. 23). Prepayment is promoted by telecommunications companies as well, with prepaid mobile phones, landlines and internet access. The Australian Government has called for mandatory deduction through Centrepay of public housing tenants' rent. This is effectively a direct debit. The government has argued that this will 'eliminate the risk of eviction due to non payment of rent' (Australian Government 2008, p. 36), and although it appears unlikely that this proposal will actually be implemented, it is a sign of greater control being exerted by government over the budgeting decisions of low income earners. The imposition of income management is another example.

This research found that budgeting tools employed by the participants in this research are effectively ordering their expenditure so that housing costs are met first, after which electricity and telecommunications are also prioritised. The commitment to these priorities entails trade-offs, and food expenditure is residualised. While a small number of research participants described being in rent arrears or actively negotiating with landlords to allow arrears in order to pay other bills, in most cases housing costs are met as a priority. Participants described more flexibility around the expenditure on electricity and commitments to other important household bills. (For example, people described rationing electricity usage because all money had been expended on other priorities or negotiating their way through a range of payment options in response to other financial priorities).

3.2.2 Housing costs: the first priority

This research found that of the variety of budgetary strategies being employed by households to maintain their housing, the most significant is the reordering of household budgets in order to ensure that housing costs are met first and tenancies are maintained. The majority (89%) of the

participants in this research prioritise payment of rent or mortgage costs over all other expenditure. Many have payment tools set up (direct debits or Centrepay) to ensure that these costs are taken out of their income before they have access to it.

As housing costs are an inflexible expenditure item in a household budget (that is, they can not be rationed), people are forced to compromise on other expenses to meet these costs. Housing costs are managed through a range of compromises and subsidiary strategies to keep households afloat. These include compromise in the expenditure on housing itself, including on the kind of tenure they live in, the quality of the housing, including its thermal efficiency, and the location and the size of the house. For a number of households it also means living with extended family rather than independently. Other strategies used to maintain household budgets in this way include electricity rationing, food rationing, withdrawal from social participation and the use of readily accessible high interest credit for essential purchases.

3.2.3 Electricity: the second priority

Expenditure on electricity is relatively inflexible, as research also suggests that most electricity usage in low income households is nondiscretionary and that households have very limited capacity to reduce their consumption (Langmore & Dufty, cited in WACOSS 2009, p. 12). It is also a significant expense. What do people do if they cannot reduce their energy usage but also cannot afford the cost of what they do use? It appears that different households will respond differently. Age pensioners, for example, will cut back on their food intake (Lawrence, cited in Sharam 2003, p. 9), while Tasmanian research suggests that families will accrue arrears and use emergency relief as a coping strategy (Flanagan, K 2010a). A fifth (22%) of the respondents to a survey commissioned by TasCOSS said that they had put off paying for other household expenses to make sure that they did not run out of electricity (Ross & Rintoul 2006). These expenses include other bills such as water or gas (13% of all respondents), groceries and supplies (10%), food (8%) and rent or mortgage payments (2%).

That research participants in this study prioritise electricity as an essential service is seen in the ordering of their household budgets. In the majority of cases (56%), electricity is the second

most important priority after rent or mortgage payments. These households prioritise electricity bills ahead of other essentials such as food and in many instances have the money to pay these bills removed from their income through Centrepay deductions before they receive it. Other households also prioritise electricity, but after shelter and food (23%). For yet other households, electricity payments are high on the priority list but are being juggled with debt repayments (typically to fringe credit providers) and the cost of basic commodities such as nappies. Those households which prioritise food over electricity payments typically have two or more children.

3.2.4 Telecommunications: an essential connection

Access to telephones is considered essential by most participants, and its place in their budgets reflects this. In some households phones are prioritised above food, in others purchasing credit each fortnight comes after meeting housing and electricity costs but competes with urgent demands, even including food. Participants expressed a strong sense of urgency about keeping a phone connected. When asked why they had a phone 55% of participants said they did so 'for emergencies'. Being available to children, families and schools are also important reasons for connection. Some participants also reported that they need to be accessible at all times for casual work, and others reported phones were necessary to stay in contact with Centrelink and community services, or for staying connected with family and friends.

I use my phone to stay in touch with my family. I'd be lost without it really.

67 year old man, living on the Age Pension, regional centre

The growing importance of access to the internet for people engaged in education or training is reflected in the interviews with those participants with children and those engaged in study. These interviews suggest that for these participants, access to the internet was essential.

More and more universities require you to submit assignments electronically and they'll have submission times at 12 midnight. So it's more and more essential to have

the internet at home.

22 year old student, living independently on casual earnings, Hobart

3.2.5 Food: the residual place of food in the household budget

Food is not just an essential for a good life, it is essential to life, so it is not surprising that in repeated surveys low income Tasmanians who are in financial crisis have pointed to the cost of food as one of the most problematic expenses for their households (e.g. Flanagan, K 2010a; Madden 2004). What is surprising is the degree to which the experiences of the participants in this research suggest that it is access to food which is most compromised in household budget expenditure, however much anxiety that compromise causes. Research elsewhere confirms that money for food is the last allocation to be made for essentials from the household budget, because it is the only part of the budget that is not fixed, unlike rent, direct deductions for electricity bills or debt repayments (see Flanagan, J 2000; TasCOSS 2009; Babbington & Donato-Hunt 2007). The budgeting compromises made around food provide an important context to understanding the ways in which low income people pay more for the food they buy.

In the research interviews, participants were asked what place food has in their budget. This was intended as a general question to determine household budgeting priorities. A clear response from many participants was that food is a high priority or even the first priority, because 'you can't live without it'. This was particularly true for interviewees with children, many of whom stated that providing their children with a nutritious diet is their top priority. However, a number of participants responded to the question by saying that food is prioritised after housing costs, and others specified that food comes after housing and other bills, sometimes two or more. And most of those who indicated that food has top priority in their budget revealed during the course of the interview that housing costs and other bills or debt repayments are being removed from their income before they receive it, through Centrepay or other direct debit arrangements. In fact what these research participants appeared to mean is that food is a notional priority in the disposable income they have left, after housing and a number of other costs have been met.

Where does food fit into your priorities when you're budgeting?

First and foremost food.

Do you get your rent taken out?

Yeah, the rent comes out first, but food is the top expense priority.

Father of three, Disability Support Pension, West Coast

Table 5 below shows the place food has in the budgets of the participants in this research. In ordering their budgets, people most commonly prioritise housing costs ahead of all other bills. For some, food is the next expense to come out of their budgets. However, for others, food is prioritised after housing costs and electricity bills or debt repayments. For nearly half the participants, food is purchased only after three or more significant costs are taken out of their incomes (typically housing and electricity, phones, bills or debts), with food costs then still competing with the cost of phones, transport, medications, debt repayments, insurance payments, firewood and children's needs (such as clothing, sporting commitments and pocket money). In some instances participants attempt to meet the majority of these other costs before purchasing food. Those households which could be characterised as being in financial crisis (taking a self-reported regular reliance on emergency relief as an indicator that a household was in financial crisis) are commonly prioritising food after a range of debts, in addition to housing, electricity and phones.

One striking exception to this very consistent pattern of budget ordering is worth noting. The research included two sole parents with partial care responsibility for children. These parents are on Newstart Allowance and have regular access to their children in the form of visits which total 30% of the children's care, under the 35% benchmark required for eligibility for any Family Tax Benefit. For both these households, the cost of caring for their children is fully borne out of their single person Newstart Allowance payment. The impact of this on their household budgets is substantial with food, transport costs, and prepaid electricity tightly rationed in order to have them available for the child's visit. (The cost of transport in this case is the petrol required to transport the child to and from the access visit). The reason for this budget ordering is their desire to maintain a positive parenting role in their children's lives. The cost of doing this is having a disastrous impact on all areas of their budget.

Why, when food is so necessary, do most households not prioritise expenditure on it? Perhaps part of the answer is the malleability of the food budget, and the capacity of consumers to substitute poor quality low cost products for those of good quality and higher cost.

Table 5. Household priorities: food in the household budget

Place that food has in household budget	Number of participants
First	2
Second (after housing)	12
Third (after housing and power or other debts)	18
Fourth or later (after housing costs, power and two or more other priorities).	29
TOTAL RESPONSES*	61

*Not all participants responded to this question.

So are you able to buy for yourself reasonable food?
I wouldn't class it as reasonable; it's food to survive, a lot of bread and noodles.

So not very nutritious?

No, food just to keep me kicking, not a lot of fresh food, because if I buy much of that it just blows out my money, especially when I was on Youth Allowance.

...So where does food fit in your priorities when you're budgeting?

My rent gets paid straight from my Centrelink, and I sort of get my bus fares and my smokes, and by the end of it I usually have, well...

What's left is for food?

Yeah.

Do you have a mobile?

Yeah.

Is that prepaid?

Yeah, prepaid.

Does that come out before food too?

Yeah I get what I need first because if I got food first I would go overboard, and then I wouldn't have money for what I need. So if I get what I need then I can see if I need extra loaves of bread.

21 year old part-time carer and student (Newstart Allowance)

Another part of the answer lies in the prepayment systems promoted to low income households, discussed in section 3.4.1, which result in people being forced to prioritise certain payments above others. It appears that the risk management strategies (that is, customer debt avoidance strategies) being employed by governments, utilities and retailers are having a broader and deleterious impact on the quality and quantity of food purchased by low income customers and therefore on their health. It is timely then that one of the key messages of the Prime Minister's Science, Engineering and Innovation Council's report on the problems facing Australia around food production and provision is that everyone – from individuals through to the private sector through to the highest levels of government – has to place a far greater value on food.

Food is often treated as a bulk commodity which is cheaply and readily available. However, food is strongly linked to the health of the nation. High quality food should be available to all groups within the population. Although information on food and health is readily available in our society ...there appears to be a society-wide lack of appreciation of the fundamental role of food in health (PMSEIC 2010, p. 3).

3.3 The cost of essentials: how much are people budgeting for essential items?

3.3.1 Electricity

Because so many participants utilise prepayment schemes that require small regular payments (including Aurora Energy's prepayment meter product Aurora Pay As You Go or APAYG), there was a high level of certainty expressed about the household expenditure on electricity. The median expenditure by participants is \$27 per fortnight for each person in their household. This median expenditure is a blunt measure of individual consumption (not adjusted for age or circumstances) and its relationship to household income is not known, but given that all participants in this research are on very low incomes (below the cut off for eligibility for Commonwealth concession cards) it does allow further examination of the interviews with those research participants paying more or less than the median to see if there are any common characteristics to these households. Participants on payment plans with Aurora and therefore paying electricity accounts which include arrears are not included in this discussion.

Of the participants spending below the median (that is, \$26 or less per person per fortnight on electricity), two-thirds are sole parents on Parenting Payment Single. These households reported patterns of ongoing financial difficulty (such as food rationing, dependence on emergency relief and problems with debts). Some participants described a pattern of self-disconnection from electricity – 12 to 24 hours of turning off most if not all appliances and lights in the final days of a Centrelink pay period, with appliances turned on again when more credit can be purchased. This degree of rationing is managed by constant monitoring of the credit available on their prepayment meters. Although not all participants went to this extreme, all of them described electricity bills as presenting difficulties to their households, and the majority described rationing electricity to below the level they believe they need to use.

Of those spending above the median (that is, \$27 or more per person) there are some households which showed signs of greater financial capacity, including home ownership and extra income obtained through casual or part-time

wages. However, some households with higher expenditure on electricity also report great difficulty in paying electricity costs. For example, this mother of six young children spends 10% of her income on electricity and wood and says that most of her electricity consumption is for heating and using a clothes drier. This is still less electricity than she feels she needs. She lives with her children in a thermally inefficient house on the West Coast. It is a rental property; as a tenant she has no control over fixtures. The wet, cold climate means she needs to use a lot of space heating and a clothes drier in order to have clean school uniforms for the children.

Electricity is very expensive – I'm fearful of an expensive bill. No, no, it's not a warm house. It gets pretty cold.

Mother of six young children, West Coast, renting privately

The analysis above can suggest only broad conclusions as it is based on small numbers and a rough measurement tool, but the findings do suggest that for these low income households consumption of electricity is not primarily driven by need but by what they can afford, and that they manage affordability through rationing, not through the use of cheaper tariffs or energy efficiency. A small increase in disposable income can mean that households can relax some of their rationing, but even among these households, some people are deliberately restricting their electricity usage to below what they feel they need.

3.3.2 Food

As a consequence of their heavy dependence on small regular payments, particularly direct debits and prepayments as a household management tool, participants were able to give clear figures for the amounts spent on rent, power, phones and debts. However, most were very unclear about how much money they spend on food. No-one could give an exact budget for their fortnightly food shopping but a number of people gave estimates of their expenditure. These ranged from an estimate of \$40 per fortnight for each person in their household to an upper estimate of \$200 per fortnight for a single person. The very residualised place that food has in the household budget is perhaps reflected in the lack of clarity about how much was spent on it. The case study below is a demonstration of this. This woman reports that she 'budgets down to \$5

increments' but could not specify what she pays on food other than she has \$428 a fortnight left for food, clothing and other incidentals after her budget commitments are met.

Case Study One

Sole parent engaged in part-time work and part-time tertiary study with two dependent children
Figures are fortnightly.

Income

Parenting Payment Single \$583

Family Tax Benefit A/B \$463.13

Wages \$250.00 nett

Pensioner Education Supplement \$62.40

TOTAL: \$1358.53

Expenditure

Housing \$480

Power \$70

Phone \$65*

Petrol \$50*

Wood \$20

Insurance \$25 (home/car/contents)

Credit card repayments \$50

Children's piano lessons \$80

Pet food \$20

Mother \$50 (regular repayment against frequent small loans)

Children's pocket money \$20

TOTAL: \$930

*The interviewee indicated that these allocations are often inadequate and have to be topped up from the discretionary funds left over from this budget.

\$428.53 left per fortnight for food, clothing, medical costs, extra phone and petrol and any other incidentals

In recent years the cost of healthy food in Australia has increased more than the cost of less nutritious alternatives. In Queensland, the Healthy Food Access Basket survey found that the mean cost of its basket of healthy foods had increased by 12.6% in the period between 2004 to 2006 (Queensland Health 2006). At the same time that healthy food has grown more expensive, calorie-dense and nutrient-poor foods have become cheaper (ed. Anderson 2007). The affordability of food is of significant concern as Australian studies have shown a relationship between socio-economic

status and access to food, with poorer intakes of micronutrients, fibre, fruit and vegetables in low socio-economic groups (DHHS 2004).

3.3.3 Housing

Housing costs for renters: The rents being paid by participants vary considerably depending on size and amenity, with the highest quoted being \$540 a fortnight (being paid by a family for a property on Hobart's southern fringe). However, rental affordability is related to both income and cost. The research participant who is experiencing the greatest 'housing stress' (that is, is paying the highest proportion of their income on housing) is a young man who is unemployed and living in a private rental property in Hobart. He pays 44% of his income (including Commonwealth Rent Assistance) on rent for a room in a two bedroom flat.

Did you get into trouble, ever unable to pay your rent?

So many times.

What would the landlord do then?

He was okay, but I have to pay as soon as possible, it was pretty hard because sometimes I would have to borrow money from somewhere to pay the rent, then the next fortnight I have to work hard to pay back the money borrowed... so it was pretty hard.

24 year old man, job seeker living on Newstart Allowance, Hobart, paying 44% of income on rent

Housing costs for home owners: It seems that generally the homeowners interviewed for this research are facing less financial difficulty than those people living in private rental or public housing (taking self-reported regular usage of emergency relief services and dependence on income support payments as measures of financial difficulty). However, the home owners and purchasers are not immune to financial difficulty, and report problems caused by other factors such as disability, chronic illness, caring responsibilities or physical isolation. Costs directly associated with their home ownership that are causing problems for them are rates, maintenance costs and water and sewerage bills. For people who have purchased homes in isolated areas, transport costs are also a problem. For most of these households these pressures are being managed through bill juggling and opting for small regular bill payments and prepayment options across a range of purchases and services.

For those wholly dependent on Centrelink benefits the issue of managing the ongoing maintenance of their homes is a particular concern, as without it, the interviewees point out, they are allowing their expensive asset to deteriorate. Three of the research participants described approaching their banks to discuss mechanisms for raising funds to undertake maintenance – whether through personal loans or permission to draw down on their mortgage – and all had been turned down. Two of these are people who have purchased public housing properties through Housing Tasmania's sales program prior to the boom in housing prices. However, while their asset is of some value, their incomes remain low. This, their lack of equity in their homes and their difficulties in getting access to affordable credit create particular difficulties in maintaining the value of their home, or even doing basic upkeep.

3.3.4 Telecommunications

Participants in this research are largely dependent on mobile phones. The majority of people interviewed have mobile phones (67%), and half of the mobile phone owners are using prepaid mobiles. Some participants have landlines and prepaid mobiles (13%) and some landlines only (11%).

The low number of people with landlines in this research is not reflective of the community as a whole. Nationally, only 14% of consumers have only a mobile and no landline but the number is set to increase. In the 12 months to November 2010, the number of consumers aged 18-24 who chose not to get a landline connection increased by 33% (CHOICE 2011). However, the number of participants in this research who only had mobile phones reflects the findings of other research into clients who are on low incomes. A survey of emergency relief and financial counselling clients in Tasmania found that while the majority of respondents had access to telephones, for a substantial number of these a mobile was the only phone they had (Flanagan, K 2010a).

I have a phone, a mobile, pre-paid. It was just another cost I couldn't justify – putting the landline on. I put \$20 [on the mobile] when I get paid each fortnight and once that runs out I just wait to next pay. I do a lot of texting, I'd like the landline on but can't afford it at the moment.

Part time worker, single woman with a mortgage, West Coast

I have a pre-paid mobile – I put \$20 a week on it. We can't afford a landline. I only text to stay in touch because calls take all the credit – I run out of credit all the time. If have to talk to someone I walk to [community service organisation] and use their landline.

Mother of four young children, rural area, partner of a low wage earner

Many mobile phones now allow access to the internet. This also makes landlines less necessary to those who are comfortable purchasing data packages and making use of multiple telecommunications options. However, phone-based internet access is less useful for people who need to make heavy use of the internet.

But can people afford mobile phones? Sometimes they can't, and the issue of disconnections and prepaid mobiles is discussed in section 4.1.

Mobile phone contract plans can offer cheaper call costs than prepaid mobiles, but they may also be unaffordable. Some of the participants who are on plans reported problems with bills. The Australian Communications and Media Authority (ACMA) has reported that more than half of mobile capped plan users reported exceeding their capped plan expenditure at least once (in the year to May 2010) with 'a high incidence of bill shock' (ACMA 2010, p. 24). ACMA has also reported that disadvantaged customers face barriers which make them particularly vulnerable to being sold unsuitable products without adequate consideration of their ability to pay for that product.

Citing the high level of overdue mobile phone bills among those people using standard accounts to pay their mobile bills, a survey of clients of emergency relief services concluded that when people are not using prepaid mobile phones they are unable to afford mobile phone call costs (Flanagan, K 2010a). However, this research also suggests that affordability is an issue for people with prepaid mobiles. While highly valuing telephones for their ability to keep them in touch with friends and family, a number of the participants in this research reported that they cannot afford to use their phones to actually talk to people. They rely

on '1 cent' or free text messages, or communicate with family and friends through a Facebook application. While Facebook does allow a level of communication there are limits to its usefulness for people wanting to be accessible to schools, children and in emergencies.

I do have landline but it was cut off by Telstra at the end of March (when they stopped Pay as You Go). I need it because of the kids, and also for social reasons, and also you need an emergency contact number when the kids are at day care. It's harder with a mobile when I miss a call because I never have credit, so you can't check messages. I did have the internet, I used a PAYG stick. I use Facebook to stay in touch, or when I have no credit – certain websites are free. You can message through that if you have no credit. It means I'm not completely isolated.

Sole parent with four young children, rural area

The perceived pressure to provide the internet for children's study also produces a burden of cost for these households. While many of the research participants are aware of the No Interest Loans Scheme, some have utilised retail credit providers in order to purchase computers. Some also reported that they have access to the internet for their children's study, when in fact they only have access to wireless internet through their telephones.

I use [retail credit provider]. It can be expensive. They are over a three year contract. I've paid off the laptop and printer....You do pay top price but they do have a good choice – a wide range.

A woman raising two children, 38 years old, living in public housing, in a regional centre

3.4 Budget management

This research found a range of shopping and budget management strategies were used to manage the cost of essentials.

3.4.1 Prepayment

Prepayment options are popular with the research participants in a range of areas. Rent is obviously paid in advance and prioritised, but prepayment budgeting tools are also popular to pay for electricity, phones and internet connections.

Centrepay is a free, direct bill-paying service offered by Centrelink to its customers. Amounts are deducted from Centrelink payments prior to them being paid to the Centrelink customer. It is a voluntary system and the deductions can be directed to prepayment options offered by utilities (except APAYG meters). Utilising Centrepay deductions has the benefit of avoiding the risks of direct debits, that is, bank fees charged as a consequence of having insufficient funds in the account at the time of the direct debit withdrawal.

As stated, prepayment is available for a range of telephone and internet services. Tasmania's electricity retailer, Aurora Energy, also offers a number of prepayment options for electricity customers. PrePay allows a customer to make advance payments against their electricity charges which are credited against the next electricity bill. EasyPay allows customers to calculate their annual expenditure on electricity and even out their payments over the year. None of the participants in this research were utilising EasyPay, but a number were utilising PrePay.

