SACOSS
South Australian Council of Social Service

# SACOSS

## State Budget Submission

2023-24

**SACOSS 2023-24 State Budget Submission**

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# Introduction

The South Australian Council of Social Service (SACOSS) is the peak body for the non-government health and community services sector in this state. It represents 82 member organisations, including peak bodies and some of South Australia's largest charities, plus individual members drawn from across the sector.

Our vision is clear: justice, opportunity and shared wealth for all South Australians.

Previous SACOSS state budget submissions have outlined a broad agenda of policies and proposals to build towards this vision, including in areas like housing, digital inclusion, health, disability and support for vital community services. This agenda remains critical, but this submission does not attempt to reiterate or add to that full SACOSS agenda. Instead, in this submission for the 2023-24 state budget, we have a more specific focus which begins by highlighting the cost of living crisis facing many South Australian households. We then propose "concessions reform" as the most effective action which could be undertaken in the short-term to provide immediate support for households that are struggling most.

Beyond this immediate response to the cost of living crisis, we also recognise that there are a range of longer term macro-economic challenges facing the state that require bold budget reform. The second part of this submission outlines these challenges and the impacts of these macroeconomic factors on inequality. We suggest that a business-as-usual budget won't be enough to reverse the worrying trends, grow the economy, address inequality and to ensure that every South Australian has full access to the support they need to cover the basics and maximise life outcomes.

## Summary of Recommendations

The initiatives outlined below and throughout this submission represent significant extra budget expenditure. Current circumstances call for a bold budget, including in relation to concessions which are a key area of state government responsibility and one of the most direct ways the state government can support vulnerable and disadvantaged South Australians.

In proposing these initiatives, SACOSS is mindful that the government has recognised problems in the concessions system and has promised a comprehensive concessions review. In that context, the initiatives listed here do not exhaust the changes we believe need to be made to fix the concessions system, and SACOSS looks forward to the promised review. However, the current cost of living crisis will not wait for the promised concessions review and the initiatives here represent what we believe are the most financially significant changes that the government could make to assist those in need.

The specific recommendations of this budget submission are as follows:

| Proposal | Estimated Cost (2023-24) |
|---|---|
| | |
| **Cost of Living Concession** | **$11.2m** |
| Increase renter CoLC to homeowner level | $7.5m |
| Lifting income caps for low-income eligibility | $2.5m |
| Introduction of partial CoLC for low-income share-householders | $1.2m |
| | |
| **Energy Bill Concession** | **$19.5m** |
| 50% increase the current energy concession expenditure | $19.5m |
| Switch to percentage-based concession | Depends on model |
| | |
| **Private Motoring Concessions** | **$33m** |
| Extend existing pensioner concessions to all people on very low incomes | |
| • Driver's Licence | $2.6m |
| • Vehicle Registration | $28.1m |
| • Stamp Duty Exemption | $2.6m |
| | |
| **Ambulance Concessions** | **$?** |
| Extend existing pensioner concessions to all people on very low incomes | |
| • Ambulance fees | Unknown |
| • Ambulance cover | Unknown |

# PART ONE: The Cost of Living Crisis and the Urgent Action Needed

## Fixing the cost of living crisis for the households who need it most

Housing, food and transport are the three largest expenditures in the average household budget and they account for an even larger proportion of the household budget for those on low incomes (ABS, 2017). Price increases in all three over the past year point to a cost of living crisis for many South Australian households who urgently need support.

Food prices have increased by 10% with the cost of fruit and vegetables up by 17%. Housing is up 14% with rents increasing by nearly twice the national increase. Utility bills have increased by 13% - more than twice the national increase, with electricity prices up by 15% - five times the increase nationally - gas by 16% (second largest increase in the country) and water by 3%.

**Table 1: Cost of Living Price Rises 2021-2022**

| | **Annual CPI Increase** (Sept 2021 – Sept 2022) | |
|---|---|---|
| | **Adelaide %** | **Australia %** |
| Food | 9.5 | 10.0 |
| Fruit and Vegetables | 16.8 | 16.2 |
| Housing | 14.0 | 10.5 |
| Rent | 4.4 | 2.8 |
| Utilities | 13.1 | 6.0 |
| • Electricity | 14.5 | 3.2 |
| • Water | 3.0 | 2.6 |
| • Gas | 15.6 | 16.6 |
| Health | 1.5 | 2.7 |
| Transport | 10.4 | 9.2 |
| • Petrol | 19.8 | 18.0 |
| **CPI All Groups** | **8.4** | **7.3** |

Source: (ABS, 2022a)

It should also be noted that the rent increases in the CPI reflect an average of existing rents (including social housing rents), and are much lower than the price increases facing those seeking new tenancies where rents for newly tenanted 2-bedroom units in the September Quarter 2022 were 12.1% higher than at the same time last year, while rents for 3-bedroom houses were 15.8% higher (OCBS, 2022).