However, of the prepayment options for utilities available to low income Tasmanians, the most widely used would be prepaid mobile phones and Aurora Pay As You Go (APAYG) electricity meters. The popularity of these prepayment products is that they allow consumers to spend incrementally and avoid a 'bill shock' and they therefore give people a greater sense of control over their budget (e.g. Ross & Rintoul 2006). One problem however with both these products is the issue of hidden disconnections from these essential services.

Telecommunications: The nature of the mobile phone industry masks an issue of hidden disconnections among prepaid mobile users. Many

of the participants in this research reported having mobile phones but problems in affording credit. Previous Anglicare research has found that while prepaid credit minimises the risk that a household will get into difficulty with mobile phones, or be in arrears with mobile phone charges, the rate of disconnections was the same, regardless of payment method. The research concluded that 'prepaid credit does not prevent customers from being unable to have their telephone connected (a prepaid phone without credit is effectively a disconnected phone)' (Flanagan, K 2010a). While the participants in this research liked the same qualities about prepayment for phones as electricity (no bills, a sense of control), when purchasing credit they could find themselves paying a high price for a product of less quality than a landline telephone. Pricing plans for mobiles (plans as well as prepaid mobiles) are complex and difficult for consumers to understand and service is unpredictable. There are no performance standards with mobiles, where there are with landlines. Customer service guarantees for landlines are in the order of 97-98% reliability. There are no guarantees for mobile services (CHOICE 2011).

There are many hidden costs to using prepaid mobile phones, with prices varying across time of day and the service being used by the recipient of the message. The cheaper prepaid products may provide a lower standard of service, for example, poor coverage. An examination of the costs of phone plans and prepaid mobiles found that when comparing a set pattern of usage, of the five cheapest products identified on the market at that point only one is a prepaid mobile service, and it offers only limited coverage in Tasmania (See Appendix 1). Ultimately, prepaid phones are cheapest for people who tightly ration their use.

Participants in this research also reported being caught between the need for affordable services and the poor coverage offered by some mobile phone providers, which were often cheaper. Some interviewees in rural and remote areas experienced particularly poor coverage. While some participants had been attracted to cheap deals for calls, they found call rates to other networks high. A further issue with prepayment on mobile phones is that it does not allow frugal management. A set purchase of credit must be made, and from most retailers the minimum amount of credit available for purchase is \$20. With most providers credit cannot be stored

and used beyond an established period (usually one month) so anyone saving credit will lose it all at the end of this time.

I have a pre-paid mobile but I can't afford credit. You can't ration credit – if you haven't used it by the end of the time, it gets recalled.... My biggest issues are social isolation and a dependence on charities.

47 year old single woman living on the Disability Support Pension, dealing with physical disabilities and pain management problems, Launceston

Among participants in this research, prepayment is also the preferred option for internet services, with three quarters (75%) of those who described how they paid for their internet using either prepaid mobile broadband dongles⁸ or access through their prepaid mobile telephones. While using a prepaid system for the internet allows the consumer to disconnect from the internet if it is unaffordable, going on a plan is significantly cheaper in the longer term (see Appendix 2).

Electricity: APAYG is used by around 39,000, or 17%, of Tasmanian residential customers (OTTER 2010c). Prepayment meters are available in Tasmania, South Australia and Western Australia but it is only in Tasmania where there is widespread use of this product. APAYG meters allow residential customers to pre-purchase electricity by 'charging' a 'Smart Card' which is then inserted into the electricity meter. The literature from interstate and overseas is extremely hostile to prepayment meters, seeing them as a residualised, poor quality and expensive option (see Anglicare Tasmania 2009).

As discussed in section 2.4, APAYG has ostensibly not been targeted at any specific customer group (ESCOSA 2004), but in Tasmania, 39% of APAYG customers are concession card holders compared to 29.2% of standard tariff customers. Concession customers are therefore disproportionately represented among APAYG customers (OTTER 2009), possibly because it is promoted as a budgeting tool with an emphasis on the features which low income customers seek: 'control' and 'no bills'. For example, Aurora's website describes APAYG in the following terms: 'No more quarterly electricity bills that break the budget. Just affordable electricity paid for weekly

or every couple of days – it's up to you, you're in control'.

APAYG meters are used by 30% of the research participants, reflecting its popularity among low income customers. Of the remaining, 28% of participants are receiving a regular bill with payment required by a due date and 7% are on a payment plan with Aurora. The remaining 33% of participants use other payment methods, such as PrePay or a combination of general budgeting tools such as direct debits or Centrepay. McLean (2005) has argued that PrePay and EasyPay are better options for low income earners than APAYG and advocates have previously called for these alternative prepayment methods to be given a higher profile (e.g. Law 2004; Anglicare Tasmania 2009).

Of the research participants that have prepayment meters, most are relatively satisfied with them and some people who do not have them indicated that they would like to. What the participants with APAYG like about the prepayment meters are key aspects of their design, namely the apparent ability to encompass its cost within a weekly budget and the appearance of controlling their electricity consumption. All of these people also have problems with electricity affordability and many are locked into cycles of problems only associated with prepayment meters, such as dealing with insecure electricity supply. However, they prefer the difficult options of rationing and possibly even disconnection to the prospect of a catastrophically large electricity bill. Those research participants who are on standard payment options but who expressed a desire to have a prepayment meter did so for these same reasons.

While Aurora has explicitly stated that APAYG is 'not a product that is generally suitable for customers who are under long-term financial stress' (Aurora Energy 2004, p. 6), the findings of this research suggest that it is those customers who are under long-term financial stress who are attracted to the absence of bills and the impression of budgetary control that prepayment meters offer.

⁸ A dongle is a USB device that is connected to a computer to allow access to wireless broadband.

3.4.2 Electricity prepayment meters and emergency credit

An important issue with APAYG for low income customers is the lack of credit available to customers who have the meters, beyond \$16 of 'emergency' credit which is available if normal credit runs out. Customers on regular tariffs who are in financial difficulties can delay payment of accounts and retain supply, that is, they can make use of the credit which becomes available to them through delaying payment. This capacity can provide enough flexibility that people do not have to choose between electricity and other essential items (Duggan & Sharam 2004). APAYG customers do not have this flexibility, as they prepay for electricity supply.

As a US discussion of prepayment meters puts it,

with prepayment meters ... the option is never provided to the customer to manage his or her money to address household necessities. When the meter runs dry, a payment must be made irrespective of other household financial necessities or service is effectively terminated. This requirement is not placed on other customers. Under traditional billing, these customers do not place their energy service in jeopardy because of a broken refrigerator or a childhood illness. Under the prepayment meter, they do (FSC 2001, pp. 5-6).

Delayed payment due to a cash flow problem is not the same as wilful non-payment. But it does allow households on restricted incomes some capacity for cash flow management. Without this flexibility, households where there are persistent cash flow problems or there is constant competition for the limited discretionary funds that are available will inevitably and regularly 'self-disconnect' from their electricity supply.

3.4.3 Bill juggling and the use of arrears as a form of credit

Juggling bills and using the money made available through delaying payment of bills is an important financial management strategy for low income households (e.g. Duggan & Sharam 2004). However, research participants were unlikely to see this type of juggling as a positive strategy. Rather, their descriptions convey a sense of financial precariousness at having to draw down on money meant for other bills and not having the savings to enable them pay bills in full and on time – it was 'robbing Peter to pay Paul'.

I've only been there for three months you see so I haven't had a winter yet, so we don't know how much [the power bill] will be, though we used to pay over \$400 a quarter in [previous house].

That's quite a bit of money to be paying on a pension?

Yes, but you have to pay it off.

Were you using PAYG there?

No, you'd have to ring them up and pay on pension day.

Did you look into PAYG before?

Yes we did, but sometimes you would have money [for electricity] and sometimes you wouldn't, you've got car registration come up you see and then you've got to find money for that, you always like to leave a little bit in the bank just in case something does happen you know.

67 year old man (Age Pension), regional centre

Some research participants reported delaying bill payments to purchase food and a cycle of small loans from family members.

3.4.4 Catastrophic bills and dangerous budgeting decisions

As noted in section 2.1, the concept of a catastrophic spending burden is discussed in the research literature on poverty in developing countries. Xu et al. defined this as occurring when the purchase of a service is a necessity, but the price is so high that the household must do something extreme to finance it, like going into debt or reducing its basic expenditure over a period of time. Because they are already living so close to the margins, this long-term reduction is genuinely catastrophic. Spending is defined as 'catastrophic' when payments are in excess of a critical threshold share of the household budget (Xu et al. 2003). Clearly, in some of the households included in this research some of the essential expenditures were approaching a 'catastrophic' level: extreme strategies were adopted to pay the bills, such as credit at high rates of interest, or food acquired through the socially marginal mechanism of food parcels. A participant from a refugee background eloquently describes her experience of 'bill shock'.

What do you use electricity for mostly, is it mostly the heating, washing?

The washing, the heating. I don't use it that much – we use it a little bit at night when we all are sitting... when they [the children]

go to bed we just turn everything off... we use a lot of blankets

Have you ever had your power cut off?

No not yet, they haven't done that...sometimes I can borrow or ask people, because it is not easy when the electricity goes, because the fridge needs to be on.

So how much would your quarterly bill be roughly to pay?

The power, since we come to Australia – this is the first bill in winter, it was like \$900.... I was shocked, like 'what?' When we came here there was no heater here, so small small heater, it was very very freezing when we move in. It was so much! So we call them and ask why was the bill like that? ... We managed to pay it, my husband was so stressed, so they take us to Salvos.

Mother, 4 young children, husband is a student (Newstart Allowance and Family Payments), Hobart

And this young man describes his experience of managing the cost of living in housing he acquired after a period of homelessness, in which he slept on the streets for four months.

Electricity, was that a big cost?

Yeah, sometimes I wouldn't even have power for three days.

How did you pay for it, in a big bill?

PAYG, and sometimes the credit card run out and it's all done, and sometimes I would be without any money at all, it was pretty hard in winter.

You would have used a lot of power on heating?

On heating, yeah.

Did the PAYG work better than a bill?

Yeah.

Did you use the emergency power?

Yeah, but it's \$10 so it didn't last long at all.

Did you have electric cooking?

Yeah, so you wouldn't have hot water or cooking, I just wouldn't have a shower, it was too cold.

Was the PAYG already there or did you sign up?

I arranged it, because at the start it was a bill and it was costing too

much.

When you had the big bills were you ever disconnected?

Yes, they would disconnect.

So how much would you spend on electricity with PAYG?

I spend a lot, like more than \$100 a fortnight.

24 year old man, job seeker living on Newstart Allowance, Hobart

Some of the research participants described budgeting decisions which were of higher risk than 'bill juggling' or reducing consumption of goods or services below their self-perceived level of need. Some reported reducing their use of prescription medication or not adhering to medically necessary diets (such as those required to manage diabetes and food allergies such as gluten allergies), others reported missing meals, and a small minority had gone into arrears on rental, increasing their risk of becoming homeless. For a small minority essential car costs, including car registration (which meant they were driving unregistered vehicles), were not met. US research has described these extreme budgeting decisions, such as 'heat or eat', when driven by an inability to pay as 'unreasonable' or 'dangerous' budgeting decisions (FSC 2001, p. 3).

Electricity, how do you manage that?

Well I should have been paying it but I haven't been. By the time I get everything I've only got about \$15 left and I go 'oh no point putting that on the power', so even though I should, I don't.

So how are you existing on power?

I'm a bit behind, I get bills quarterly, so I think it's about \$300 I owe.

So you just don't want to add to that?

No, the last one I got made it up to \$300 and I got that in March, and I've got another one coming in another couple of months.

And you will discuss that with them?

Yeah I've got to, maybe get it taken out of my Centrelink.

But if you do that will you have money for food?

But if I didn't do that I wouldn't have money for power. And winter's coming up. I know what it's like being in the cold in winter.

21 year old carer/student (Newstart Allowance) Hobart

For some participants the rationing of electricity in particular approaches extreme levels, and involves the switching off of all lighting and appliances so that no electricity is used but the connection is maintained. This is discussed in more detail in section 3.8.2 (Rationing electricity).

3.5 Shopping patterns

3.5.1 Physical access to food outlets

Physical and geographical access to food outlets can have an impact on whether people are able to purchase the food they want and need. There has been considerable discussion in the UK, Canada and the US about patterns of urban development and the availability of supermarkets. While patterns of urban development differ in Tasmania the central problem of some residential areas being disadvantaged in their access to range, quality and price of food products is relevant.

Tasmania's poorer neighbourhoods tend to be located on the urban fringe and many lack access to supermarkets. With a few notable exceptions, the 'big two' supermarket chains do not have stores located in disadvantaged areas, and while a smaller, independent chain has stores in many rural communities, it too tends not to have branches in disadvantaged urban communities. Tasmania's rural communities also face challenges. The rural municipality of Dorset, as one example, is a primarily agricultural area which faces the problem of declining and rapidly ageing populations, economic decline and remoteness. Combined, this makes access to services and food outlets a challenge for a community surrounded, ironically, by farms.

The phenomenon of urban residential areas with no food outlets or only 'corner shops' or 'convenience stores', has two potential consequences for people shopping for food: increased transport costs and increased food costs. Research has found that shoppers pay more for identical food items purchased at 'convenience stores' in their local areas than in local supermarkets (Barrett 1997; Larsen & Gilliland 2006). The outcome, found in widespread evidence from the UK and other developed countries, is the 'paradox that a healthy basket of food has been found to cost more in disadvantaged areas than in affluent ones' (Acheson, cited in Wrigley 2002, p. 2031). Tasmania faces the additional challenge of

having many people living on low incomes in rural and remote areas.

The fruit and veggie truck comes here on Tuesdays, we haven't used them. Also the Hobart butcher comes up on Wednesday; we haven't used them either. We want to, Tuesday and Wednesday but we get paid on the Thursday, so it's hard to have that \$100 to get it. We've just got to get our shit together if you know what I mean, the meat here is horrible – not nice at all, fruit and veg is not bad – reasonable-ish variety but on the expensive side.

Father of three, living on Disability Pension, West Coast

In theory, people can go further afield to do their food shopping, but to do so requires time, mobility and money. A lack of access to private or public transport can have a significant impact on people's diets, and some of the research being conducted into food insecurity suggests that geographic and physical access to food outlets is *as* significant a factor in determining access to food as economic factors like income. For example, the Outer East Community Food Access Research Project in the outer eastern region of Melbourne found that in addition to being able to afford nutritious food the key determinants of accessing and eating a nutritious diet are convenience and physical access (ed. Palermo & Smith 2009).

This exploration of the relationship between poor physical access to food outlets, higher cost and poorer quality food and the actual retail and development problems of urban areas has led to the re-emergence of the metaphor of 'food deserts', first explored in the UK in the 1990s and now increasingly being used as a concept to explore food security issues across the UK, Canada, Ireland and the US. While definitions differ, food deserts are essentially areas in which people have poor or no ready physical access to food and where the environmental characteristics of an area may contribute to patterns of poverty and food insecurity (e.g. a major highway through a residential area, making it impossible to walk to local food outlets).

The existence of these areas has important implications for social exclusion and health

inequalities. Within food deserts certain disadvantaged populations, including older people, people with disabilities, people who are unemployed and sole parents, are particularly vulnerable to food insecurity due to both low incomes and restricted mobility (Kirkup et al 2004; Whelan et al. 2002). These food deserts appear to amplify the negative effects of poor food availability, with residents in food deserts forced pay to higher prices for groceries at small food outlets and convenience stores (Chung & Myers 1999; Sooman, Macintyre & Anderson 1993; Travers 1996). A research project funded by the Tasmanian Food Security Council currently underway in Tasmania is investigating the existence of such areas in this state.⁹

Many participants in this research reported living in areas with poor access to food outlets. Some residents living in broadacre housing estates or in developments on the urban fringes reported that the only food outlets within walking distance from their homes are small 'corner shops' with limited variety and poor quality food. In one instance, for a participant living on Hobart's urban fringe, the only food outlet in walking distance is a service station. Participants reported that goods in these small food outlets are typically more expensive than in supermarkets and the fruit and vegetables, if available, are often not fresh. Shopping beyond these areas is extremely difficult for many of the participants, for whom the two most significant barriers to getting access to sufficient and affordable food are a lack of disposable income and a lack of transport. Some participants, who live in areas with no public transport and do not have private cars, reported relying on other people for transport to food shopping or access to community cars.

A number of research participants reported making direct trade-offs between travel costs and the disposable income they have for food. The scrutiny applied to the balance of travel costs and food money is demonstrated in the account of one research participant with mobility problems who had made an appointment with a General Practitioner in order to be assessed for the

Transport Access Scheme.¹⁰ While she had worried that she would not be given access to the scheme, she had judged the attempt to be of value as the investment in the medical appointment (an \$18 gap charge) would be redeemed within two weeks in her savings on taxis, and would therefore after two weeks increase her capacity to buy food.

Food has to come behind rent first, Hydro and phone, then my bus ticket and medication (I've finally found a doctor who bulk bills.) ... If I have to get a taxi to get home from the supermarket I only do the shopping once a week. If I get the bus home I can't buy as much because I can only carry so much from the bus stop and then I have to go twice as often. ... I tried to get a letter from the doctor to get the taxi voucher but I didn't get it because I'm not disabled enough.

67 year old woman, living in a private rental property on the northern fringe of Hobart. Dependent on the Age Pension and Commonwealth Rent Assistance

The local food shop is very expensive. The food is out of date and there's not much choice. I can't afford the supermarket because of the cost of transport. You have to get the bus there and taxi back and that costs \$12 or \$14.

51 year old woman, currently homeless, Clarence Plains

I'm not left with much, usually I get bread from work and I buy the basics with whatever I have left.

So it doesn't give you enough to have a very nutritious diet?

Not really.

Fresh fruit and vegies – do you get to buy that?

When I can. On the days I work I usually grab something, but then because I walk home I can't carry heaps.

So you do most of your shopping here in [your suburb]?

⁹ This research is funded by the Tasmanian Food Security Council and is being conducted by a coalition of researchers representing Anglicare Tasmania, the UTAS School of Human Life Sciences, the UTAS Department of Rural Health, Dorset Council, Clarence City Council, DHHS and members of the Dorset and Clarence communities.

¹⁰ The Transport Access Scheme gives assistance to people 'who have a permanent and severe disability which prohibits independent access into the community' (permanent is defined as 'life long'). The scheme entitles eligible members to receive a 50% concession on the cost of travel by non-wheelchair accessible taxis. Part of the application form must be completed by a qualified medical or allied health practitioner who may charge a fee for the purpose.

No at work, because then I can put it on my account.

Can I ask you where you work?

[Food outlet]. I walk about an hour and twenty five minutes to work.

Is that a choice?

If I bus I can't go for lessons driving because then I couldn't afford that, it's kind of hard...

So your food comes very low on your priorities?

Mm.

Do you get reasonable prices at work?

For the bread sometimes it's free, everything else you pay full price.

So would it be cheaper if you shopped at a supermarket?

I can't.

Do you carry it home?

Yeah, that's why I don't buy much, because I'm working on the weekend because I'm at school there aren't any buses when I finish at night, so I'm walking home at night.

So what would you spend a week on food?

I've just checked my payslip and over the last year I've spent about \$1000 and that's phone credit included and internet credit, you buy it and put it on the charge account and they take it out of your pay.

You're not eating very much are you?

How do you cope with that?

I have some support from friends. I go there to dinner and just eat a lot of food there.

17 year old, young woman living independently with no financial support from parents, in full time study. Dependent on Youth Allowance, Commonwealth Rent Assistance and casual earnings

3.5.2 'Price searching' and assessing value

In theory the two factors that affect whether consumers seek out the information they need to make efficient use of the marketplace (such as information about special deals or discounts) are the amount they purchase and the frequency with which they make purchases. Goods that are relatively expensive increase the potential benefit of the 'price search'. Shoppers are therefore more likely to undertake an extensive price search when purchasing an expensive item. Goods that

are cheaper and purchased more frequently don't require such extensive price comparisons.

While individual items of food are cheap, collectively they can make a substantial part of a low income household's budget. Did the research participants engage in active price comparisons to ensure adequate purchases of nutritious food? And if not, why not?

As discussed above, transport is central to people's capacity to get access to food. It is also central to people's capacity to be able to shop for the best prices. An examination of the price search behaviour of poor people in the US in relation to groceries found that the primary determinant of whether a household would engage in 'active' price searching was whether or not the customer had access to a car – and poor households were less likely to do so (Talukdar 2008). Talukdar also found that ownership of a car did not result in more price searching behaviour among poor households. As an explanation for this, he suggests that poor people have more time to search for bargains but their lack of money and capacity to purchase and store food for the future (in effect, buy in bulk) balances out the advantage that having a car gives them. And poor people without cars find their extra time doesn't make up for the disadvantages caused by lack of mobility, budget constraints and lack of capacity to purchase food for storage (Talukdar 2008).

Some participants in this research employ active consumer techniques: comparing unit pricing information in supermarkets, planning their grocery shopping, using lists for shopping, showing brand consciousness, and using catalogues. However, many of the participants in this research do not engage in widespread price comparisons and the reasons they gave for that were their problems with transport and their lack of disposable income. Specifically in regard to food, very few of the participants in this research reported shopping around between food outlets for better prices for food or for better quality food. Some reported that they conduct price comparisons across the products available within that shop (some reported comparing the unit pricing information) and they have a preference for bargains, marked down products and supermarkets' house brands. Catalogues are valued and play an important role in alerting people to specials.

However, the majority shop at one of the large supermarket chains and even when they are aware of significant specials available in a competing supermarket, it does not offer enough incentive for them to travel to that shop.

Where do you get most of your food?
[Major supermarket]... It's just ten minutes on a bus, bit too far to walk with shopping..

You said you buy [house brand], so is that a way of finding what's cheaper?

Yeah, I get to the shelf and I won't automatically grab the [house brand], I have a look and at the bottom of the labels on the shelf there's how much per litre or how much per kilo and I look at that, and see if I can find something that's a bit better that way. I don't automatically 'oh that's [house brand] that's cheapest' because on not all occasions it's not, sometimes another brand might be cheaper, I try to work it out best I can.

21 year old carer/student, one child
(New Start Allowance) Hobart

This research found that of the limitations on capacity to price search, a lack of access to a private car is probably the most significant factor in determining shopping patterns, with poor access to public transport and the cost of transport also significant issues. Those research participants who do not have cars seek to do their shopping in the way that is most economical of money, time and physical resources. For some this means getting public transport to a supermarket where the most effective balance of cheap goods can be purchased, and then getting a taxi home. Research participants reported that the taxi fare typically adds an extra \$10-\$20 to the shopping bill but enables a slightly larger volume of goods to be purchased. Those who can not afford a taxi and who have to travel home again on public transport have to undertake smaller shopping trips and shop more often.

Those participants who do own private cars report a greater level of 'shopping around'. However, they also report limitations on their capacity to use this advantage to purchase the most affordable food. Carers of older people, people with disabilities or young children report having their price searching capacity reduced even with car ownership. For these participants convenience is an important

consideration in choosing the food outlets at which to shop and limited their capacity to price search. For participants living in rural and remote areas and travelling to urban or regional centres for shopping, food shopping is organised to fit around a range of appointments in order to ensure maximum value from the expenditure of time and petrol and convenience is also therefore valued.

I don't have consumer choice – I can only shop in the local area. Access is difficult for me because of my mobility and pain management problems. It limits your choices.

43 year old woman with physical disabilities, Launceston

3.5.3 Buying in bulk

The presence or absence of a car had a significant impact on the capacity of participants in this research to buy in bulk. In his study of the price searching and shopping patterns of low income households, Talukdar found that even where the local area provided a favourable shopping environment (with small distances between shops and a competitive shopping market) poor households without cars were still the 'least likely' to be able to take advantage of this (Talukdar 2008). The difficulties in getting bulky shopping home without the convenience and assistance of a car may explain this. British research has also found that people on the lowest incomes were less likely to have access to or use a car for food shopping, were significantly more likely to use smaller local shops, and much more likely to suggest that 'problems of carrying/transporting foods limited the food they purchased' (Wrigley 2002, p. 2032).

The overwhelming majority of participants in this research do not purchase food in bulk for two reasons: they are unable to transport the goods and they are unable to afford the upfront cost of bulk purchases. This means that these households cannot purchase food in advance and store for the future or take advantage of quantity discounts. In these instances their poor access to transport and lack of income means that they pay more for their food in a very direct way.

3.6 Access to information

Economic theory suggests that perfect markets require perfect information to be held by both producers and consumers. In reality, low income consumers often lack sufficient information about products and services to enable them to choose the most affordable options. The lack of information can be because of the cost of obtaining it, a lack of access to technology such as internet access, or lower literacy levels (Mendoza 2008). It can also be because the complexity of the product or product information makes price information difficult to understand or pricing comparisons all but impossible. For example some participants in this research were unclear about whether they had appropriate and affordable insurance products. At its most extreme, it was revealed in one interview that a home purchaser who thought she was insured had confused mortgage insurance with home insurance and her house and contents are uninsured.

The information which emerged from the research around decisions about electricity provides a good example of the barriers for customers in getting the information they need to navigate the marketplace. Currently customers are offered a choice between paying electricity bills retrospectively (that is, after they have used the electricity) or prepaying for the electricity. As discussed in section 3.4.1, with prepayment there are a number of branded billing 'products', of which APAYG is one.

APAYG uses a time-of-use tariff (one where the price per unit of electricity consumed varies with the time at which the electricity is consumed) which is not regulated by the Office of the Economic Regulator. The Regulator, against the arguments of consumer advocates, has decided that prepayment meters are a 'product of choice' and that they therefore do not need to be regulated as stringently as standard tariffs. Two important assumptions underlie the Regulator's analysis which may not reflect the reality of low income households: that they have access to the necessary information to enable choice of an appropriate tariff and that they have the opportunity to act on that choice. For further discussion of whether people have that opportunity see section 3.7.1

'Electricity and consumer choice'.

A direct comparison between the cost of APAYG and 'standard' electricity tariffs is complicated by the 'time of use' pricing, which means the price of the electricity used at any given point varies according to the time of day and the time of year. The Tasmanian Economic Regulator publishes a regular report comparing the price of APAYG and standard tariffs to assist customers to make an informed choice, but to use this report effectively, a customer would need to have reliable data about their consumption history, the ability to make informed assumptions about consumption, and the skills to undertake the calculations. The Regulator himself has conceded that it is 'difficult to make a definitive comparison between APAYG and standard regulated tariffs' due to the different mix of tariffs, consumption patterns and whether people are accessing the cheap electricity available over night (OTTER 2010a, p.1).

Most of the participants in this research who have Aurora Pay As You Go meters appeared to have only a vague awareness of any price differences between prepaid electricity and other billing arrangements or between tariffs available with the prepayment meter. The most definite price searching done in the area of electricity was by some participants who are purchasing their own homes.

Most of the rest of the participants reported that their electricity payment method has been determined by the presence (or absence) of an APAYG meter in the house when they took up residence, and there seemed to be little curiosity about pricing. Some of the knowledge they proffered about electricity pricing was not accurate, reflecting the complexity of the product information. Most, but not all, of these participants believe APAYG to be a more expensive tariff. This understanding perhaps dates from the 2009 media debate about high APAYG prices, and people may not be aware that the extension of the electricity concession to APAYG customers has lowered the cost of APAYG to levels comparable to regulated tariffs for concession customers.¹¹ Some participants stated APAYG is cheaper than standard electricity prices, or 'cheaper for pensioners',

¹¹ In his most recent pricing comparison report, the Regulator concluded that concession card holders would pay either about the same or a little less than standard tariff customers over the course of the year, depending on their tariff mix (OTTER 2010a). This was due to the extension of the Tasmanian Government's electricity concession for APAYG customers, which was made in 2009 after considerable political pressure around electricity price increases and disproportionate rises in APAYG prices. However, the extra concession is being provided outside the community service agreement between the Tasmanian Government and Aurora and may not therefore be as secure as the rest of the concession.

perhaps confusing the 2009 extension of the electricity concession to APAYG customers with a tariff change.

I spend \$60 a fortnight on power on the Pay As You Go meter. You need more in winter – then I ask my parents for money – usually get about \$15 from them each fortnight. I try not to use much power – the house gets very cold... PAYG is cheaper than the power box. PAYG is really good – it's cheap and convenient.

Sole parent with 1 child, city, in public housing

What people did know about APAYG meters were the key aspects of the product's design which are promoted through its marketing. Participants in this research reported that the product allows them to avoid large bills which are 'unaffordable', control their consumption and pay in small amounts. Aurora's promotional material reflects this – control, incremental payments, no quarterly bills – and in fact promotes APAYG as offering customers the opportunity to '[s]ay goodbye to power bills' (Flanagan, K 2010a, p. 99).

Only a small number of the participants in this research can be characterised as informed consumers of electricity who have investigated metering options and made active choices based on this investigation. The majority of respondents indicated that they accepted the metering arrangement they had had for many years or which was established in the property prior to them taking up residence.

Case Study Two

A woman in her late 60s living in a unit that she rents in metropolitan Hobart.

Her income is the Age Pension. Figures are fortnightly.

Income

Age Pension \$670.90

Commonwealth Rent Assistance \$109.80

Total income: \$780.70

Expenditure

Her fortnightly budget in the order in which she prioritises it:

1. Rent \$250
2. Power \$50

3. Phone \$30
4. Bus ticket \$20
5. Medical costs \$54
6. Food \$80-\$90

Expenditure on these 6 items: \$484-\$494 a fortnight

This woman describes herself as living 'below the bread line' and says 'there's not enough money for food, after fixed costs'. She manages food bills by doing a 'big shop' on pension week, spending around \$45 on food and focussing on fresh foods like vegetables, including salad vegetables. In the second week of the pay cycle she estimates that she spends less, shopping for 'home brand' tinned food. Her consumption of meat is managed through a monthly purchasing cycle – meat is frozen and then eaten every second day.

This participant is reliant on public transport to get to food outlets and services. Her inability to carry larger amounts of shopping limits her capacity to buy in bulk and requires her to shop twice a week. Her mobility and transport problems also reduce her capacity to price shop – she goes to one supermarket and concentrates on finding the cheapest goods in the product range within that outlet. Because she has to shop frequently she must budget for increased use of her Metro Greencard. She estimates that reducing her shopping to once a week would allow her an extra \$10-\$15 a fortnight for food.

The participant has chosen her rental property because it is close to services and support; however, the rent is high. Including the Commonwealth Rent Assistance subsidy, rent consumes 32% of her income, placing her in 'housing stress'. She is concerned that she can't afford contents insurance, as she previously lost all her belongings in a bushfire. She is scared of the emotional trauma of losing her assets again.

Another priority in her budget is a mobile telephone with \$50 credit available at all times. This is a priority for her due to health conditions. She recently collapsed and had to use it to call for help and an ambulance.

However, assessing all these budgetary pressures, she said that 'even though her unit was insulated' electricity is 'the biggest cost for her budget'. She organises her electricity budget through

prepayments (using PrePay) of \$50 a fortnight made through Centrepay. While this is adequate for the summer quarters she reports that she still faces extra costs in winter quarters.

Asked what she needed to assist her to manage cost of living pressures, she identified three things:

- A cheap electricity tariff to allow her to meet her basic needs;
- Someone to help with the shopping; and
- The capacity to save \$10-\$15 a week.

3.7 Access to choice

Even if low income customers have clear and accessible product information they may not have the capacity to act on it. The following discussion draws on evidence around electricity pricing which emerged from the research.

3.7.1 Electricity and consumer choice

Can low income customers choose their tariff and payment product? As discussed above, whether customers have the information they need to make a choice and the opportunity to act on that choice is particularly important with the purchase of electricity. Some of the difficulties in assessing the relative merits of APAYG and standard tariffs are discussed above (section 3.6 'Access to information'). While some of the participants in this research have some general knowledge of different payment options and tariff differences, there is little evidence of participants utilising that information to switch payment options. A number of research participants stated that they have the payment option they are using 'because it came with the house'. Advocates for low income tenants report that one of the main impediments to genuine choice over APAYG is the presence of pre-existing meters in public housing and private rental properties (Anglicare 2009). Housing Tasmania's policy on APAYG states that tenants living in properties without APAYG can request installation, but it is Housing Tasmania's right to decide whether the property is suitable. Some public housing properties made available as NGO-managed emergency or transitional

accommodation are fitted with APAYG meters¹².

Not all interviewees in this research are satisfied with the payment options they are using. Some participants reported that they have attempted to change payment options from standard payment options to APAYG or vice versa, but are unable to as their landlords 'would not allow it'. Others expressed a preference for a standard payment option but have not pursued switching as they *believe* they will not be allowed to do so. Those expressing this sense of constrained choices included people resident in public housing, private rental properties, community housing and emergency accommodation. This research confirms the concern expressed by consumer advocates elsewhere, that in many instances low income customers are having their electricity payment choices predetermined by their lease.

I can't have Pay As You Go – my landlord won't allow it.

Sole parent, father of two, living in a private rental property in Hobart, casual worker

The Housing Department policy is against Pay As You Go.

32 year old woman living in regional area, public housing tenant

I've got Pay As You Go. I live in a rental place and that was what was available. It's more expensive.

27-year-old woman living in rural area
3 children, sole parent

I pay about \$50 a fortnight on Pay As You Go. I use that because the house had it when I moved in. It is a bit more expensive but I have to pay my bills as I go.

42-year-old man living in regional centre low wage earner

Do they get to choose their consumption patterns? The variety of payment and tariff options available to Tasmanian electricity customers creates an illusion of flexibility in electricity consumption, but most low income customers have little flexibility except to reduce consumption through

¹² There are costs for those wishing to change payment options. While it is possible for a customer to change from a prepayment meter to a standard tariff for no charge in the first three months after signing up for APAYG (and within 28 days of an advertised price change), after this time reversion costs \$77. The cost of signing up for APAYG when moving into a property that already has a prepayment meter installed is \$30. There is a connection fee for standard tariffs of \$77, even if a standard tariff meter is already installed. A complication for renters is the requirement under the *Residential Tenancy Act 1997* that a tenant leave a property in the condition in which they found it, less fair wear and tear. Housing Tasmania requires tenants who have their APAYG meter removed to replace it prior to ending their lease and private landlords would also be entitled to insist on this.

rationing. Generally, some APAYG customers do know about time of use rates and use them (Law 2004; Ross & Rintoul 2006). However Actaris, a prepayment meter manufacturer, has stated that 'the introduction of TOU [time-of-use] PrePayment meters around the world, including Australia, has shown that, on average, consumers do NOT adjust their consumption pattern when paying a TOU tariff, unless the difference in price is really restrictive' (cited in Sharam 2003, p. 13).

Although some research participants did say they use the cheaper rates available through time of use tariffs, generally participants in this research expressed little interest or capacity to use them. In most cases this is because the cheaper tariffs are at times which are not useful to them – late at night or extremely early in the morning. Some participants identified that their most significant use of electricity is for heating which they need for much of the day. Others stated that they do not use the cheaper late and overnight tariffs to use appliances because they are inconvenient for families (who cannot have noisy appliances like washing machines or tumble dryers going while children sleep), and for people with carers or support workers who come to assist with housework during the day. Even if they could shift usage, the price incentive to do so is not enough to attract the attention of these customers. Some participants with APAYG are unaware of the existence of the cheaper times. Others hold the view that the cheaper times were 'of little value'. This is possibly correct. In 2004, the Regulator concluded that customers would have to shift a large amount of their consumption to lower cost times before there was any significant impact on the overall weekly cost (Energy Regulator 2004).

While this research did find that people used the capacity to monitor consumption which APAYG meters provide, this was strongly linked to rationing behaviours when people were 'in crisis' and using the emergency credit, not to proactive management of consumption. Perhaps the idea, promoted by Aurora, that low income customers, if able to monitor their consumption, will be able to choose ways in which to manage it more cheaply ignores the real nature of low income energy use. As a US report notes, '[t]he largest uses of electricity in a low-income home are frequently, if not generally, driven by factors outside the ability of the consumer to control' (FSC 2001, p. 3).

These factors include poor quality housing with low energy efficiency and cheap but inefficient appliances. Across the range of participants in this research usage costs appear to be managed mainly through electricity rationing.

Overall, research participants appear to have little sense of having a choice around electricity or a sense of an incentive to act on that choice. There appears to be a general feeling that electricity is unaffordable whatever the payment option and that all options carry problems. Those research participants on APAYG clearly perceive that the benefit of APAYG, in terms of budget management, outweighs the disadvantages of inflexibility and risk.

3.7.2 Factors driving choice

At times, research participants suggested that the decisions they made about expenditure in key areas of their budget were driven by a need to take the 'least worst' choice rather than one which provides genuine affordability or meets their needs. Again, Aurora prepayment meters are an example of this. A number of the participants in this research who expressed their preference for APAYG did so because they believed it is effectively 'the best of a bad bunch'. This choice, therefore, is made within a constrained context of limited and fixed disposable income and an inability to afford essential items. The emphasis for the participants in this research, as was found in TasCOSS's 2006 survey, is more 'on avoiding large bills and less on the cost of electricity' (Ross & Rintoul 2006, p. 31).

3.8 Rationing and disconnection

The rationing of essentials is evident in some expenditure areas, such as the use of telecommunications products and food. The word is used here to describe a deliberate strategy of managing a resource, with the supply of the resource being controlled and distributed in a regulated way. It is not used to describe times when participants actually had no access to a product or service, such as when disconnected from a utility or when they had no food at all. While many of the participants described degrees of rationing (from limiting their purchases of fruit and vegetables to not heating their homes), some participants revealed levels of rationing which are causing them distress and a greater degree of hardship.

3.8.1 Rationing food

Many of the participants in this research described rationing their food supplies. This not to say they are going hungry but rather that they are buying less food in general or, in particular, less fresh food than they want or feel they need.

Descriptions of food rationing in the research interviews were often focussed on an inability to afford sufficient quantities of fresh food.

I suppose to a certain extent we eat nutritious meals. We eat a lot of rice and stir fries. I suppose fruit and vegetables is the hard stuff, the stuff you go without, which is the hardest, that's probably the stuff you need more than anything else. You're able to get the lettuces and carrots, the cheaper vegetables but you never really have fresh fruit. It's a luxury.

22 year old man, university student
(low wage earner)

This concern was particularly pronounced among research participants who are the heads of larger families (three or more children). This is consistent with surveys of emergency relief and financial counselling clients in Tasmania, which found that food costs are a major concern for respondents and that the presence of children is an important factor associated with anxiety about the cost of food (Flanagan, K 2010a).

The cost of fruit is a problem for many research participants, but particularly for people with children. Participants reported on the perceived pressure to provide a variety of food in school lunches, including healthy snacks and especially fruit. Some interviewees estimated that around a fifth of their total expenditure on food in term time was on school lunches. Two mothers interviewed purchase fruit only for school lunches which they carefully ration, in one instance hiding it from the pre-school-age children and reserving it for the child attending school. These stories of rationing children's fresh food is congruent with findings of the Australian Institute of Health and Welfare which found that due to a lack of availability and affordability, children who are socially, economically and geographically disadvantaged generally have reduced access to basic necessities such as fresh fruit and vegetables (cited in PMSEIC 2010, p. 18).

Other evidence collected in this research suggests that Centrelink payment methods may also affect how families purchase fresh fruit and vegetables. Many research participants described patterns of purchasing fresh fruit and vegetables that are linked to their Centrelink pay cycles. Individuals or households without children who are dependent on Commonwealth benefits receive payments once a fortnight. Many of these participants reported that they buy fruit and vegetables at the beginning of the two week period, and ration them or go without thereafter.

So how often do you go shopping then?

Fortnightly. Then I've just got to make it last.

It's sitting in the house but you can't touch it?

Yeah.

So what would you spend on food on that fortnightly shop?

Wouldn't be more than \$70-80, not more than that.

And that's for a fortnight?

Yeah. It's not a lot really.

21 year old carer/student, living on Newstart Allowance, Hobart

Families with dependent children get a base payment in one week and Family Tax Benefit payments in the following week, allowing for a weekly budgeting cycle. A number of the research participants with children reported budgeting to purchase fresh food in 'big pay' or 'big shop' week, and relying on bulky or processed food in 'small pay' or 'small shop' week. 'Food justice' advocates in the United States have argued that benefit cycles and cyclical pay periods, which see low income families run low on food in a cyclical fashion, play a role in contributing to poor nutrition and obesity (ed. Anderson 2007, p. 4).

The rationing described by research participants is most commonly applied to meat, fruit and vegetables. A summary of the strategies described by participants in this research is listed below:

- concentrating fresh food purchases on pay days, when the household budget has the most flexibility to enable these purchases;
- substituting fresh fruit and vegetables with cheaper, less nutritious food (such as bread, noodles, chips and pasta);
- substituting cheap vegetables (potatoes) for a

- variety of vegetables; and
- selecting particular food types for rationing: particularly meat and fruit.

There is considerable research evidence that people who are experiencing food insecurity are consuming cheaper poor quality foods, high in added fats and sugars and low in important nutrients, and that they are paying an extra cost for this through diet-related diseases.

3.8.2 Rationing electricity

Consumption of electricity can be inflexible but still less than people need to use. Participants in this research reported managing electricity consumption below the levels they need to keep their homes warm and run important appliances (such as washing machines or clothes driers) due to lack of income. Rationing is common. However, they also report a high need for electricity because their homes are cold and cool quickly after heating is turned off; because of the presence of children in the house; because they live in a cold, damp climate; because of illness or other caring responsibilities; and because they have poor or faulty appliances.

My daughter comes to help me during the day so the washing has to be done during the day when my daughter visits. So we can't use the cheap tariffs in the evening. I have to keep the house warm. My daughter had cancer and was on chemo so I had to keep the house warm for her when she came here after her chemo.

61 year old woman with physical disabilities, living in a rural area, dependent on the Disability Support Pension

Prepayment meters allow greater capacity to reduce consumption through more conscious rationing and even self-disconnection.¹³ The \$16 worth of emergency credit programmed into APAYG meters is supposed to provide households with a window

of opportunity in which to recharge their meter – in theory this is three days worth of credit. On Aurora's website, it is stressed to customers that 'it is for use in emergencies only!'. However, use of emergency credit was quite high among the participants in the TasCOSS research: 56% had used it and 19% had used it four or more times in the previous year (Ross & Rintoul 2006, p. 33). Its use was also reported quite often by APAYG customers in this research.