For households on low incomes with little room to move in their weekly budgets, this is a cost of living crisis.

## Concessions reform for immediate help

The single biggest immediate impact that state government could have on the cost of living crisis for those struggling most would be **to increase and improve state concessions.**

Concessions are provided to individuals and households to assist them meet basic living costs and enable social participation. Those who are eligible receive a discount, subsidy, rebate or exemption from fees on goods or services where the state government has jurisdiction.

In this budget submission SACOSS recommends that the budget focus on expanding and improving key concessions already aimed at addressing acute cost pressures on households:

- Cost of Living Concession
- Energy Bill Concession
- Private Motoring Concessions
- Ambulance Concessions

These cover different areas of government (human services, transport and health) and each is considered in more detail below.

The proposals are based on our 2021 *State of Concessions* report (Marks & Ogle, 2021), and a more detailed explanation of the context and rationale for each proposal is available in that report. What follows updates the data and arguments in that report, and where possible estimates a potential cost to the budget of our proposed concession reforms.

SACOSS continues to believe that the whole concessions system needs reform and looks forward to contributing to the review of the concessions system that was promised prior to the 2021 election, which we understand has commenced.

## Cost of Living Concession (CoLC)

SACOSS is calling for:

- an increase in renter CoLC to the same level as for homeowners
- lifting the income caps for low-income eligibility
- introduction of partial CoLC for low income share households.

The combined cost of these proposed measures is an estimated $11.2m.

**Renters**

The CoLC is paid once a year to eligible recipients with the standard rate currently $224.50 for homeowners and $112.30 for tenants. The different payment levels reflect the fact that the CoLC grew out of a council rates concession. However, there is no evidence that renters have fewer cost of living pressures than homeowners. In fact, ABS data suggests that they spend more than the average household on current housing costs, about the same on energy and food, and slightly less on health and transport due to different demographic profiles (ABS, 2017). As a broad cost of living support, renters should receive the same level CoLC support as homeowners.

***Budget impact calculation***

The following is based on the standard CoLC rate and not the one-off doubling introduced in 2022-23. Assuming approximately 200,000 CoLC recipients (Auditor-General's Dept, 2022. p 278) we estimate there are approximately 66,000 renters (one third). Therefore, the annual cost to the budget of increasing the CoLC for renters to the standard homeowner level would be approximately $7.5m.

**Low Income Provision**

The current annual income caps for the generic low-income eligibility criteria are very low ($17,412 single, $18,616 single parent, $31,969 partnered) and can be significantly less than incomes from Centrelink payments which qualify people for the CoLC (e.g. age pension) This is unfair and excludes people who need support from the CoLC.

The rates for the low-income eligibility should be lifted in line with the threshold for the Commonwealth Low Income Health Care Card. This would approximately double the income allowed to remain eligible for CoLC (Marks & Ogle, 2021, Table 10).

***Budget impact calculation***

SACOSS does not have data on the number of people receiving the CoLC through the low-income criteria, but in June 2022 there were 11,252 people with a Low Income Card in South Australia (DSS, 2022). If all Low Income Card holders could access the CoLC, the total cost to the budget would be around $2.5m per year (at the highest CoLC rate). However, this is likely an overestimate as some Low Income Cards holders would already receive the CoLC. We estimate that there would only be a small number of people who do not have a Low Income Card who might be newly eligible for CoLC if the income cap was raised.

**Share Householders**
The CoLC is only available to people living in share-households if none of the household earn more than $18,000 per year. However, while share households typically split the costs evenly between them it is unlikely that income is shared in the same way. Share-householders on very low incomes are penalised by an income test which considers income from a housemate that is not available to them.

A partial concession should be introduced for individuals living on low incomes who share a house with people unrelated to them earning over the applicable income cap (capped if needed at the average wage). The amount of the concession should be based on the number of household members (e.g. in a three-person household the concession would be one-third of the standard concession).

***Budget impact calculation***
There are 23,000 “group households” in the state (ABS, 2022b), and (based on census data) SACOSS estimates that 11,000 would have a weekly household income of less than $2,000 (assuming some on low incomes sharing with an average wage earner). Assuming a household size of two, the partial concession would be half the standard payment. This would cost approximately $1.2m per year (based on the proposed renter-equalised CoLC). As the size of concession would scale with household size, other mixes of household size and number of low-income householders may change this estimate.

**Summary of CoLC Proposals**

| Proposal | Estimated Cost (per year) |
|---|---|
| Increase renter CoLC to homeowner level | $7.5m |
| Lifting income caps for low-income eligibility | $2.5m |
| Introduction of partial CoLC for low-income share-householders | $1.2m |

## Energy Bill Concession

SACOSS is calling for

- a 50% increase energy concession expenditure
- introduction of percentage-based energy concessions

The cost of increasing the concession to maintain its real value is at least $19.5m, while the impact of changing to a percentage-based scheme varies depending on the model chosen (e.g. from a net saving of $3.5 - $8.5m to an additional $1m - $11.5m).