Using emergency credit entails a risk. If emergency credit runs out overnight supply is not disconnected during that night (i.e. between 8pm and 8am)¹⁴. However, supply *will* be disconnected if the credit runs out before 8pm. In addition, customers restoring power to the machine are required to reimburse the emergency credit used, and the meter will still accumulate daily charges even while power is disconnected. Also, there is nothing to stop disconnection happening if customers cannot actually afford the credit.

A small number of participants in this research expressed a preference for standard metering because of their fear of the summary disconnection associated with APAYG. This is a significant concern, as Aurora is required to offer payment plans to customers with standard billing arrangements who contact them to report difficulties in paying their bills, thus enabling them to delay disconnection. APAYG customers experience a lower level of customer protection than those customers who use standard tariffs in relation to disconnection for inability to pay.

I had APAYG in the past but I had problems with it. I couldn't use the cheaper prices at night – having the washing machine on disturbed the girls' sleep and they had school the next day. I worried about the emergency credit. If you use it the amount comes off your next credit and that made catching up very

¹³ Prepayment meters are of concern to advocates because they are an important subtext in the story of low income Tasmanians' problems with electricity affordability. For example, the findings of Anglicare's 2009 survey of clients of emergency relief services suggest that APAYG customers are experiencing significant problems with electricity affordability. Participants in that research had a much higher rate of APAYG usage than electricity customers more generally: 45.7% of the participants used an APAYG meter, with single parents, young people, households with two or more children and public housing tenants particularly likely to use APAYG. That research found that while APAYG customers are less likely to have, or perceive that they have, difficulties with electricity bills (probably because they do not actually receive bills), they are more likely than customers on other payment methods to actually experience problems linked to electricity affordability, such as being unable to heat their home and being without electricity at all (Flanagan, K 2010a).

¹⁴ The newer APAYG meters guarantee against disconnection if emergency credit runs out between 2pm and 9am, which is a much more generous regime, but these remain a very small minority of the APAYG meters.

difficult. If the emergency credit is exhausted the lights and everything are immediately disconnected, and one of my children is asthmatic and has to sleep with a nebuliser.

Sole parent, father with two children, dependent on Family Tax Benefit and casual wages

Four important points emerged from this research about the provision of emergency credit. The first is that \$16 worth of credit, while in theory providing a householder with three days worth of credit, may only reflect one day's electricity costs in a high consumption household, making the risk of summary disconnection much more immediate and pressing for those households.

We have Pay As You Go.

Does that work for you?

It works because we don't have enough money for bills but we're using \$50 every three and a half days... I can't use the clothes line because of the wind here – it pulls the clothes off the line – so I have to use the drier or the clothes horse. I always use emergency credit. You get \$15 worth of credit – you're lucky if that lasts one day.

Mother of four children, rural area, partner low wage earner

The second point is that for households in financial distress, the emergency credit is not an adequate protection from disconnection. The majority of research participants with APAYG meters reported a heavy reliance on the \$16 of emergency credit. This meant that they are never more than one or two days away from disconnection with no protections in the form of payment plans or credit negotiations to support them. This finding supports the position of advocates who have pointed out that the provision of a few days' emergency credit is really only likely to assist customers who have self-disconnected as a result of forgetting to recharge their meter. It is less useful for people who have self-disconnected because they lack the funds to recharge (ESCOSA 2004). Effectively, if the problem is one of affordability, emergency credit simply delays the inevitable (WACOSS 2009). And, as the cost of the emergency credit is deducted from the next payment onto a meter, research participants find that it is difficult to move out of this debt to the meter itself.

The third point is that there appears to be little practical difference between rationing carried to the extreme of turning off all appliances in order to keep \$1 worth of emergency credit and actual disconnection, although participants do make that distinction. While a few participants reported turning off all appliances and lighting – even sitting with candles – when they are down to their last dollar or two of emergency credit, they did not describe this as disconnection. These participants marshal their resources to keep their last dollar or two of credit and therefore do not register as a disconnection on the machine, even if their meter was one of the few meters in Tasmania capable of recording self-disconnections. This means the experiences of these women and their children do not appear in the disconnection data, which informs policy and regulatory decisions.

The fourth and last point is that paradoxically, while interviewees report that they like the sense of control which APAYG meters give them, their narratives do not suggest that their circumstances allow them the sense of control they seek. Even while they describe themselves as satisfied with the 'cheapness', 'control' and 'convenience' of APAYG, the continual dependence on emergency credit appears to underlie a contradictory and ongoing feeling of helplessness, and an actual experience of crisis around managing electricity costs.

What happens if you run out?

They turn it off. That happened and we lost all our meat. When we're on credit we don't use heaters or the clothes drier. If I had a bill I'd take money out for it but to come up with \$200 or \$250 is too hard, so I prefer APAYG.

Mother of four children, rural area, partner low wage earner, North-West Tasmania

Through summer I pay \$100 a fortnight but in winter I struggle – it's \$120 to \$140. In winter I'm always going into the emergency money. I've never been disconnected but I've got down to \$2 credit to last and turned off all the power and used candles. But we've never been cut off. In winter I'm always up at [emergency relief provider] for power money. I use Pay As You go – it's more expensive but you don't have the massive bill.

Sole parent, 24-year-old mother of four children

I try not to use the drier but my washing machine is 8-10 kg so it uses a lot of power. I can make \$50 [worth of credit] last 10 days but that is dipping into the emergency money. I've never been disconnected but I've been close and we've had to switch stuff off. I've got the candles out just in case, but we've been lucky. Been down to the last \$1 [of the credit] ... I couldn't have a [regular power] bill. I couldn't cope.

Sole parent, mother of five, owns her own home in rural area, north-west Tasmania

I've got APAYG, it's easier. It's not too bad. Sometimes the power runs out but normally it's only the night before I get paid [receive payment] so it's ok.

Father of two children, jobseeker, dependent on Newstart Allowance, living in a regional centre

There is limited research available on the rate of disconnection among APAYG customers in Tasmania, partly because of technological limitations which prevent the collection of prevalence data. The data which does exist has very mixed findings. Research conducted by Aurora found that 2% of the PAYG customer base had self-disconnected due to a lack of funds or because they had used funds for other expenses (Energy Regulator 2004). Research commissioned by TasCOSS in 2006 found that 23% of APAYG customers had self-disconnected in the previous year, 21% of whom doing so because they had found it difficult to get money for household bills (Ross & Rintoul 2006). Anglicare's survey of emergency relief clients found that a third (33.8%) of APAYG customers participating in the survey had been disconnected in the previous year due to a shortage of money (Flanagan, K 2010a). The differing characteristics of participants in each of the separate research projects would suggest that the risk of disconnection for financial reasons is greatest for those who are most vulnerable to financial crisis. This research also suggests that there are 'hidden' disconnections happening — that is, disconnections that are not visible in the statistics.

Aurora has emphasised the costly and delayed nature of reconnection for customers on standard tariffs compared to the immediacy and low-cost nature of reconnection for APAYG customers (Aurora 2004). However, the protracted nature of the reconnection process for customers on standard payment arrangements is balanced by the greater protections that apply to them in relation to disconnection. Aurora's treatment of people on standard payment arrangements in relation to disconnections extends beyond its obligations under the Regulations (Energy Regulator 2004). In practice, standard payment customers are not disconnected until after they have received two written notifications, a telephone call and a site visit by an Aurora officer, and if customers at any point either pay their accounts or enter into a payment plan, disconnection does not proceed (McLean 2005). APAYG customers are disconnected as soon as their emergency credit runs out. This lends weight to assertions by consumer advocates that prepayment meters can 'mask' hardship and lack of access to supply.

My old flat that I lived in last year, that was PAYG power. The way we did it, there was three of us and we all put \$50 on it in turn, and we found, we know it's more expensive PAYG, but I found it easier to budget. With the power bill if it's unexpected you don't know how much to plan for and how much it's going to be so you can be surprised. [With APAYG], you'd know in advance and you could check the meter. You can never really be sure with a power bill how much it will be, with PAYG you can kind of monitor as you go, if it goes more quickly then you can be more conscious of usage.

Were you on PAYG because of choice?
No that's what's there. That's just the way it goes.

So when you were on PAYG did you ever get down to the emergency money?

Quite often, like in the shower, quite frequently, never anything serious, we were always able to put the power back on.

And did you use the cheap tariffs, like washing at midnight?

I didn't even know about that, if we'd known that we probably would

have used them.

So have you ever been disconnected?

I think the wording of that's a bit harsh. We've had it go off but that's because we've forgot, or have burnt through it a bit quickly. I've never had a bill overdue to the point where I've been cut off, because that's on your record then for the future.

22- year-old, low wage earner, in full time education/training, Hobart

Products which utilise prepayment mechanisms are a way for retailers to manage the risk of default and debt arrears. In this way they are not only hiding gaps in supply but also the inadequacy of the incomes provided to Centrelink customers. In relation to the expansion of prepayment meter use in Western Australia, the Western Australian Council of Social Service has commented that '[prepayment meters] play a role in a much wider policy debate, in that they are being used by retailers to address customer debt, rather than broader consideration being given to the underlying causes of this debt' (WACOSS 2009, p. 13). Tasmanian advocates have reworked this point for the local context: 'APAYG is being used to address the difficulties customers face with large bills, rather than broader consideration being given to why large bills are so difficult to manage' (Anglicare Tasmania 2009, p. 12).

3.8.3 Phones: when rationing becomes disconnection

Research participants also reported rationing their use of telephones and disconnecting from use by going long periods without credit. A number reported that there are times when they have needed to make a phone call urgently but could not do so due to a lack of money. The rationing and disconnections are particularly worrying because of the feelings of social isolation people were reporting, particularly those with disabilities which make it difficult for them to leave their homes.

Ownership of a prepaid mobile phone does not guarantee access to service. An inability to afford calls is a disconnection from service. The impact of disconnection is particularly difficult for low income people dependent on government services and benefits – the shift to government service delivery and business being dealt with via call centres means that a person with a prepaid

mobile can use a great deal of their credit on hold, waiting for service. For example recent reports have revealed that the hold times to one telecommunications company's call centre have been up to two hours (Moses 2011). Like electricity, disconnection from telecommunications is also felt at a household level. Households share telephone and internet access, and often mobile phones.

I had a landline but it got cut off because of my partner's debt. So now I have a mobile, but I don't have credit. I use the Neighbourhood House when I have to use a telephone.

Mother with one child, living in public housing, dependent on Parenting Payment Single

3.9 Risk

People on low incomes experience risk in a way in which people with more disposable income do not. They have a greater level of personal exposure to risk and pay more as a consequence, and have less capacity to self protect against adversity. This can mean that they are more vulnerable to shocks, such as loss of assets, health problems, reductions in income or increases in prices. In addition, they have to pay the cost of others' risk exposure such as strategies adopted by companies to minimise bad debts. Some of the methods adopted by the research participants to cope with the high cost of certain essentials – such as rationing fruit and vegetables – expose them to longer term risks to their welfare and are discussed elsewhere in this report. Three specific examples of individual exposure to risk (and the cost paid by individuals) emerged from the interviews for this report and are examined more fully here. These are:

- the personal risks taken by people on low incomes in order to manage budgets;
- the individual impact of higher risk social policies; and
- the impact on low income people of debt management practices aimed at reducing the creditor's risk.

3.9.1 Personal risk: underinvestment in insurance

Some of the participants in this research raised concerns about their lack of home and/or contents insurance. They have not insured themselves because they could not afford the insurance repayments. An inability to afford insurance means low income earners have less capacity to protect themselves from accidents or misadventure. In this research, the issue was raised both by people in the private rental market, who feel insecure at their lack of home contents insurance, and by homeowners who do not have home insurance. They are very aware of the risks of underinsurance; one participant had already lost all her possessions in a bush fire and was very anxious about being uninsured.

Low income earners have a particular need for insurance to protect them against losses or damage because for people on low, fixed budgets the consequences are so great. Yet insurance products are often poorly designed for low income consumers, with lump-sum premiums and excess charges.

Past Anglicare research (Madden & Law 2005) has revealed that Tasmanians on Commonwealth concession cards are less likely to have home contents insurance than those whose incomes are above this cut-off. It also found that people who are renting their home have a far lower level of contents insurance than people who either own or are buying their own home (Anglicare Tasmania 2005). Research has shown that the main reason why people don't take out contents insurance is that it is too expensive or that they feel their contents are not valuable enough to make the outlay worthwhile (Madden & Law 2005; MJ Powling Research Consulting 2001) and that the high risk indicators for being without contents insurance are being on a low income or living in rental property. Both those factors can increase the risk of being a victim of a robbery as well; Tasmanians in the lowest income quintile are most likely to report being the victim of an actual or attempted break-in (ABS 2007). Having money can also be an important factor for managing risk without insurance. The 2004 International Crime Victimization Survey (Johnson 2005) found that

income is an important factor in households' capacity to prevent crime by actions such as installing locks and grilles on windows, getting a burglar alarm or improving the fencing around their property. The only crime prevention activity reported more often by low income earners than other households was a friendly arrangement with neighbours to keep an eye on one other's properties.

3.9.2 Social risk: underinvestment in public services

A significant reason why people are experiencing homelessness in Australia today is housing supply issues that are a result of policy decisions by a series of governments, decisions which have seen the main form of housing provision for low income Australians increasingly delivered through the private market. In the current housing market people with less money, who are from disadvantaged minority groups or who have children, are unemployed or are young find it very difficult to find housing. In this way, these individuals are paying a heavy poverty penalty for the market failure currently being experienced.

A number of the participants in this research project were experiencing primary or secondary homelessness at the time of interview, and some had only recently acquired a tenancy after a period of homelessness. Five of the research participants (11%) were experiencing homelessness when interviewed or had been homeless immediately prior to moving into their current accommodation¹⁵. One interviewee had no housing and was being accommodated by a close relative in inadequate conditions (three adults living in a bedsit). Two interviewees had been sleeping out – one in a tent and one in a derelict building for periods of many months – prior to recently being offered accommodation by an emergency accommodation service and Housing Tasmania respectively. A further two were in NGO-provided emergency accommodation and one was living with family having lost the accommodation he had acquired, after a period of living on the streets because it was unaffordable. The numbers of people interviewed for this research who were homeless or were rebuilding their lives after a housing crisis are not indicative

¹⁵ A further five interviewees were living with their parents. Three of these were sole parent headed households with families of young children. While these parents expressed a desire to establish their own homes, they could not because of the lack of affordable housing. However, none of these research participants have been classified as homeless in this research as they did not feel that their current accommodation was insecure or necessarily short-term.

of wider trends in the population, but they do allow an opportunity to examine the ways in which people on low or precarious incomes are exposed to the risk of homelessness.

Homelessness comes at a great cost to health and wellbeing – and to the government. At a simple and day to day level one participant, a young man who supports himself on casual earnings but due to his inability to find housing had lived in a tent for eight months, reported that without access to storage or cooking facilities he was forced to rely on takeaway foods at a cost of around \$30 a day. The longer term impact on his health created greater costs for him, the income support system and the public health system. Those research participants who were homeless, or had experienced homelessness, tended to be in crisis across a number of areas. For example they also describe a burden of debt (see the discussion below) and report a high level of dependence on community organisations for general support and specifically emergency relief services for vouchers for essential services and food.

3.9.2 Commercial risk: debt management strategies

Participants in this research described the impact on their lives of the strategies adopted by private businesses, corporatised services and government departments to limit their exposure to the risk of bad debts. As discussed in the section on electricity prepayment meters, these mechanisms shift the risk that the customer will not be able to pay for electricity from the retailer to the customer themselves, and beyond that to the emergency relief safety net (Duggan & Sharam 2004).

The experiences of two participants highlight this with regard to Tasmania's public housing authority, a severely underfunded government agency under pressure to maximise rent revenue to improve corporate viability. The two participants are living in public housing and are not at risk of homelessness. They are, however, managing budgetary crises associated with accumulated rent arrears to the public housing authority in addition to a range of other debts. The impact of forced collection of these rent arrears in addition to usual rent repayments is a significant part of a general pattern of financial crisis for both participants. In one instance the participant reported that debt repayment has increased the family's rent

significantly. On her figures, this increase has meant that the non-negotiable component of the household budget (which in this household is comprised of rent, electricity and a debt to a fringe credit provider) is consuming 50% of the income of the household's income. Like the interviewees who were or had recently been homeless, these public housing tenants reported that they are surviving through a heavy dependence on food vouchers from emergency relief providers, direct food provision from food insecurity initiatives such as Second Bite, assistance with school fees and uniforms from the Department of Education and loans from family members.

Tasmania's public housing authority, Housing Tasmania, has an arrears management policy which is described as an 'early intervention strategy' and which is based on the principle that 'tenants cannot have a negative balance on their account at any time' (Housing Tasmania 2007). These cases illustrate that debt recovery by government can have deleterious consequences for individual households. It also affects the broader community when responsibility for supporting these households shifts to other networks, including those partially or wholly funded by government. Research elsewhere has also found that inflexible government debt recovery strategies can undermine efforts to support households in financial crisis towards economic independence (Hughes 2009).

3.10 Credit and debts

Access to affordable credit is clearly a need for the research participants. Quite a few have heard of the No Interest Loans Scheme (NILS) and some have had loans from the scheme, commenting favourably on its accessibility and flexibility. Some have also heard of National Australia Bank's Step UP loans.

However, most research participants, even those reporting positive experiences of the NILS scheme, are making use of other and far more expensive forms of credit. Some participants had credit cards 'maxed out' and some have used credit cards to consolidate debts.

I won't borrow from any of those other places but I do have a credit card. I used it to pay the debts which my son ran up – he ran them up

in my name. It's maxed out. I'm not paying off the interest, just the minimum payment. It's \$150 in charges each month but I can only pay \$100.

52 year old woman, rural Tasmania

A number of the research participants have used fringe credit providers. Some expressed satisfaction with these providers, commenting favourably on the convenience they offer. However, credit obtained through fringe providers is very expensive compared to more mainstream forms of credit. For a number of research participants it is clearly a trade-off, with the high cost of credit being the price they have to pay.

I went to [retail credit provider] for the laptop. It cost \$1200 but the total cost was \$2200. It's very expensive but very convenient – they provide credit and deliver. It's hard to maintain a good credit rating – you only find out you've got a bad one when you apply for a loan. I got loan from [payday lender] to buy beds and bedding.

Father of two, part-time worker, Hobart

Credit checks can stop you getting access to credit, even for separated partners. [Payday lender] is very expensive but it's the only way to get cash. I borrowed \$100 and I'm repaying \$176 over 2 months.

Mother, four children, living on Parenting Payments, Hobart

As discussed above, the research participants' experiences reveal that financial crises in vulnerable households can cause the whole household budget to crumble – households in crisis in one area of their budget tend to be in crisis across a number of areas. For example, the research participants who are experiencing crises around housing costs also describe a burden of debt. All of these interviewees owe money to a range of credit providers. These include retail credit providers and payday lenders. They also described pawning assets which they cannot then recover, and a cycle of paying off the interest on 'payday loans'. While some of these loans were for appliances others are for essentials such as children's school uniforms or food.

I've got a bad credit rating. [Retail credit provider] repossessed my goods but they're still trying to get the money back from me...I've used [pawn brokers]. I've taken stuff in for money but I haven't got the money to get it back. I won't take the kid's things in, only my stuff.

26 year old woman, mother of four young children, Hobart's northern fringe

These revolving debts to fringe credit providers drive a smaller informal cycle of debt to friends and family to cover essential costs such as food.

Case Study Three

Mother with two young children living in emergency accommodation in a regional centre
Income: Parenting Payment Single and Family Tax Benefits

My priority is pay my food, pay my bills. Then if anything is left over we do something, like drive to visit my family... I feel guilty blocking up emergency housing. I'm looking for private rental.

Budget order

1. Rent
2. Debts
3. Petrol
4. Electricity
5. Food/other

This mother had constructed a budget with the help of a financial counsellor. She has rent repayments taken out of her income through Centrepay before she receives it. In spite of her commitment, stated above, to prioritising food costs, her repayment requirements dictate that after housing costs she prioritises debt repayments. These amount to \$230 a fortnight and are to a range of fringe credit providers including a payday lender. She is also paying back a Centrelink advance. The loans have been taken out to pay for children's school uniforms, school shoes, two household appliances and a car. One of these outstanding loans, for a car bought six years ago, is accruing 32% interest. After her debts she puts money aside for petrol and electricity. The money that is left is required for food and all other family

costs. As the money is inadequate for this, she remains dependent on small loans and emergency relief.

Then I lend money to survive. During the fortnight I have to come and see Anglicare for vouchers. You don't want to. It's embarrassing. But after all that's what they're here for. It's just your pride. You don't like asking for help.

3.11 Some crisis responses to market failure

Governments and non-government organisations provide a range of supports for those times markets fail. These include crisis assistance systems and ways of managing debt. Some of the participants in this research had had experience of these 'safety nets'.

3.11.1 Emergency relief

While emergency relief providers can assist with utilities bills and clothing vouchers, they also have an important role in responding to the most extreme instances of food insecurity in the community through the distribution of food and food vouchers. One fifth of the interviewees (14 of the 66) reported using emergency relief providers for food, and nearly all of these (12 of the 14) indicated that they are dependent on this food provision to varying degrees (ranging from obtaining fortnightly food vouchers for a period in response to a crisis to having an ongoing regular relationship with an emergency relief provider such as receiving a food voucher every quarter).

I've kind of had to depend on things like the Salvos, they have food packages. It was pretty bad in the place I used to live...I go to the Salvos and I've gotten stuff from Centacare – like vouchers, loaves of bread, but at the same time they can't always give it to you, there's also other people on the priority list in more need than you.

21 year old woman dependent on Newstart Allowance, looking for a house and work

3.11.2 Hardship policies

Some providers of essential services have developed hardship policies in addition to the government-funded community service obligation which they provide. In some instances, such as the two here, these are funded by the corporation itself. However, while hardship relief is an important crisis response, it does not address the real affordability issues, and may, like the emergency relief system, act to mask the real level of hardship in the community.

Electricity: Aurora Energy has a hardship policy which includes a number of strategies, including debt reduction arrangements, promotion of discounts and prepayment options. Standard tariff customers experiencing difficulty in paying their bills are entitled to ask Aurora for a payment plan. A small number of the research participants are on payment plans, and indicated that these are problematic for them because they feel they have had no choice in how the payment plan is structured, because they find them difficult to afford and because if they can't manage them their affordability problems escalate. Aurora puts about 350 payment plans in place each month, but only about 9% are successfully completed (OTTER 2010). Anglicare's financial counsellors report that affordability is the reason why many payment plans collapse¹⁶.

We struggle [to pay power bill]. We paid a chunk, then we rang Aurora and said we were having troubles. She gave us a three month extension on our power bill and started taking out \$50 a fortnight and at that rate by the time we got another power bill we were almost caught up. But between Aurora and Centrelink they mucked up taking money out of the bank, so in the end about 6 weeks later we had to pay \$80 a fortnight. When three months was up, we owed \$600 a month. They sent us a disconnection notice, but then we got an e-mail that the Salvation Army had a grant to spend and the power and the phone bill got taken care of. But that was more by luck than by design... Power here is a massive strain on the budget, it's

¹⁶ For example, the approximate breakdown of a 12 month payment plan for a \$300 quarterly bill will be a usage component of \$50 a fortnight and a repayment component of \$12 a fortnight. A typical client will be able to afford the repayment component. The part that causes the payment plan to be unsustainable is the usage component – the client is using \$50 worth of electricity a fortnight but they cannot afford to spend \$50 on electricity a fortnight.

scary where it's going to be two years from now, up and up and up and up. It's just getting through winter. The Salvation Army thing was a fluke. When the power bill is \$600, \$700 you can just wait a bit then pay the thing, you can just scrape by with that, but when it's pushing \$1000....

Father with three children dependent on the Disability Support Pension, remote area

I've got an \$800 power bill at present. I've got to pay it off \$70 a fortnight, got to pay it off within the next three months. It's a payment plan. I don't have enough money for food. I asked the landlord if I could miss one rental payment to pay the rego and then I loaded up the rental payments after that to pay him back. I can't deduct money from the payment plan they'll cut it off. They will cut it off I reckon.

Father, single parent with one child, casual worker mainly dependent on New Start Allowance, regional centre

Telecommunications: As noted in sec. 3.1.4, in addition to its universal service obligation, Telstra provides a range of products designed for low income people. These are community service obligations which Telstra, as the 'primary universal service provider', is required to provide – it is the only telecommunications provider required to offer them. The range of products includes flexible billing options, including prepayment options for landlines, and payment plans for customers in difficulty. There are also 'budget' products which for a lesser charge offer a more limited range of services (e.g. incoming calls only). However, as argued in previous Anglicare research, none of these products are particularly designed for people who have mobile phones, and 'none of these options really address the issue of whether or not standard telephone products are affordable for low income earners' (Flanagan, K 2010a, p. 115). Some of the participants in this research have been disconnected and have subsequently moved to using prepaid mobiles, perhaps because they cannot afford the reconnection fee. As an older woman with a disability living in rural Tasmania said: 'I prepay each fortnight but I also get a bill each month with a fee because it's not paid on time'.

The very limited hardship provisions in the sector mean that telecommunications companies faced by debts from mobile phone owners are relatively free to demand repayment from households, regardless of whether the household can or cannot afford to repay or whether the telecommunications service provider took capacity to repay into account before extending the telecommunications credit. They are also free to charge late payment and reconnection fees (Rich 2005).

3.12 Successful community responses to the cost of living

In addition to the range of initiatives and strategies adopted by the research participants to manage their incomes, some community strategies show skilful adaptation to cost of living pressures. These relate to the issues of food security, affordable credit and telecommunications.

3.12.1 Food security initiatives

Food security is cited as one of the cornerstones of the recently released Social Inclusion Strategy for Tasmania. Under the Social Inclusion Commissioner's aegis, the Tasmanian Food Security Council has been established and is working on the development of a Food Security Strategy for Tasmania. In 2010 the Tasmanian Food Security Council distributed \$730,000 to support a range of community food security initiatives.

In order to assess the level of engagement people had with community food initiatives, participants in this research were asked whether they have vegetable gardens or access to community gardens. Some research participants do grow vegetables, including a woman with physical disabilities who pays someone to dig her vegetable beds for her, but while one participant reported that he 'would have been stuck' without it, most participants do not grow vegetables. Some research participants in rural and remote areas did report that they cultivate animals, particularly chickens, and that this also assists with household food supply.

Most participants' responses did not suggest any lack of confidence that they can grow a vegetable garden – the problems they identified are a lack of access to land and a lack of long-term housing. Some people indicated that they do not have a vegetable garden because they do not have land to

cultivate or they live in private rental properties with no, or a shared, gardens; others are moving between properties and had lost gardens they had established when they moved; and others live in situations where they feared a garden would be vandalised. These responses suggest that if urban agriculture is to be promoted as a response to food security, public land may need to be made available for community gardens or private allotments.

While people appeared to feel they could grow vegetables if they had land, there is also the question of whether they would have the resources to do so. The widespread disengagement from the habit and skills of growing food is also reflective of a growing disconnect between urban and rural communities and a loss of capacity in food production, particularly in urban communities.

However, some food security strategies encourage community development and capacity building. There was some interest in community garden initiatives and at least one research participant relies on such an initiative for vegetables. Some research participants are also aware of cooperative purchasing initiatives and are very interested in these as a strategy to regularly supply cheap fruit and vegetables. The knowledge that exists among participants of these community initiatives probably reflects the fact that a number of participants were recruited through the community house network.

3.12.2 Micro-credit

Micro-credit continues to be an effective response to the credit problems faced by low income people. All participants in this research were asked if they were aware of the No Interest Loans Scheme. A majority were, and many have made use of it. Those people associated in some way with Neighbourhood Houses, in particular, are well informed and positive about the NILS initiative. The features of NILS which appeals to participants are: the lack of interest on the loan, the ease with which loans can be accessed and the non-intrusive and flexible nature of the debt recovery. For a small number of participants there are some issues with the scheme. These include: the need for credit for things which the scheme does not lend for (such as debt consolidation), a concern that it might involve a great deal of paperwork, and the scheme's requirement that people taking loans get two quotes for their proposed purchase. This

was an issue for people in rural areas due to the small number of retailers locally and for those with mobility problems.

3.12.3 Social media

Participants in this research showed great adaptability in utilising new technology to meet the need for social participation and connectedness. Social media emerged as an important and affordable communications tool for a range of people. A number of research participants use Facebook as a free way of staying in touch with family and friends when they cannot afford to do so face to face or using other telecommunications options. Some use Facebook through the wireless internet access they gain with their mobile phones. The following quote, from a young homeless woman who is 'couch surfing' with friends and family while she looks for housing, illustrates the importance placed on purchasing communications tools for social connection, even, or perhaps particularly, in the stressful and isolating context of homelessness.

I have a mobile, no landline. It's bought outright, it's pre-paid but you recharge \$30 and you get \$200 bonus calls in credit. I use Facebook to talk to my friends. A phone is for Centrelink appointments or the doctors. Facebook is for friends.

With your internet you don't need a landline?

No it's pre-paid, it's a Telstra stick, but because of the \$30 recharge on my phone I can send the \$30 to the phone and get \$170 for phone then send the \$30 to the internet stick, the bonus credit is for your calls or texts.

21 year old woman, homeless, looking for a house and work, Hobart

3.13 Do poor Tasmanians pay more?

Do poor Tasmanians pay more for food?

A number of ways in which the research participants are subject to the 'poverty penalty' and pay more for their food than people with a greater level of disposable income emerged from the research. These were:

- They are paying more of their disposable income for a nutritious food basket.
- They pay more because of poor food outlet availability, meaning they have to shop at small

local food outlets which have higher priced food.

- They face higher costs because of the need to shop frequently and in small quantities.
- They are unable to take advantage of quantity discounts.
- They pay more because of the effect of poor access to transport.
- They are unable to conduct thorough price searching due to restraints on time, income and transport.
- They need to go into credit arrears to free up money to purchase food, resulting in a debt/fringe credit cycle.
- They consume a less nutritious diet and so are exposed to a greater risk of chronic health problems.

Do poor Tasmanians pay more for their housing?

The trade-offs required to maintain housing impose a series of costs on the research participants not experienced by people whose incomes might enable greater choice in housing.

These are:

- They pay a higher relative cost for their housing, leaving less disposable income than that enjoyed in higher income households.
- The difficulties in affording maintenance on homes means their assets deteriorate and they have less capacity to generate household wealth through home ownership.
- The need for cheap housing pushes them into properties further from services and infrastructure. This means economic and social participation costs them more in time and transport costs.
- The need for cheap housing means they live in poor quality housing with problems with cold and damp, increasing their risk of vulnerability to high electricity and health costs.
- The inability to afford home and/or contents insurance increases their vulnerability to financial crisis in the event of the loss of their assets.

Do poor Tasmanians pay more for their electricity?

Relative to their income, low income Tasmanians pay more for electricity than Tasmanians with higher incomes. There are also some specific costs which affect low income people identified in this

research. These are:

- They face high energy bills due to poor quality housing and inefficient appliances.
- They need to use more electricity for space heating because they have to spend long periods at home due to illness, caring responsibilities or an inability to afford to go out.
- The bill juggling that is necessary to cover electricity costs has serious knock-on effects, including upon their ability to afford the cost of other essential goods and services.
- They cannot afford the amount of electricity they needed, and so rely on rationing, particularly of heating, which imposes extra health costs associated with cold, damp and mouldy homes.
- Although the Regulator's price comparison suggests that concession card holders are paying similar amounts for their electricity whether they use APAYG meters or have standard payment methods, participants using APAYG receive a lower standard of customer service, especially in relation to disconnection, and therefore get less value for their money.

Do poor Tasmanians pay more to stay connected?

Specific ways in which low income Tasmanians are paying more for their telecommunications are:

- They are excluded from certain products, such as landlines, due to cost. They rely on more expensive prepayment options in order to control their expenditure.
- They incur penalty fees such as late payment fees because they cannot afford to pay phone bills on time.
- Poor access to public telephones means people need to have mobile phones, even if they can't afford them.
- Price comparison information is complex and difficult to assess, particularly for those with literacy issues or no access to the internet, which means they cannot make effective cost-saving comparisons.
- They are unable to ration credit effectively, because 'saved' credit is forfeited at the end of the credit period.

Part 4: Conclusion And Recommendations

4.1 Policy issues arising from the research

This report is not suggesting that competition is a negative for consumers. Competitive markets can deliver variety, choice and good value for people, including people on limited and fixed budgets. Nor is this report an empirical study of whether the ‘invisible hand’ of the marketplace, its capacity to self-regulate, is working effectively for low income Australians. It is an examination of the stories and experiences of 66 low income Tasmanians and from those stories and experiences, some worrying trends do emerge. They include issues with the current market in providing essential goods and services.

4.1.1 Market failure

This research identifies a number of instances which can be described as market failure for low income customers. Examples include the poor quality of the information held by customers of Aurora’s pre-payment meters who are not able to make fully informed choices about pricing and tariffs in relation to a product which is a regular cause of financial crisis in many households, the lack of access people have to clear and accurate information about products like mobiles and internet access and the lack of competition in the communications sector in Tasmania, especially in rural areas. There is also the effect of the market dominance of two supermarket chains, particularly the effect of this ‘duopoly’ on the location and price of food for sale and the impact of this on the shopping patterns of research participants.¹⁷ This research suggests that the prices offered by the large supermarkets are low enough to attract low income earners’ custom on the basis of a cost-benefit analysis of the resources required to complete shopping (including transport costs, time and energy). However, they do not have the resources to effectively shop around other retailers to also take the benefit of good prices reductions elsewhere and in some areas there are no alternative retailers, so as customers they are effectively trapped.

4.1.2 Market-based exclusion

Following Mendoza (2008), market-based exclusion describes the situation when low income customers cannot access basic goods and services because they cannot afford to buy them. The findings of this research suggest that low income earners are experiencing market-based exclusion in a number of ways. Many research participants report regular periods of disconnection from essential utilities such as telecommunications and electricity. Low income earners can also be excluded from the private housing market— some landlords, for example, will refuse to lease their properties to particular groups of tenants, such as families with complex needs, people from minority groups, people in receipt of income support or government-funded bond assistance (Anglicare 2010). Participants in this research have also had experiences of exclusion from the housing market – they cannot enter the private rental market because they cannot afford it, and therefore have had to live with extended family or friends, or they are homeless. Some also reported that they cannot purchase a home because they cannot afford mortgage instalments.

4.1.3 Market residualisation

This research also identifies examples of products developed for disadvantaged consumers that are of lesser quality than those designed for more advantaged customers, also known as market residualisation. As Duggan and Sharam describe it, retailers increasingly differentiate between the customers they want to service and those which offer them little or no profits.

“Unattractive” customers ... are assigned into residual markets... where prices and the terms and conditions of supply reflect the market power of the retailer. The market power which retailers can exercise over low-income and/or unattractive customers relates directly to the essential nature of the service, and the lack of regulation to mitigate such power (Duggan & Sharam 2004, p. 4).

Examples found in this research of residualised products include prepaid mobile telephones,

¹⁷ An inquiry was conducted by the Australian Parliament in 1999 in response to concerns about the implications of the market dominance of Woolworths, Coles and Franklins in rural and regional Australia (including the loss of smaller independent retailers). The inquiry concluded that the market was ‘heavily concentrated and oligopolistic in nature’ with the three major chains exerting a significant degree of market power and holding 80% of the dry/packaged goods market (JSCRS 1999, p. vii).

where disconnection is immediate on inability to pay and customers in financial hardship do not have access to the range of products available to assist low income customers using land lines who are in financial difficulties. Many of the research participants have mobile phones which are often, if not usually, out of credit. Some have also sought out cheaper mobile phones but are forced to accept poor coverage as part of the deal.

Another example is seen in participants' experiences of the housing market. Previous research has also found that low income earners are being forced into a residualised private rental market, where the housing is of inferior quality and often priced over what it is actually worth (Cameron 2002; Flanagan, K 2007b). And yet again, participants in this research reported living in unaffordable, poorly serviced, cold, damp housing.

The stories of self-disconnection and rationing shared by participants in this research reinforce concerns held by energy advocates about prepayment meters in the electricity market. For Duggan and Sharam (2004), electricity prepayment meters are a classic example of residual markets. In Tasmania, the majority of prepayment meter customers are low income earners, and as discussed above it is perceived by many consumers to be a product geared and marketed for low income customers. Electricity prepayment meters may not have been designed specifically for low income customers, but their design and promotion offer key features that are extremely desirable to low income customers – the perception of control over expenditure, incremental payments and no bill shocks. In June 2009, there was considerable media attention given to the fact that the Economic Regulator's annual comparison between APAYG and standard tariff rates, produced to assist customers to make an 'informed choice' about which product to use, had found that APAYG was significantly more expensive than the standard tariff. The discrepancy provoked considerable protest from customers, many of whom were on low incomes and who clearly felt, despite Aurora's denials, that APAYG had been marketed to them as a 'low income product' and that they, the poor, were in fact paying more. As a result of the outcry, the Tasmanian Government increased the concession provided to APAYG customers, and have maintained that additional concession (to

date), so that the price of APAYG is, for concession customers, now competitive with standard tariffs depending on the customer's usage patterns.

Although the poor (that is, customers eligible for concessions) do not at present pay more money for APAYG, they continue to pay more when quality is taken into account. APAYG customers on concessions now pay about the same as customers on a standard tariff but they receive a substantially lower level of customer protection. Standard tariff customers in financial difficulty have access to a safety net of flexible payment options, warning letters and site visits which seek to help them to avoid the ultimate penalty — disconnection. APAYG customers have the 'emergency credit', a notional three days' supply of electricity, and then disconnection is immediate. (The supply provided by the emergency credit is three days for an average user – it can be much less for high consumption users). Improvements to the Tasmanian Electricity Code have meant that from January 2008, all new and replacement APAYG meters installed must be capable of recording instances of 'self-disconnection', which would allow Aurora to detect and respond, albeit retrospectively, to apparent financial hardship. But meters installed prior to January 2008 do not have to comply with these provisions of the Code, and these non-compliant meters are in the overwhelming majority; less than 2% of APAYG meters state-wide are in fact currently capable of recording self-disconnection (OTTER 2009, p. 5 n. 4). Nor will the new meters record the kinds of experiences reported in this report – where people effectively 'self-disconnect' by ceasing to use electricity, but still technically maintain their connection.

4.1.4 Customisation of the market

The literature review for this research revealed that where low income purchasers are unable to offer the same revenue stream and regularity of payment as higher income customers, the market can adapt to their circumstances in order to obtain their business.¹⁸

Pre-payment meters are a market adaptation to the fact that some customers are plunged into financial crisis by large quarterly bills and pose an ongoing credit risk to the retailer. They improve cash flow for the retailer, prevent arrears and reduce customer service costs by removing the need for billing. They shift the risk that the customer will not be able to pay on to the customer themselves, and if they can't pay, onto the community's emergency relief system. Pre-payment meters also offer customers something that they need, which is to avoid large debts that cannot be easily paid. Given that the customer cannot afford electricity anyway, frequent short disconnections may be an acceptable trade-off in place of a \$500 or \$600 or \$700 quarterly bill when there is no money available to pay it.

Another product that has emerged in response to the needs of low income customers specifically is that of fringe credit (a term used in this report to describe the lending of small amounts of cash for short periods of time). Sometimes called 'payday loans' – a product defined by Hughes (2009, pp. 10-11) as 'a loan that is small, short-term, quickly approved and where fees and charges are applied rather than an interest rate' – these types of credit products have emerged in order to supply a demand that is not met by the mainstream credit market, the demand for small amounts of credit lent in the short-term to people who do not represent a 'good risk' to lenders. These people may not be able to access credit from mainstream sources, either through conventional loans or through credit cards, but they both want and need it. This demand from customers has created a gap in the market which some businesses have

moved to fill. These lenders compensate for the risk they run and the additional costs involved in administering very small, short-term loans by charging higher prices. But they also offer many things that low income earners want from lenders – small amounts of cash, short loan periods, small, regular repayments, a degree of flexibility and minimal intrusive documentation (Collard & Kempson 2005).

Some of these tailored elements are now also available from the 'affordable credit' providers such as the No Interest Loans Schemes run in various states, but not all. For example, No Interest Loans Schemes will not lend to people who lack the capacity to repay the loan without undue hardship,¹⁹ thus eliminating many low income earners from consideration. In contrast, payday lenders and other fringe credit providers will lend to most people, even those who lack the capacity to repay the loan without hardship (Hughes 2009).

It is difficult to effectively regulate for greater consumer protection in this area. Hughes notes that fringe lenders have 'proved to be quite adept at circumventing attempts to regulate them and have expressed their intention to do so again' (Hughes 2009). Regulation that attempts to remove some of the characteristics of fringe lenders that place people at risk of over commitment, such as the minimal documentation they require and their lack of effective credit checks, will also remove those elements of their operations that have evolved explicitly to meet the needs of their customer base.

¹⁸ For example, in 1963 Caplovitz described how, in low income areas of New York, merchants selling furniture, whitegoods and appliances had adapted to the fact that their customers would normally be classified as 'poor credit risks' by offering a form of credit that was tailored to the needs of their customer base. It was 'easy credit', prominently advertised, but the system was designed to ensure that the merchant obtained a large enough profit to offset the risk. The purchase price of the goods themselves was inflated, the credit arrangements available were expensive, repayments were small and frequent, and a system of extensive informal, face-to-face monitoring backed up by legal controls was used to guarantee payment (Caplovitz 1963).

¹⁹ For example, the NILS Network of Tasmania's eligibility criteria include the requirement that the borrower be able to repay the loan, as assessed by the loan committee

4.2 Other policy concerns

4.2.1 The capacity to pay

A free, competitive market is supposed to provide lower prices and better services for consumers as different traders compete with one another to attract customers. Where a market fails to do this for particular groups of customers, then theoretically, this can be managed by regulation and other measures to enhance customer protection. However, these regulatory and customer protection systems rarely, if ever, consider the issue of capacity to pay. They are focussed on tackling information asymmetry, which occurs when one party to a transaction has more or better information than the other party (Better Regulation Office 2009, p. 30), or on preventing unfair dealing or exploitative practices.

The new national credit law has introduced responsible lending provisions which prevent lenders from providing credit to consumers who do not have the capacity to repay the loan. But credit is a method of payment for a purchase, not the purchase itself. And the consumer's capacity to pay does not influence the starting cost of the purchase, even in a free market governed by regulation. For example, there is no obligation, enforceable by regulation, for providers of essential products and services such as energy or telecommunications or housing or transport or food to ensure that the prices they charge are affordable to all, including low income earners. Nor is this an issue that generally comes into consideration in considerations of the role of regulation or the appropriate structuring of consumer policy.