**Increase the energy concession budget to maintain real value of concessions**
Energy bills are a significant regressive cost that on average account for a greater proportion of the household budget for those on low incomes than for households with higher incomes. The state government provides a flat rate subsidy of $241.63 per year for eligible low-income households to assist with energy costs, but the impact of this concession is dwindling with rapidly increasing energy prices. The September Quarter Consumer Price Index data showed increases of over 15% in electricity and gas prices (ABS, 2022a) while the recent federal budget predicted price rises of 56% (CofA, 2022, p 57). For a consumer with an average size energy bill of around $400 per quarter (before the September Quarter price rises), the energy price increases will be more than the total current concession payment.

Clearly in the face of such steep rises, the state government needs to increase expenditure on energy concessions simply to maintain current levels of support for those on low-incomes, regardless of whether a flat-rate or percentage-based concession scheme is used. Given the CPI data and federal budget predictions, **SACOSS is recommending a 50% increase in energy concessions expenditure**.

In proposing this, SACOSS notes the recent National Cabinet agreement of an Energy Price Relief Plan, including significant one-off Commonwealth funding (matched by the states) for direct energy bill relief (Albanese, 2022). This relief will be provided on energy bills for groups including, but much wider than concession recipients. While this welcome, the details are not finalised and, in this context, SACOSS believes that **a 50% increase in the energy concession must be the top priority and a minimum outcome within Energy Price Relief Plan in South Australia**. Further, the federal proposal is a temporary measure, but energy prices will remain at the substantially higher rates after that. Accordingly, the proposed 50% concessions increase needs to be funded as an ongoing item in the South Australian budget.

***Budget impact calculation***
Recent departmental data suggests that in 2022 there were 211,000 households receiving the energy concession payment, at a cost of the budget of $52m, up from $44.6m in 2021 (DHS, 2022, p 119). A 50% increase in the concession payment would amount to an extra $26m needed in the 2023-24 budget year if this was made available to all currently eligible households. However, this expenditure could be reduced if the increased rate only applied to non-solar households who typically have much lower energy costs. Assuming that around a quarter of concession households have solar power, the proposed concession increase would apply to around 158,000 households, at an annual cost of $19.5m.

Again, this could be jointly-funded in the first year as part of the federal Energy Price Relief Plan, but would need to be funded in the state budget beyond that (although the amount may decrease in the long term if there is investment in energy efficiency and a change to a percentage-based scheme).

**Percentage-based concessions scheme**

The current flat-rate payment for energy concessions is inefficient and poorly targeted. It does not take account of differences in energy consumption and expenditure that vary according to household size, available technology, and thermal efficiency of housing. A large family with high energy usage in a leaky rental house and dual-fuel energy costs receives the same payment as a single person with energy efficient technology. Prior to the recent price increases the flat-rate concession payment provided an effective discount of around 14% to average eligible consumers, but a 62% average discount for those with solar panels on the roof whose average bills were around one-quarter the size (Johnston & Law, 2022).

The flat-rate concession is not the best or most efficient way the government could make energy concession support available where it is most needed. Apart from being poorly targeted, it locks in government concession expenditure over the long term.

In contrast, a percentage-based scheme can realise budget savings in concession spending if accompanied by investment in energy efficiency and cheaper energy technologies. A percentage-based system pays a concession as a percentage of household energy bill, with the subsidy capped at a set amount (so as not to encourage over-use). It is technology, consumption and tariff structure agnostic – anyone eligible receives the same percentage discount off the bill and the percentage can be set as part of the budget process.

Percentage-based concessions are flexible, scaling with energy usage and able to absorb future energy price shocks, demographic changes and energy market transitions. A percentage-based concession would “self-correct” support relative to need, as circumstances, the energy market and technology changes. The percentage-based concession therefore becomes a protective mechanism which can help manage the risks of the energy market transition for those most in need – and will reward governments that invest in energy efficiency programs that provide a means for low income and other households to control demand and therefore will reduce concessions expenditure.

***Budget impact calculation***

Recent modelling undertaken by Alviss Consulting as part of a national project coordinated by SACOSS, suggests that for South Australia, based on 2020 expenditure, a shift from the current flat rate to a 14% concession with a cap of double the current concession would result in budget savings of $8.5m. A 16% concession would result in budget savings of $3.8m compared to the 2020 concessions budget (Johnston & Law, 2022). In order to ensure that some low-usage (mainly solar) households are not worse off, we have also modelled costings under a range of percentage levels and grandfathering scenarios for current flat-rate concessions recipients.