The Productivity Commission's recent inquiry into Australian consumer policy includes detailed consideration of the decision-making processes of consumers and the capacity of consumers to get the most out of a competitive market, but contains very little acknowledgement of affordability issues. There is a whole chapter on vulnerable and disadvantaged consumers, but they are discussed as being at risk of 'being misled or making poor purchasing decisions' (Productivity Commission 2008, p. 13), not as being at risk of not being able to afford essential items. Affordability is discussed in relation to credit and utilities (Productivity Commission 2008, p. 297) and is mentioned in one recommendation, which relates to affordable access to utilities services. But the recommendation

is that access and affordability issues be managed for utilities through targeted community service obligations or hardship programs (Productivity Commission 2008, p. xix), rather than being an intrinsic component of the market system. Clearly the default assumption in relation to competitive markets is not only that customers are well-informed and confident, but that they can afford to buy the products and services available. This is taken as such a given that it needs no discussion.

Yet the reality, clearly illustrated by the findings of this and other research, is that there are people in our community who cannot afford the prices that a market, even a regulated market, charges for certain products. These products include not just utilities and credit, but extend to food, transport, clothing, housing, education and healthcare.

To take electricity as an example, the Tasmanian Economic Regulator sets the price of electricity in Tasmania through a detailed process which takes into account a range of factors, including the interests of consumers. However, the Regulator is not required to explicitly take into consideration whether or not, as a result of the decision, all consumers in Tasmania will be able to afford sufficient electricity to meet their needs. As the Regulator notes (OTTER 2010b, p. 10), under the current regulatory framework, the issue of affordability is not his – it is a responsibility for government to meet through concessions and other external mechanisms. But these concessions and programs are never able to absorb the full impact of a price increase (Adams 2011). As a result, electricity prices in Tasmania are increasingly unaffordable for people on low incomes.

All the participants in this research are dependent on income support payments or living on incomes which qualify them for Low Income Health Care Cards. All identified levels of vulnerability to cost of living pressures. As noted in section 2.2, one in three Tasmanian households depends on income support payments from the Commonwealth as their main source of income. The table below (which is compiled using a range of information sources as detailed in the notes), shows the fortnightly essential expenditure for particular households dependent on these payments and the balance they would have left over. Not all 'essential' items of expenditure are included in the table, so as well as covering discretionary or 'luxury' spending

(e.g. a meal out, a haircut or holiday), the balance shown would have to cover essential items such as clothing, personal care and communications; the single parent included in the table would also need to cover all the costs associated with having a school-aged child. The rent component in the table is based on what such a household would pay in the public housing system. Rents in the private rental market, where most low income earners live, would be (even with the additional entitlement of Commonwealth Rent Assistance) much higher and the disposable income available to households

would therefore be less. The other costs in the table are approximations, based on average expenditures by households in the lowest income quintile in the Australian Bureau of Statistics Household Expenditure Survey. The trend is quite clear.

People on low incomes have very limited capacity for discretionary expenditure and almost no capacity at all to absorb increasing costs. In fact, the single Youth Allowance recipient in this example would be unable to spend even average amounts on essentials like food or heating and would need to either ration these items or go without in order to pay less flexible items in their budget such as rent. (Note that this table uses values from the 2006 Household Expenditure Survey, the data for which was collected in 2004. The prices of these goods and services would all have increased.)

Table 7. Fortnightly income and essential expenditure for people dependent on income support payments – selected examples²⁰

Household	Single person on Youth Allowance ^d	Single person on Newstart Allowance ^e	Single parent with one child ^f
Rent (public housing) ^a	\$83.57	\$102.10	\$168.79
Food ^b	\$145	\$145	\$145
Fuel & power ^b	\$45	\$45	\$45
Medical care ^b	\$35	\$35	\$35
Transport ^b	\$125	\$125	\$125
Total expenditure	\$433.57	\$452.10	\$518.79
Income ^c	\$388.70	\$474.90	\$769.16
BALANCE	—\$44.87	\$22.80	\$250.37

²⁰ **Notes for Table 7:**

^aCost of rent calculated using Housing Tasmania's standard rent-setting formula.

^bCost of food and non-alcoholic beverages, domestic fuel and power, medical care and transport taken from the ABS' Household Expenditure Survey 2003-04 (average expenditure by Tasmanian households in the lowest gross income quintile) (ABS 2006). All costs have been converted to fortnightly figures and then rounded to the nearest \$5. The contribution of any concessions (such as the electricity concession) has not been taken into direct account because it is assumed that this would be reflected in the expenditure levels of people on low incomes.

^cIncome levels and eligibility information for income support payments taken from Centrelink's website, <www.centrelink.gov.au>, on 19 January 2011.

^dPeople on Youth Allowance include jobseekers aged 16-20 and full time students or apprentices aged 16-24. The Youth Allowance rate given here is for single people with no children, aged 18 or over and not living at home.

^eNewstart Allowance is paid to people aged over 21 and under Age Pension age (which is 65 for men and between 60 and 65 for women depending on their date of birth) who are looking for paid work.

^fFor the purposes of calculating income, it is assumed the child in this household is aged 10 years old. The age of a child affects the household's Family Tax Benefit entitlement, which is included in this household's income. It also affects whether a parent is entitled to the higher Parenting Payment (available for single parents until the youngest child turns 8) or the lower Newstart Allowance (paid thereafter).

For many households on low incomes, it is not that they lack ‘ability’ to ‘manage their household budgets’ – it is that their household incomes are simply inadequate to cover all the living costs they incur.

4.2.2 Consumer confidence and choice

The research suggests that people vary greatly in their confidence and skills in dealing with retailers and utilities. At the same time consumer choices are complex and require a high level of skill to make effectively. The most disadvantaged customers face the greatest difficulties by virtue of their problems with access, literacy and numeracy. Many of the participants in this research rely heavily on the help of others and word of mouth in order to make consumer choices and budgeting decisions. They are the most vulnerable consumers but at the same time the most residualised and neglected.

Much of the policy response to the problems affecting consumers in relation to cost of living has been to focus on the financial literacy skills of the low income consumers. However, this approach is based on two assumptions: that the problems confronting the consumer are due to individual information deficits, and that with information they would make rational purchasing and budgeting choices. This research report discusses the range of ways in which external factors impact on the circumstances and choices of low income people. And new insights from behaviour economics suggest that providing all the appropriate ingredients outlined in economic theory (a competitive environment, product information, and regulatory institutions) does not necessarily ensure that people act as ‘rational’ consumers; ‘all consumers regardless of wealth or education can be affected by biases such as “conformity”, “overconfidence” (or optimism), “irrational risk aversion” and “altruism”’ (Landvogt 2008). One thing that seems clear from this research is that people use word of mouth as a significant source of consumer information about essential services, even when the information they receive through word of mouth is incorrect.

4.2.3 Price competition

The research found that in many instances the research participants do not benefit from price competition due to their inability to meet the cost of actively searching for price comparisons, their inability to take advantage of the discounts available through bulk purchasing and their inability to take advantage of discounts and purchase goods for storage (see section 3.5).

4.2.4 Place based effects

As discussed in relation to access to food outlets, participants experience particular cost of living pressures due to poor physical access to shops and services (see section 3.5).

4.2.5 Affordable warmth

The problem of cold and damp housing was reported repeatedly by participants in this research, with these complaints coming from tenants in private rental and in public and social housing properties. The associated problems with ill health, both physical and mental, raise this as an area for concern and policy attention (see section 3.1.2 and 3.2.3).

4.2.6 Food rationing and nutritional insecurity

Worryingly levels of food insecurity and what is being referred to as ‘nutritional insecurity’ were reported by participants in this research. Nutritional insecurity, which refers to the inability to get access to an adequately nutritious diet, is an apt description of the widespread substitution and rationing of nutritious foods reported in this research (see section 3.8.1).

4.3 Recommendations

The recommendations of this report are based on a belief in the value of fairness in the marketplace, and the promotion of inclusion of disadvantaged groups in our population. Guided by the literature review, this research focussed on a few key areas of expenditure – there are other areas of expenditure on essential goods and services which require further research and would be appropriate for attention. However, the findings of this research do allow the development of a framework to address both structural disadvantage and market-based exclusion in Tasmania. Anglicare recommends the following framework for Australian and Tasmanian Government action on cost of living pressures²¹:

A framework for addressing cost of living pressures			
Action to ensure adequate incomes	Action to ensure access to essential goods	Action to ensure access to essential services	Consumer protection

Discussions about cost of living pressures across the community lead to discussions of both market-based responses and community-driven social enterprise. However, many of the problems outlined in this research relate to the way that markets in the business of providing essential goods and services have evolved to exclude or marginalise certain unprofitable customers. And in the context of a substantial proportion of the population dependent on a residualised welfare system, the community cannot provide the scale of response required through social enterprise. It is governments' capacity to advance our broader interests that is required to address these problems – through the established collective responses to disadvantage that we have available, such as the publicly funded income support system and publicly funded services, through the measures we have to attempt to ensure that government businesses meet social objectives, and, if necessary, through intervention in the market. Properly funded public services can provide an important supplement to individual income, because they allow society to spread across all taxpayers the cost of providing services that many individuals could

not afford to purchase privately on an individual basis.

The recommendations of this report therefore focus on the possibilities for action by Tasmanian and national governments. Governments can address cost of living pressures through a range of measures: through the mechanism of the tax and transfer systems (the income support system); through subsidies to public services to ensure access and affordability; through the imposition of social obligations on corporations and the provision of adequately funded community service obligations; through low cost social tariffs; through funding for community initiatives; and by protecting consumers through regulation and information dissemination.

This research found need for action on the income inadequacy faced by people on income support payments; on access to food; on access to electricity and transport; and on consumer protection. These findings generate recommendations which can be placed in the framework.

²¹ This framework was developed based on the work of the UK National Consumer Council. However, where the Council focussed its recommendations on a national response to tackling the problem of market-based exclusion, this research also highlights the importance of simultaneously addressing the structural causes of poverty and exclusion and is also making recommendations within the Australian federal system. The UK National Consumer Council called for action in the following areas: (1) regulation and targeted subsidies to stop low income customers paying more; (2) adequate and clear social obligations to provide affordable access in essential services with this as a prime objective of regulators; (3) improved debt prevention through access to low-cost social tariffs and an appropriate choice of payment methods, and improved debt recovery; and (4) improved consumer protection, with the regulators of essential services working together to ensure improved mandatory regulation of industries competitive sales practices and to prevent negative impacts for disadvantaged customers (O'Reilly, Klein & Whyley 2005).

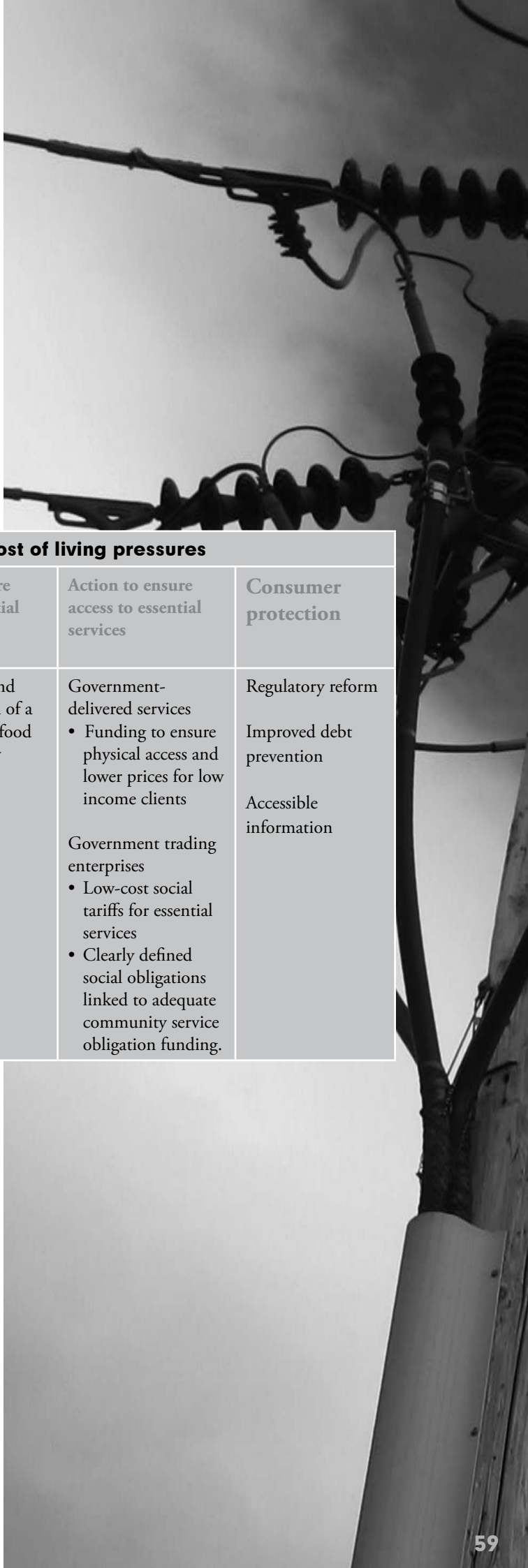


Table 8: A framework for addressing cost of living pressures

A framework for addressing cost of living pressures				
Goals	Action to ensure adequate incomes	Action to ensure access to essential goods	Action to ensure access to essential services	Consumer protection
Recommended strategies arising from this research	Reform of income support payments Income maximisation Targeted employment generation	Development and implementation of a Tasmania-wide food security strategy	Government-delivered services <ul style="list-style-type: none"> • Funding to ensure physical access and lower prices for low income clients Government trading enterprises <ul style="list-style-type: none"> • Low-cost social tariffs for essential services • Clearly defined social obligations linked to adequate community service obligation funding. 	Regulatory reform Improved debt prevention Accessible information

The specific recommendations arising from this report are explored below.

Action to ensure adequate incomes

Reform of income support payments

The main issue that many people in this research face is inadequate incomes. As QCOSS stated in its recently released report on cost of living, 'the safety net has not been effective in addressing the cumulative impact of price rises' (QCOSS 2011, p. 7). Australian social security payments are generally lower than those in most OECD countries, and they are set at low levels relative to community incomes, especially for single people without children. Pensions and allowances are also below, or close to, the poverty lines used in international poverty research.

A significant problem with the system is that most payments are not linked to basic living costs and many of them are not indexed to wages so they do not keep up with improvements in standard of living in the community. In the 1970s, allowances (such as Newstart and Youth Allowance) were paid at the same rate as pensions, but allowances have not been indexed so there is now a significant, and growing, gap between them. Even with the most stringent budgeting efforts, participants in this research run out of money each fortnight before they come to the end of their list of essentials that need to be paid for. This means that many essential items, including food and heating, are either foregone or are subject to restrictive and potentially damaging levels of rationing.

This research therefore supports the findings of the Henry review of Australia's tax and transfer system which found that payment adequacy could be improved (Henry 2010, p. 485). Action to address this is critical. Anglicare supports calls from the community that urge the Australian Government to review working age income support payments. The first step towards more adequate payments would be an increase in the allowances (Youth Allowance, Austudy and Newstart Allowance).

Recommendation 1: That the Australian Government urgently review all income support payments with a view towards equalising the payment levels of pensions and allowances, and ensuring that all payment levels are adequate to allow for an acceptable minimum standard of living for all recipients and retain parity with increases in wages and living costs.

Given the pressing problems caused to individuals and communities by income poverty, and its underlying relationship with many of the problems of social exclusion, Anglicare urges the Tasmanian Government and Tasmania's Social Inclusion Commissioner to encourage the Australian Government to review the findings and recommendations of the Senate Inquiry into Poverty (2004) and the Review of Australia's Tax System (2010) and urge an increase in income support payments in line with Recommendation 1.

Recommendation 2: That the Tasmanian Government, through the Council of Australian Governments, urge the Australian Government to review the level of income support payments with a view to ensuring they are set at a level adequate to allow for an acceptable minimum standard of living for all recipients, and indexed to both prices and wages.

A number of research participants combine income from pensions or allowances with earned income from part-time or casual work, but all struggle to make this translate into an income which allows them to cover the cost of essential goods and services. For some people meaningful paid employment is critical to ensuring that they can move out of poverty and avoid financial crisis, yet people moving into part-time and casual work face high marginal tax rates. The OECD estimates that one fifth of sole parents face effective marginal tax rates above 50% (OECD, cited in QCOSS 2011). Anglicare therefore supports calls on the Australian Government to address the poverty traps inherent in our income support system that act as a barrier to people taking up casual and part-time work. For some workers this is the only work available, and can act as a pathway to more secure employment.

Recommendation 3: That the Australian Government reform social security income tests to support people to engage in part-time and casual work.

Income maximisation

In the UK 'income maximisation' is a key strategy in efforts to address fuel poverty with benefit, entitlement and concession checks built into programs delivered by government authorities, social enterprises and housing associations (Mallett 2008). These programs 'aim to put more money in your pocket so that you can pay your bills, heat your home and have a better quality of life'. They do so through giving people advice about the entitlements that are available, doing benefit checks to ensure that people are not missing out on entitlements, helping people complete forms and assisting with advice and support if applications are turned down through assistance and representation at appeals and hearings (e.g. The Highland Council 2011). The household-level value of strategies such as these is demonstrated in a report on a pilot project by Manchester Council directed at 'hidden carers'. Carers were targeted through general advertising, a mobile advice centre, direct referrals and targeted activity. Through this pilot 88 people received personalised advice, of whom 70% were found to be missing out on entitlements totalling over £185,000 (Manchester City Council 2009, p.13).

Such a program in Australia would require a proactive approach to ensure that people were receiving the correct entitlements to Centrelink benefits, child care subsidies, child support, Workcover and concessions. Previous Anglicare research has identified the difficulties that people eligible for income support payments have in dealing with Centrelink and that a recent trend toward a more commercially orientated and aggressive debt recovery strategy on Centrelink's part has coincided with an increasingly complex system for clients to deal with. The research found 'a high level of anxiety which dealings with Centrelink engender in the lives of its customers ... which has led Centrelink customers to minimise their interactions with Centrelink'. It also found 'evidence that ... advice and representation has become critical for a customer to navigate their way through the complex Centrelink system' (Hughes 2008, p. 46). It is clear that simply

providing advice on benefits that people are entitled to would not be enough. Centrelink clients would need support to complete paperwork, advocacy, and support with appeals.

A pilot income maximisation trial could follow the UK initiative of identifying groups for a targeted response. Any increase in income for disadvantaged groups such as people who receive Newstart or Youth Allowance, or income support dependent families with two or more children, could produce significant improvements in ability to purchase essential goods and services.

Recommendation 4: That the Tasmanian Government fund an income maximisation pilot project.

Targeted employment generation

A number of the research participants are job seekers dependent on Newstart or Youth Allowance. In Tasmania, the number of short term job seekers in June 2011 was 3751 while the number of long term job seekers (that is, people who have received income support payments for 12 months or more) was 6078 (DEEWR 2011). Long term job seekers will be the least able to cope with the difficult economic times facing Tasmania and among the last to find work when the economy recovers. Anglicare calls on the Tasmanian Government to develop strategies to improve people's opportunities for finding meaningful paid employment, particularly those people, like the long-term unemployed, who face greater levels of difficulty in this area.

Recommendation 5: That the Tasmanian Government work with employers to pursue targeted employment generation programs, with a focus on the long-term unemployed and those facing particular disadvantages that impose barriers when looking for work, such as mental illness, disability, or the risk of racial discrimination.

Action to ensure access to essential goods

Development and implementation of a Tasmania-wide food security strategy

The research also found that participants are unable to take advantage of discounts available from buying in bulk and have to shop for small amounts frequently, often at more expensive outlets, because the quantum of income they have available to spend on each shopping trip is so small. One way to address this is to support low income purchasers to effectively 'band together' through cooperative purchasing arrangements, boosting their purchasing power and their opportunities to take advantage of bulk discounts.

This research found worrying levels of food insecurity among the research participants. They reported that fresh fruit and vegetables are not affordable or always accessible, that they ration food and substitute less nutritious alternatives. Because of related cost of living pressures (particularly housing and electricity costs) food is residualised in the household budget – its pre-eminent role in maintaining good health is being compromised.

Growing concerns about the sustainability of Australia's food system have raised the level of debate about food security in Australia and prompted the proposed development of a National Food Plan, currently under consultation. However, discussions are dominated by the concerns of key stakeholders about food production, distribution and supply. For example, the recent issues paper to inform the development of a national food plan suggests that food affordability for all Australians has been managed for disadvantaged individuals 'through income support and other programs such as those providing nutritional advice' (Department of Agriculture, Fisheries and Forestry 2011, p. 6).

This and other research suggests that much more needs to be done. It is critically important that access to affordable nutritious food for marginalised consumers and communities is considered in discussions about economic policy, land use planning reform, urban planning, transport systems, taxation reform etc. As the Prime Minister's Science, Engineering and Innovation Council warned in its report on national food security, this will require legislators

and policy leaders to consider access to food as a prime imperative in a broad range of policy areas (PMSEIC 2011).

In Tasmania, it is hoped that the Tasmanian Food Security Strategy, currently in development, will include a framework for improving access to affordable nutritious food for all Tasmanians. However, it will be critical for the Strategy's success that the implementation of its recommendations is supported by cross-government support and adequate and ongoing funding for its implementation. Even though the Strategy is not complete, in a constrained fiscal environment it is important that the Tasmanian Government begins immediately to explore funding options for this important work.

This research found critical linkages between access to transport and access to food. These are considered more fully in relation to the recommendations about access to essential services.

Recommendation 6: That the Tasmanian Government commit to appropriate funding for the implementation of the Tasmanian Food Security Strategy.

Action to ensure access to essential services

Government-delivered services:

Funding to ensure physical access and lower prices for low income customers

Adequate funding to increase access to public housing

Participants in this research highlighted that the lack of available affordable housing is a critical problem underlying a range of budgetary pressures for them. This research found that in the current housing environment, participants in public housing and private rental properties are prioritising housing costs in many instances at the expense of all other essential requirements, and ultimately of their health.

In 1993, the Industry Commission (now the Productivity Commission) found that public housing was the most efficient and effective way for the government to provide housing assistance (Industry Commission 1993). Anglicare's research on this issue concludes that there is little evidence to suggest that this assessment has changed

(Flanagan, K 2007a). The main problem facing the public housing system is the specific funding model used rather than the fact that the government is the landlord (Hall & Berry 2007; Atkinson & Jacobs 2008). On the evidence available to date, the alternative that is being promoted by the Australian Government and supported by the States and Territories – establishing large community housing associations that leverage private investment in order to increase stock numbers – does not appear to be able to deliver the same level of support and access to people most in need, and requires large government subsidies to deliver sufficient growth in supply to be worthwhile (Flanagan, K 2008a). In addition, linking the government's response to housing market failure to the market, through private investors, is fraught with risk, particularly in times of economic downturn.

Anglicare has argued elsewhere for funding for public housing to enable it to increase the number of houses available, address its maintenance problems and provide support to tenants. The main financial problem facing public housing is the lack of an operating subsidy to cover the gap between rental revenues and what it costs to operate the system. This is partly an historical anomaly – public housing once accommodated a wider range of people, including people who were in employment, which meant that rental revenue was once much higher and theoretically at least could cover the full operating cost of the system. With government policies and growing need now requiring public housing to be targeted to those in greatest difficulty, rental revenues have fallen markedly. Yet in theory, if not in practice, rental revenues are still expected to deliver operational viability. This has led to pressure on public housing authorities to raise rents. Even though increases are not affordable for many tenants, in the June 2011-12 Budget the Tasmanian Government announced a new rent structure for public housing tenants which will result in rent increases for the majority of tenants.

Given the efficiency and effectiveness of housing provision through public housing and the inadequacy of the private rental market, Anglicare recommends that the response to the lack of affordable housing for low income earners be increased funding from the Australian and Tasmanian Governments for the public housing system.

Recommendation 7: That the Australian and Tasmanian Governments place an urgent priority on funding the public housing system as a core government service, with appropriate recurrent investment to allow it to charge affordable rents, operate sustainably, increase the supply of houses, offer security of tenure and improve support services for tenants.

Government trading enterprises: Low-cost social tariffs for essential services

This research highlighted the need to improve the access and affordability of two critically important essential services which are now delivered via government businesses: publicly funded transport services and electricity services.

In Tasmania electricity is provided by Aurora, a state-owned company. Publicly funded transport services are mainly provided by Metro, also a state-owned company. According to Tasmanian Government policy and recognised best practice in the governance of state-owned enterprises, when the government requires these businesses to undertake a particular activity to achieve government policy outcomes, the commercial cost of that activity must be clearly and transparently identified, costed and funded. This funding comes from government through a community service agreement (or obligation). It is these agreements which allow government businesses to offer concessions to low income people or provide services in unprofitable locations.

Electricity: The majority of participants in this research reported grave difficulties with affording the amount of electricity which they feel was needed to keep their homes at a satisfactory level of warmth. Electricity costs are of such a scale as to have 'catastrophic' effects on their budgets. That is, the purchase of electricity met the definition supplied by Xu et al. (2003). The electricity is a necessity for the household but the price is so high that the household has to go to extreme measures to finance it. These extreme measures include approaching charities for relief, going into debt and rationing food. The cost of electricity is so high for these small budgets that the amount of money these households had for essentials is reduced for an extended period of time.

Some participants reported that even when adopting these strategies they cannot afford electricity and are resorting to rationing to a point that is causing hardship and self-disconnection.

The rising cost of electricity is a major issue of public policy concern in Tasmania at present. While the focus of media and political attention has been on rising prices facing all Tasmanian households and small businesses, this research draws attention to the particularly stark choices being made by Tasmania's poorest households. However, Anglicare's service experience confirms that a growing cohort of the community – beyond those people eligible for concessions – is also struggling with electricity prices. A response to the cost of living pressures associated with electricity bills therefore requires attention to the cost of electricity. Electricity is an essential service, and as such significant intervention is justified to ensure that all Tasmanians have access to it. The intervention required may go beyond that which would normally be accepted in a free market under conventional economic theory.

Elsewhere, Anglicare has argued for a layered response to the problem of electricity prices, calling for a restructured electricity concession; a review of the tariff structure to support access to electricity services and discourage unnecessary consumption; and more broadly targeted strategies to address the thermal efficiency of Tasmanian homes (Anglicare & TasCOSS 2010).

Aurora Energy recently conducted modelling of two elements of the '4 point plan' proposed by Anglicare and TasCOSS: the 'lifeline tariff' proposal and a two-part concession. Aurora's modelling found that two thirds of pensioner customers (that is, concession customers) would see small savings under a lifeline model, but that one third would see price increases. The variable concession proposed by Anglicare and TasCOSS offset some of the negative effects for higher consumption customers, but worsened the situation for lower income customers. However, Aurora's modelling assumed that the revenue flowing back to Aurora under the proposal would remain the same and that the total concession spend by the Tasmanian Government would also remain the same (as well as making a number of other assumptions) (Aurora Energy 2011). Given that electricity is an essential service, in order to

ensure access to it the Tasmanian Government may be required to increase the level of support it provides to customers in order to ensure everyone has access to enough electricity to maintain a minimum heating regime and power essential appliances and lighting. This additional support could be channelled through either an enhanced concession regime, or through a direct subsidy on a reformed tariff structure, or a combination of the two.

It is the conclusion of this report that many low income electricity customers are already residualised – unable to afford electricity services and inadequately protected by the current electricity concession. In New South Wales energy advocates are calling for investigation of how a 'social tariff' could be delivered to protect vulnerable customers from price increases (Hodge 2011). It is the view of Tasmanian community sector advocates that a low cost social tariff for electricity should be developed based on the principle that electricity is an essential service and that this low social tariff be backed by a fully funded community service agreement to protect the business interests of current and future electricity providers.

Recommendation 8: That the Tasmanian Department of Treasury and Finance be resourced to undertake a project to investigate options to introduce a 'social tariff' and appropriate concessions structure for eligible low income and vulnerable electricity consumers to ensure that all Tasmanians have access to adequate amounts of electricity at a price that does not impose hardship.

Transport

Concessionary fares are a form of social tariff. However, this research reveals poor access to this assistance.

While many of our public services are struggling to cater adequately to demand, this research raised in particular the issue of transport, and especially the connection between poor access to transport and poor access to nutritious food. Low income Tasmanians urgently need innovative programs which connect them with transport and food outlets, such as purpose-designed bus routes and community transport, to ensure they are able to get to appropriate food outlets easily and transport

their shopping home. Tasmania does not have a comprehensive and affordable public transport system, yet projections of higher oil and energy prices mean that transport costs will continue to rise, and will also create further pressure on existing public transport systems.

The Tasmanian Government made significant investments in publicly funded subsidised transport services in the 2010-11 Budget which has enabled Metro to expand its services, and has seen an increase in public usage (Metro Tasmania 2010). However, much more needs to be done. While many Tasmanians do not have access to Metro Tasmania bus services, in those centres where Metro does operate, it is a critically important service for low income people, with around three quarters of its passengers travelling on some sort of concession ticket (Flanagan, K 2008b, p. 12). However, Metro does not have the financial flexibility to address current demand problems let alone build towards future viability. Significant further investment appears to be required in publicly subsidised transport services. Clearly defined community expectations of its publicly funded passenger system will inevitably require a funding package to enable an expansion of services.

Recommendation 9: That the Tasmanian Government invest further in publicly subsidised transport services to allow greater frequency of services and flexibility of service routes, particularly to urban fringe areas, disadvantaged and regional areas

Government trading enterprises: Clearly defined social obligations linked to adequate community service obligation funding

Transport and electricity: Tasmanian legislation does not require the government to fully fund a government-owned business for the full cost of delivering a community service obligation (CSO), and research elsewhere has suggested that, in fact, they do not always do so (Flanagan, K 2008b). If the CSO is not fully funded the government business must make up the short-fall, through cross-subsidisation from its commercial activities or through the imposition of user-charges on its clients. Yet these community service obligations are critical to ensuring low income people have access to essential services. As Anglicare has argued elsewhere, extraordinary interventions such as

the one made by the government in relation to Aurora's APAYG tariff cannot be expected as a routine response to decisions that disadvantage low income earners. It is critical that the social obligations of these businesses are clearly defined, and the obligation clearly costed and adequately funded. While the Treasurer may argue that this is already the case, the level of disquiet in the community about electricity bills and poor public transport systems suggest that the social outcomes (and therefore the CSO funding) need to be reconsidered.

Recommendation 10: That the Tasmanian Government review the social outcomes required from businesses providing essential services (in particular Aurora and Metro) and the adequacy of the funding provided to these business to conduct their community service obligations (or like activities).

Telecommunications: The participants in this research drew attention to the obvious yet often overlooked importance of telephones and the internet to low income and disadvantaged people in contemporary society. Our society relies on being connected, and government and commercial services increasingly assume this connection. Many Tasmanians however, through poverty, are denied this. While telecommunications is a complicated area for government, given its fully privatised nature, the national and international scale of the industry, and the relatively powerful position of one company, Telstra, in the local market, efforts need to be taken to ensure that a significant segment of the community is not cut off from the rest through an inability to afford the technology the rest of the community depends upon and takes for granted.

As discussed in the report, in addition to its universal service obligation, Telstra has responsibility to provide a 'low income package' of products and services for low income and disadvantaged customers – its 'Access for Everyone' program (Telstra 2011). These programs are community service obligations legally applied to Telstra by the Australian Government and it is the only telecommunications provider required to offer them. Telstra funds these programs from its own resources at a cost of \$200 million per annum (Telstra 2007). But many of these products are so 'stripped to the bone' that they do not offer

customers the same level of connection to the outside world that more expensive products do. Examples of the 'low income package' products include telephone products that are cheap but allow limited or no outgoing calls. As Telstra acknowledges, this program does not really address the issue of whether standard telephone products are affordable for low income earners, it does not assist people who use mobile phones nor address the increasing need for internet access (Telstra 2007).

Telstra lists the availability of Telstra prepaid mobile phones as one of its Access for Everyone strategies. However, clearly prepaid mobiles are not just a stop gap measure for people in times of crisis. For many of the participants in this research they are the only phone they have, with landlines an unaffordable extra. With one third of the Tasmanian community dependent on Commonwealth pensions and benefits, the community trend away from landlines to mobile phones, and the dependence of low income earners on pre-paid mobile phones, it is reasonable to conclude that the poor amenity of the Access for Everyone mobile products and poor policy settings in relation to the delivery of mobile phone services (see s 3.1.4) have the potential to cause both widespread and significant detriment.

Recommendation 11: That the Australian Government develop a national policy framework to guide the delivery of essential phone and internet services at an affordable price to low income and disadvantaged Australians, with clearly defined social objectives and a funded community service obligation.

Consumer protection

Regulatory reform

Electricity: Many of the participants in this research are using Aurora Pay As You Go (APAYG) for their electricity billing. While many said that they liked APAYG, they also reported experiences of considerable hardship and loss of a sense of personal control. The vulnerability of APAYG customers to summary disconnection and their lack of customer protection around disconnection caused by financial hardship is very real. Even more alarming is the fact that, even with meters

capable of recording disconnection, customers going without electricity may not be picked up in the disconnection statistics because of their skilled rationing practices, which prioritise keeping the connection active even if they are not actually using any electricity. The reliance of low income earners on APAYG, the relative apparent attractiveness of APAYG to customers on limited budgets, which is enhanced by Aurora's marketing messages, and the vulnerability of low income earners to summary disconnection mean that APAYG should not be treated as a 'product of choice' and thus excluded from regulation. As Anglicare has argued elsewhere (Anglicare Tasmania 2009) low income customers have little or no choice – and the product should be placed under regulation by the Economic Regulator.

Recommendation 12: That the Tasmanian Economic Regulator move to declare APAYG a regulated tariff, which should include the regulation of both the tariff price and the standard of customer protection that should apply to APAYG customers.

Housing: The issue of housing quality poses particular issues for participants, with many reporting cold, damp and even mouldy homes that impose additional heating costs and affected people's health. While action is being taken to improve the amenity of public housing in Tasmania, conditions for people in the private rental market still depend on the outcomes of the long awaited review of the *Residential Tenancy Act 1997*.

Recommendation 13: That the Tasmanian Government move urgently to progress the review of the *Residential Tenancy Act 1997*, particularly with regard to the specification and enforcement of minimum standards for tenanted properties.

Improved debt prevention

Bill shocks: This research revealed significant problems with 'bill shocks', particularly for electricity. The billing, payment and debt recovery systems utilised by government departments and enterprises have an enormous impact on small, fixed budgets and the capacity of low income households to manage cost of living pressures. The Social Inclusion Commissioner's interim

report on the cost of living strategy recommended consideration of a range of strategies, such as ‘bill smoothing’, to assist customers to cope with bills, particularly large bills. The Tasmanian Government is seeking further advice on this approach. While noting that many peoples’ income is too low to allow them to cover bills whenever they fall, Anglicare calls for the recommendation to be adopted without further delay as one way of supporting budgeting.

Recommendation 14: That the Tasmanian Government implement a ‘bill smoothing’ policy to allow Tasmanians to better cope with large bills for electricity and other essential services.

Insurance: Very few participants have their homes or home contents insured, which exposes them to considerable financial risk in the event of burglary or fire. The Brotherhood of St Laurence has reviewed low income earners’ access to insurance products and has made a suite of recommendations designed to improve the suitability of insurance products for people on low incomes who cannot afford large, lump-sum premiums. These include mandating that insurers accept the payment of small instalments through Centrepay with no additional premium cost (Collins 2011). Work needs to be done in Tasmania to build the financial inclusion of low income people. The No Interest Loans Scheme has been successful in promoting access to credit. It is time to tackle exclusion from insurance products and to facilitate policymakers, regulators and insurance companies to increase their capacity to work with low income customers.

Recommendation 15: That the Tasmanian Government review the recommendations made by the Brotherhood of St Laurence in relation to insurance products for low income people, and work, in partnership with the Australian Government, the insurance industry and appropriate regulators, towards the implementation of these recommendations.

Accessible information

Telecommunications: Participants in this research viewed telecommunications as an essential service yet have poor access to phone and internet services – products they feel they need.

As discussed in this research, it is acknowledged by the telecommunications regulator that there are pressing regulatory issues around the telecommunications industry, including pricing and billing information provided to consumers.

Recommendation 16: That the Australian Government work with consumer organisations to develop product comparison information for telephone customers in formats that are appropriate to an audience that may have low levels of literacy, limited funds or poor English skills.

Information when in financial crisis: Overall the participants in this research have a high level of knowledge of the strategies and purchasing patterns needed to survive on a small budget. However, they do have gaps in product and pricing information and the priorities which determine their budgets have implications for their financial management, and in the longer term for their health and wellbeing. Dealing with immediate financial crises is of necessity prioritised over building long term financial capability. Maintaining housing is prioritised over power and nutrition, and often keeping electricity connected is also prioritised over nutrition. For those with children, school costs, food for the children and ensuring that children have some opportunities to participate in sport are also front and foremost.

Some of the participants in this research lacked accurate information: about telecommunications and electricity pricing, and about fringe credit providers.

A review of research into financial literacy in Australia identified that in addition to the general vulnerability of living without savings or long term financial security, people on low income incomes lacked knowledge about specific financial areas such as credit ratings and minimising bank fees; they had inadequate support to help them avoid using unsafe credit; and if, they were not in financial crisis, they lacked accessible and trustworthy financial information and guidance (Langvoldt 2008). The research recommended a continuum of proactive financial education opportunities, from more timely financial counselling services for people in crisis, to preventative financial education for vulnerable individuals and groups who are not in crisis.



Financial counselling services can assist people to negotiate their way through financial crisis in a range of ways including negotiating with creditors, providing advice on credit ratings and hardship policies. However these services are poorly funded. The Australian Financial Counselling and Credit Reform Association (AFCCRA) has described their funding of services as 'patchy, insufficient and diminishing in real terms' (AFCCRA 2007).

Recommendation 17: That the Australian Government expand funding to the Commonwealth Financial Counselling Program.

General financial information for low income consumers: In addition to increased access to the financial counselling program, the report referred to above recommended that a free, impartial, widely available financial information and support service be developed in Australia, along the lines of the Citizen's Advice Bureaux of the UK, to provide financial information targeted at those without much money (Langvoldt 2008). Such a service would be useful to those who, like the participants in this research, are unable to calculate the complex pricing differences in electricity services and are unlikely to approach the Office of the Energy Regulator for this information. Indeed, Aurora has an important role to play in using proactive measures to get pricing information out to the Tasmanian community. Such an information and advice service would be one mechanism for getting plain English, easily understood pricing information out to the Tasmanian public to enable informed budgetary decisions.

Recommendation 18: That the Tasmanian Government and Aurora Energy fund a free, impartial, widely available financial information and support service for people living on low incomes with capacity to also provide group information sessions for people living on low incomes.

Appendix 1

Mobile phone price comparison

This mobile phone price comparison was completed in May 2011. The comparison used 'Phonechoice', an Australian website that claims to offer independent comparisons between providers, products and services and is endorsed by the Telecommunications Industry Ombudsman²².

The pre-paid mobile phone is shaded. Gotalk, a relatively new company in the telecommunications industry, uses the Vodaphone network and in June 2011 is therefore only available in Hobart, the Channel area, the Midlands Highway, parts of the Central Plateau, Launceston and the Tamar Valley and the coastal strip of the North-West Coast as far as Burnie²³.

The comparison was based on the following plan types: Personal Use, GSM / 3G Network, prepaid plan (Upfront). It was also based on the following pattern of usage: *Local Calls*: 20 Peak calls (20 mins, 0 secs), 10 Off Peak calls (10 mins, 0 secs). *Long Distance Calls*: 2 Peak calls (2 mins, 0 secs), 5 Off Peak calls (5 mins, 0 secs). *Mobile 2 Mobile Calls*: 5 Peak calls (5 mins, 0 secs), 10 Off Peak calls (10 mins, 0 secs), (Same Network) *Mobile 2 Mobile Calls*: 5 Peak calls (5 mins, 0 secs), 10 Off Peak calls (10 mins, 0 secs), (Different Network) *Voicemail*: (5 mins, 0 secs deposit, 5 mins, 0 secs retrieval). *SMS*: 70 messages. *Data*: 10 MB.

Total Cost (\$)	Plan Name	Contract Term months	Calls incl. Off Net (\$)	Min Monthly Charge	Total Contract Cost	2.5 Min Peak Local Call (\$)	Data Included	Extra data Per MB	SMS	MMS
\$9.90	Dodo Social Cap	24	Cap \$100	\$9.90	\$237.60	\$3.05	500MB	\$2 MB	28c	60c
\$9.99	TPG Talk and Text Cap Light	1	Cap \$250	\$9.99	\$49.99	\$2.35	250MB	\$0.20 MB	25.3c	.5c
\$12.86	Go talk New Prepaid Aussie Extra	1	\$0	\$0	\$0	\$0.08	-	\$0.1MB	14.5c	45c
\$14.99	TPG Talk and Text Cap Medium	1	Cap \$700	\$14.99	\$54.99	\$2.35	1000 MB	\$0.20 MB	25.3c	-
\$14.99	TPG Cap Saver Basic	1	Cap \$150	\$15	\$52.99	\$2.35	-	\$0.20 MB	25.3c	50c

²² Source <http://www.phonechoice.com.au>, viewed 13 July 2011.

²³ Source <http://maps.vodafone.com.au/VHAMap/apps/public-vf>, viewed 13 July 2011.

Appendix 2

Prepaid internet: Telstra pricing schedule

The internet pricing comparison was completed in April 2011. The comparison used the Telstra pricing schedule as other providers are not necessarily available in regional areas²⁴.

Usage per/month	Prepaid per month	Prepaid Per Year	Plan per month	Plan Per Year
1GB	\$40	\$480		
2GB			\$20	\$240
3GB	\$50	\$600		
4Gb	\$80	\$960		
6GB	\$100	\$1,200		
10GB	\$150	\$1,800		
50Gb			\$50	\$600
200GB			\$70	\$840



²⁴ Source: Telstra www.telstra.com.au, viewed 14 April 2011

References

- ABS – see Australian Bureau of Statistics.
- ACMA – see Australian Communications and Media Authority.
- Adams, D 2009, *A social inclusion strategy for Tasmania*, Social Inclusion Unit, Hobart.
- Adams, D 2011, *Cost of living in Tasmania: interim report*, Social Inclusion Unit, Hobart.
- AFCCRA – see Australian Financial Counselling and Credit Reform Association.
- Anderson, MD (ed.) 2007, *Making healthy food more accessible for low-income people*, background paper, Farm & Food Policy Project, n.p.
- Anglicare Tasmania 2005, unpublished data from Tasmanian Community Survey, in possession of Anglicare Tasmania, Hobart.
- Anglicare Tasmania 2009, *Response to Review of Aurora Energy Pty Ltd's Aurora Pay As You Go draft report by the Office of the Economic Regulator*, Anglicare Tasmania, Hobart.
- Anglicare Tasmania 2010, *Response to Consumer Affairs and Fair Trading discussion paper The Residential Tenancy Act 1997 and current issues in the residential tenancy market*, Anglicare Tasmania, Hobart.
- Anglicare & Tasmanian Council of Social Service 2010, *Making electricity affordable: a four point plan*, Anglicare Tasmania & TasCOSS, Hobart.
- Atkinson, R & Jacobs, K 2008, *Public housing in Australia: stigma, home and opportunity*, HACRU paper no. 1, Housing and Community Research Unit, Hobart.
- Aurora Energy 2004, *Aurora Pay As You Go (APAYG): Aurora's response to the Regulator's APAYG issues paper*, Aurora Energy, Hobart.
- Aurora Energy 2011, *Aurora Energy: final revised retail tariff strategy*, Aurora Energy, Hobart.
- Australian Bureau of Statistics 2000, *Australian housing survey 1999 – housing characteristics, costs and conditions*, cat. no. 4182.0, ABS, Canberra.
- Australian Bureau of Statistics 2006a, *Household expenditure survey, Australia: detailed expenditure items, 2003-04*, cat. no. 6535.0.55.001, ABS, Canberra.
- Australian Bureau of Statistics 2006b, *Housing occupancy and costs, Australia, 2003-04*, cat. no. 4130.0.55.001, ABS, Canberra.
- Australian Bureau of Statistics 2007, *General social survey, Tasmania, 2006*, cat. no. 4159.6.55.001, ABS, Canberra.
- Australian Bureau of Statistics 2008, *Environmental issues: energy use and conservation – Australia*, cat. no. 4602.0.55.001, ABS, Canberra.
- Australian Bureau of Statistics 2009, *Household income and income distribution, Australia, 2007-08*, cat. no. 6523.0, Australian Bureau of Statistics, Canberra.
- Australian Communications and Media Authority 2010, *Reconnecting the Customer: ACMA public inquiry progress report*, Commonwealth of Australia, Melbourne.
- Australian Financial Counselling and Credit Reform Association 2007, *The Productivity Commission's Review of Australia's Consumer Policy Framework: submission in response to the issues Paper – January 2007*, AFCCRA, Brisbane.
- Australian Government 2008, *The road home: a national approach to reducing homelessness*, white paper, Department of Families, Housing, Community Services and Indigenous Affairs, Canberra.
- Babbington, S & Donato-Hunt, S 2007, *When there isn't enough to eat: the food insecurity of Anglicare Sydney's emergency relief clients in Wollongong*, Anglicare Diocese of Sydney, Parramatta, New South Wales.
- Barrett, J 1997, 'The cost and availability of healthy food choices in southern Derbyshire', *Journal of Human Nutrition and Dietetics*, vol. 10, no. 1, pp. 63-69.
- Better Regulation Office 2009, *Guide to better regulation*, rev. ed., New South Wales Department of Premier and Cabinet, Sydney.

Brookings Institution 2006, *From poverty, opportunity: putting the market to work for lower income families*, Brookings Institution, Washington.

Brown, DL 2009, 'The high cost of poverty: why the poor pay more', *Washington Post*, 18 May, viewed 21 December 2010, <<http://www.washingtonpost.com/wp-dyn/content/article/2009/05/17/AR2009051702053.html?sid=ST2009051801162>>.

Burke, T 2007, 'Experiencing the housing affordability problem: blocked aspirations, trade-offs and financial hardship, paper presented to *Financial Review* Housing Congress, Melbourne, 8 March.

Cameron, P 2002, *Condition report: low income earners in the Tasmanian private rental market*, Anglicare Tasmania, Hobart.

Caplovitz, D 1963, *The poor pay more: consumer practices of low-income families*, 1967 edn, The Free Press, New York & Collier-Macmillan, London.

Chamberlain, C 1999, *Counting the homeless: implications for policy development*, occasional paper, cat. no. 2041.0, Australian Bureau of Statistics, Canberra.

CHOICE 2011, *Do I need a landline?*, CHOICE, Marrickville, New South Wales, viewed 25 July 2011, <<http://www.choice.com.au/reviews-and-tests/technology/phones-and-mobile-devices/home-phones/do-you-need-a-landline.aspx>>.

Chung, C & Myers, SL 1999, 'Do the poor pay more for food? An analysis of grocery store availability and food price disparities', *Journal of Consumer Affairs*, vol. 33, no. 2, pp. 276-296.

Collard, S & Kempson, E 2005, *Affordable credit for low-income households*, JRF findings no. 65, Joseph Rowntree Foundation, York, UK.

Collins, D 2011, *Reducing the risks: improving access to home contents and vehicle insurance for low-income Australians*, Brotherhood of St Laurence, Melbourne.

DEEWR – see Department of Education, Employment and Workplace Relations.

Department of Agriculture, Fisheries and Forestry 2011, *National food plan: issues paper to inform development of a national food plan: summary*, Australian Government, Canberra.

Department of Education, Employment and Workplace Relations 2011, *Labour market and related payments: a monthly profile*, DEEWR, Canberra.

Department of Health and Human Services 1998, *Results of the Healthy Communities Survey*, Tasmanian Public and Environmental Health Service, Hobart.

Department of Health and Human Services 2003, *State of Public Health Report 2003*, Public and Environmental Health Service, DHHS, Hobart.

Department of Health and Human Services 2004, *Tasmanian food and nutrition policy*, DHHS, Hobart.

Department of Health and Human Services 2010, *Coming in from the cold: Tasmanian homelessness plan 2010-2013*, DHHS, Hobart.

DHHS – see Department of Health and Human Services.

Duggan, B & Sharam, A 2004, *Bleak house: the implications of the contest between private utilities and landlords for the non-discretionary income of vulnerable households*, working paper no. 9, Institute for Social Research, Hawthorn, Victoria.

Energy Action Scotland 2004, *Self disconnection survey report*, Energy Action Scotland, Glasgow.

Energy Regulator – see Office of the Tasmanian Energy Regulator.

ESCOSA – see Essential Services Commission of South Australia.

Essential Services Commission of South Australia 2004, *Consumer issues with pre-payment meters: final report*, report prepared by KPMG, ESCOSA, Adelaide.

Feder, E 2009, *The cost of care: can Coloradans afford health care*, Colorado Center on Law and Policy, Denver.

- Fisher, Sheehan & Colton, Public Finance and General Economics 2001, 'Prepayment meters and low income consumers', *FSC's Law & Economics Insights*, vol. 1, no. 4, pp. 1-6.
- Flanagan, J 2000, *Hearing the voices*, Just Tasmania series, vol. 1, Anglicare Tasmania on behalf of the Just Tasmania Coalition, Hobart.
- Flanagan, K 2007a, *Housing: building a better Tasmania: the bigger picture*, Anglicare Tasmania, Shelter Tasmania & the Tasmanian Council of Social Service, Hobart.
- Flanagan, K 2007b, *Stories from the waiting list*, Anglicare Tasmania, Hobart.
- Flanagan, K 2008a, *Going for growth: The pros and cons of using community housing associations to increase housing supply*, Anglicare Tasmania, Hobart.
- Flanagan K 2008b, *The corporatisation of government agencies: does it work for public housing?*, Anglicare Tasmania, Hobart.
- Flanagan, K 2010a, *Hard times: Tasmanians in financial crisis*, Anglicare Tasmania, Hobart.
- Flanagan, K 2010b, *There are people living here: exploring urban renewal and public housing estates*, A Discussion paper, Anglicare Tasmania, Hobart.
- FSC – see Fisher, Sheehan & Colton. Public Finance and General Economics.
- Giddings, L 2011, *Budget speech: Tasmanian Budget 2011-12*, 16 June 2011, Government of Tasmania, Hobart.
- Grieve, S, Peter, V, Ballard, J, Walker, R, Taylor, C & Hillier, J 2005, *Falling through the net? A risk management model for home ownership schemes*, AHURI final report no. 78, Australian Housing and Urban Research Institute, Melbourne.
- Hall, J & Berry, M 2007, *Operating deficits and public housing: policy options for reversing the trend, 2005-06 update*, final report no. 106, Australian Housing and Urban Research Institute, Melbourne.
- Harding, A, Phillips, B & Kelly, S 2004, 'Trends in housing stress', paper presented to National Summit on Housing Affordability, Canberra, 28 June.
- Harrison, P 2011, 'Mobilising against the commercialism of essential services', *ABC — The Drum: 'Unleashed'*, 4 February, viewed 14 May 2011, <<http://www.abc.net.au/unleashed/43604.html>>.
- Hayward, D 1996, 'The reluctant landlords? A history of public housing in Australia', *Urban Policy and Research*, vol. 14, no. 1, pp. 5-35.
- Henry, K 2009, *Australia's future tax system: report to the Treasurer: part 2: detailed analysis* (sec. E4), Treasury, Canberra.
- Highland Council 2011, *Income maximisation: are you claiming your benefits and entitlements?*, Highland Council, Inverness, viewed 5 August 2011, <<http://www.highland.gov.uk/yourcouncil/counciltax/incomemaximisation/>>.
- Hodge, C 2011, *Acting to keep the essential affordable: submission to IPART's draft report, Changes in regulated electricity retail prices from 1 July 2011*, Public Interest Advocacy Centre, Sydney.
- Housing Tasmania 2003, *Towards an affordable housing strategy*, overview and background papers 1-7, Housing Tasmania, Hobart.
- Housing Tasmania 2007, *Rent account management policy*, version 1.3, Housing Tasmania, Hobart.
- Hughes, C 2009, *Pay day lending in Tasmania*, Anglicare Tasmania, Hobart.
- Hulse, K & Burke, T 2009, *The benefits and risks of home ownership: disaggregating the effects of household income*, AHURI positioning paper no. 120, Australian Housing and Urban Research Institute, Melbourne.
- Hulse, K, Burke, T, Ralston, L & Stone, W 2010, *The benefits and risks of home ownership for low-moderate income households*, AHURI final report no. 154, Australian Housing and Urban Research Institute, Melbourne.

- International Labour Organization 1998, *Labour legislation guidelines*, ch. 5 ('Substantive provisions of labour legislation: the right to strike'), International Labour Organization, n.p., viewed 20 June 2011, <<http://www.ilo.org/public/english/dialogue/ifpdial/lbg/index.htm>>.
- Johnson, H 2005, *Crime victimisation in Australia: key results of the 2004 International Crime Victimization Survey*, Australian Institute of Criminology, Canberra.
- JSCRS – see Joint Select Committee on the Retailing Sector.
- Joint Select Committee on the Retailing Sector 1999, *Fair market or market failure? A review of Australia's retailing sector*, JSCRS, Canberra.
- Kirkup, M, De Kervenoael, R, Hallsworth, A, Clarke, I, Jackson, P & Perez del Aguila, R 2004, 'Inequalities in retail choice: exploring consumer experiences in suburban neighbourhoods', *International Journal of Retail & Distribution Management*, vol. 32, no. 11, pp. 511-522.
- Landvogt K 2008, *Money, dignity and inclusion: the role of financial capability*, Good Shepherd Youth and Family Service, Melbourne.
- Larsen, K & Gilliland, J 2006, 'Environmental equity and the grocery cart: exploring urban "food deserts"', paper presented to Annual Meeting of the Association of American Geographers, Chicago, 22-28 February.
- Law, M 2004, *Submission to the review of the regulatory arrangements for Aurora's Pay As You Go service*, Anglicare Tasmania, Hobart.
- Luxford, L 2006, *Housing assistance and disadvantaged places*, AHURI research and policy bulletin no. 85, Australian Housing and Urban Research Institute, Melbourne.
- Madden, K 2004, *Bread and board: when the basics break the budget*, Anglicare Tasmania, Hobart.
- Madden, K & Law, M 2005, *The Tasmanian community survey: financial hardship* Anglicare Tasmania, Hobart.
- Mallett P 2008, *What would it take to eradicate fuel poverty? Insights from Jerrim Fellowship*, Anglicare Tasmania, Hobart.
- Manchester City Council 2009, *Manchester City Council: report for information*, report to Citizenship and Inclusion Overview and Scrutiny Committee by Director of Adult Social Care, Manchester City Council, Manchester, viewed 22 July 2010, <http://www.manchester.gov.uk/egov_downloads/Item_6_Income_Maximisation_141009_Final.pdf>.
- McLean, K 2005, *Why APAYG is not the best option for people living on low incomes*, TasCOSS, Hobart.
- Mendoza, RU 2008, 'Why do the poor pay more? Exploring the poverty penalty concept', *Journal of International Development*, vol. 23, pp. 1-28.
- Metro Tasmania 2010, *Annual report 2009/2010*, Metro Tasmania, Hobart.
- Milne, C c.2003, 'Measuring affordability of telecoms', paper presented to World Telecom/ICT Indicators Meeting, Geneva, 15-17 January.
- Milne, C c. 2003, *Towards defining and measuring affordability of utilities – a discussion paper*, Public Utilities Access Forum, Newcastle-upon-Tyne, UK.
- Minnery, J, Adkins, B, Grimbeek, P, Summerville, J, Mead, E & Guthrie, D 2003, *Do private tenants want longer-term leases*, AHURI research and policy bulletin no. 22, Australian Housing and Urban Research Institute, Melbourne.
- MJ Powling Research Consulting 2001, *Home and motor vehicle insurance: a survey of Australian households*, report to NRMA Insurance Ltd, NRMA Insurance Ltd, n.p.
- Moses, A 2011, "'I just hate going to work now": abused Vodafone dealer to sue', *Sydney Morning Herald*, 17 January, viewed 14 May 2011, <<http://www.smh.com.au/technology/technology-news/i-just-hate-going-to-work-now-abused-vodafone-dealer-to-sue-20110117-19t4j.html?>>.
- OTTER – see Office of the Tasmanian Economic Regulator.

- Office of the Tasmanian Economic Regulator 2009, *Review of Aurora Energy Pty Ltd's Aurora Pay As You Go*, final report, OTTER, Hobart.
- Office of the Tasmanian Economic Regulator 2010a, *2011 Aurora Pay As You Go price comparison report (rates from 1 January 2011)*, OTTER, Hobart.
- Office of the Tasmanian Economic Regulator 2010b, *Investigation of maximum prices for declared retail electricity services on mainland Tasmania*, final report, OTTER, Hobart.
- Office of the Tasmanian Economic Regulator 2010c, *Tasmanian energy supply industry performance report 2008-09*, OTTER, Hobart.
- Office of the Tasmanian Economic Regulator 2011, *Tasmanian energy supply industry performance report 2009-10*, OTTER, Hobart.
- Office of the Tasmanian Energy Regulator 2004, *Aurora Pay As You Go issues paper*, Office of the Tasmanian Energy Regulator, Hobart.
- O'Reilly, N, Klein, G, Whyley, C 2005, *Poverty*, no. 120, viewed 10 February 2011, <<http://www.cpag.org.uk/info/Povertyarticles/Poverty120/utilities.htm>>.
- Owen, G 2010, *Review of the UK fuel poverty measure: report for Ofgem*, Sustainability First, London.
- Palermo, C & Smith, C (eds) 2009, *Outer East Community Food Access Research Project: Food security assessment and plans for a way forward*, Outer East Health & Community Support Alliance, Monash University, Melbourne.
- Pink, B 2011, *Methodological review of Counting the homeless, 2006*, discussion paper, cat. no. 2050.0.55.001, Australian Bureau of Statistics, Canberra.
- PMSEIC – see Prime Minister's Science, Engineering and Innovation Council.
- Prime Minister's Science, Engineering and Innovation Council 2010, *Australia and food security in a changing world*, PMSEIC, Canberra.
- Productivity Commission 2008, *Review of Australia's consumer policy framework: Productivity Commission inquiry report*, report no. 45, 2 vols, Productivity Commission, Canberra.
- PSIRU – see Public Services International Research Unit.
- Public Services International Research Unit (ed.) 2008, *Poor choices: the limits of competitive markets in the provision of essential services to low-income consumers*, Energywatch, London.
- QCOSS – see Queensland Council of Social Service.
- Queensland Council of Social Service 2011, *Cost of living report 2011: ensuring low income households a basic standard of living*, issue no. 1, QCOSS, Brisbane.
- Queensland Health 2006, *The 2006 Healthy Food Access Basket (HFAB) Survey*, Queensland Health, Brisbane.
- Rich, N 2005, 'Do the poor pay more for telecommunications?' in A Stewart (ed.), *Do the poor pay more? – a research report*, Consumer Law Centre Victoria, Melbourne, pp. 35-56.
- Richardson, S & Travers, P 2004, *Fuel poverty: a concept with power in South Australia?*, National Institute of Labour Studies, Flinders University, Adelaide.
- Ross, S & Rintoul, D 2006, 'Pre-payment meter use in Tasmania: consumer views and issues' in *Pre-payment meter use in Tasmania: consumer views and issues: a research report carried out for the Tasmanian Council of Social Service by Urbis Keys Young*, TasCOSS, Hobart, pp. 11-66.
- Rychetnik, L, Webb, K, Story, L & Katz, T 2003, *Food security options paper: a planning framework and menu of options for policy and practice interventions*, Improving Food and Nutrition in NSW series, New South Wales Centre for Public Health Nutrition & New South Wales Department of Health, Sydney.
- SCRGSP – see Steering Committee for the Review of Government Service Provision.

- Sharam, A 2003, *Second class customers: pre-payment meters, the fuel poor and discrimination*, Energy Action Group, North Melbourne.
- Sooman, A, Macintyre, S & Anderson, A 1993, 'Scotland's health – a more difficult challenge for some? The price and availability of healthy foods in socially contrasting localities in the west of Scotland', *Health Bulletin*, vol. 51, no. 5, pp. 276-84.
- Steering Committee for the Review of Government Services Provision 2007, *report on government services 2007*, Productivity Commission, Canberra.
- Steering Committee for the Review of Government Services Provision 2009, *report on government services 2009*, Productivity Commission, Canberra.
- Stewart, A (ed.) 2005, *Do the poor pay more? – a research report*, Consumer Law Centre Victoria, Melbourne.
- Strelitz, J & Kober, C 2007, *The poverty premium: how poor households pay more for essential goods and services*, Family Action & Save the Children, London.
- Swan, W & Plibersek, T (Australian Labor Party), 'Housing affordability crisis hits renters', media release, Australian Labor Party, Canberra, 25 July.
- Szokoloy, SV 1988, *Climatic data and its use in design*, RAAI Education Division, Canberra.
- Talukdar, D 2008, 'Cost of being poor: retail price and consumer price search differences across inner-city and suburban neighbourhoods', *The Journal of Consumer Research*, vol. 35, no. 3, pp. 457-471.
- TasCOSS – see Tasmanian Council of Social Service.
- Tasmanian Council of Social Service 2009, *Just scraping by? Conversations with Tasmanians living on low incomes*, TasCOSS, Hobart.
- Tasmanian Council of Social Service 2011, *Living in the country: consumer perspectives on energy supply in rural Tasmania*, TasCOSS, Hobart.
- Morris, T (Tasmanian Greens Treasury spokesperson) 2010, *Push for two-part electricity concessions moves forward*, media release, Tasmanian Greens, Hobart, 29 September.
- Telstra n.d., *Access for Everyone*, Telstra, n.p., viewed 23 July 2011, <<http://telstra.com.au/abouttelstra/commitments/access-for-everyone/>>.
- Telstra 2005, *Telstra's universal service obligation*, policy statement, effective from 29 June 2005, Telstra, n.p.
- Telstra 2007, *Inquiry into Australia's consumer policy framework: submission by Telstra Corporation Ltd to the Productivity Commission*, Telstra, Canberra & Melbourne.
- Thomas, S 2008, 'Energy' in Public Services International Research Unit (ed.), *Poor choices: the limits of competitive markets in the provision of essential services to low-income consumers*, Energywatch, London, pp. 211-279.
- Travers, KD 1996, 'The social organization of nutritional inequities', *Social Science & Medicine*, vol. 43, no. 4, pp. 543-553.
- WACOSS – see Western Australian Council of Social Service.
- Western Australian Council of Social Service Inc. 2009, *WACOSS submission to the Electricity Code Consultative Committee: proposed amendments by the ERA to the code of conduct for the supply of electricity to small use customers related to pre-payment meters*, WACOSS, Perth.
- Whelan, A, Wrigley, N, Warm, D & Cannings, E 2002, 'Life in a "food desert"', *Urban Studies*, vol. 29, no. 11, pp. 2083-2100.
- Wilkinson R & Pickett, K 2009, *The spirit level: why more equal societies almost always do better*, Allen Lane, London.
- Wrigley, N 2002, "Food deserts" in British cities: policy context and research priorities', *Urban Studies*, vol. 39, no. 11, pp. 2029-2040.
- Xu, K, Evans, D, Kawabata, K, Zeramdini, R, Klavus, J & Murray C 2003, 'Household catastrophic health expenditure: a multicountry analysis', *The Lancet*, vol. 362, pp. 111-117.