Without grandfathering, the cost of a new percentage concessions scheme would range from -$8.5m with a 14% concession (i.e. a saving) to $1m with a 18% concession. If grandfathering arrangement were only offered to non-solar consumers the cost to the budget would range from -$2.9m at 14% through to $3.8m at 18%, with no additional cost at 16%. If grandfathering was offered to all customers there would be $5.2m cost at 14% ranging up to $11.3m at 18% (Johnston & Law, 2022).

**Table 2: Percentage-based Concession Cost Modelling**

| Concession Level | No Grandfathering (new % concession arrangement) | Only non-solar concession recipients can grandfather | Everyone can grandfather |
|---|---|---|---|
| 14% | $33,284,105 | $38,919,318 | $47,041,719 |
| 16% | $38,065,794 | $41,951,560 | $49,716,147 |
| 18% | $42,799,653 | $45,636,049 | $53,087,548 |
| Current scheme costs | $41,815,000 | $41,815,000 | $41,815,000 |

Source: (Johnston & Law, 2022)

Given recent and predicted price rises this modelling would need to be updated to reflect current energy costs, but the current energy affordability crisis and the extra one-off money available through the national Energy Bill Relief Fund (discussed above) provides an enormous opportunity to radically improve the energy concessions program by shifting to a percentage-based scheme.

**Summary of Energy Bill Concession Proposals**

| Proposal | Estimated Cost (2022-23) |
|---|---|
| 50% increase the current energy concession expenditure | $19.5m - $26m |
| Switch to percentage-based concession | Depends on model |

## Private Motoring Concessions

SACOSS is calling for:

- private motoring concessions to be extended to all people on relevant Centrelink incomes, and to those on very low incomes outside of the Centrelink system.

The combined cost of these proposed measures is estimated at $33m per year.

The bulk of household transport expenditure is on private motoring with petrol price increases (approaching 20% in the last year) contributing substantially to recent of cost of living pressures (see Table 1 above). While petrol price controls lie outside state government influence, other costs of private transport such as driver's licence and vehicle registrations fees, the Emergency Services Levy, stamp duty on transfers and compulsory third-party insurance requirements, are in the government's control (Govt of SA, 2022c).

The flat rate of fees for driver's license and vehicle registration creates a poverty premium as these costs account for a greater proportion of a low-income household budget than for higher income households. While this is partly offset by a range of concessions and exemptions to limit the cost, the concessions available differ depending on the type of benefit a person receives or other income-based tests. Consequently, many people in need of transport concession fall through the gaps in what are patchy and inequitable eligibility criteria.

Further we have found that eligibility is difficult to ascertain from the information available on state government websites with the likely outcome being that many people who are eligible for a concession may not realise or apply for it (See Box at the end of the Ambulance Concessions section for further information).

Current eligibility for driver's licence and vehicle registrations concessions does not encompass all those in need of support. The entitlement to concession is based on holding a Pensioner Concession Card, and eligibility for that card includes those receiving:

- Age Pension
- Carer Payment
- Disability Support Pension
- JobSeeker Payment or Youth Allowance and are single, caring for a dependent child and looking for work
- Parenting Payment single (Services Australia, 2022).

This list excludes JobSeekers and Youth Allowance recipients without children, those in receipt of other Centrelink payments designed as the primary source of income (rather than payments such as Family Tax Benefit or Carers Allowance which are designed as a top-up), as well as those on very low incomes outside of the Centrelink system, all of whom may be on lower incomes than age pensioners and others who are entitled to concessions.

Accordingly, we propose that private motoring concessions should be extended to all Centrelink recipients (with payments as their primary source of income) and those on very low incomes.

***Budget impact calculation***
We estimate that approximately 95,000 people in South Australia currently receive Centrelink payments that do not give rise to entitlement to private motoring concessions. Added to the 11,252 recipients of the Low Income Card, this gives a total of 106,507 who could receive a concession if the eligibility criteria were extended (Table 3).

**Table 3: Concession Numbers in South Australia**

| Payment | No. of South Australians |
|---|---|
| Abstudy | 710 |
| Austudy | 2,950 |
| JobSeeker* | 64,731 |
| Parenting Payment (Partner) | 5,448 |
| Special Benefit | 608 |
| Youth Allowance* | 20,871 |
| **Total** | **95,318** |

* excludes 10% of JobSeekers and 2% of Youth Allowance recipients assumed to be primary carers for dependent children and eligible for the Pensioner Concession Card. Source: (DSS, 2022)

Assuming that all of these people drive and 80% own a motor vehicle, we estimate that the budget impact of extending the relevant concessions would be $33m, including $2.6m for license concessions, $28m for registration concessions, and $2.5m for CTP Stamp Duty concessions.

**Table 4: Private Motoring Concession Reform Costs**

| | Full Fee (1 Year) | Concession Value | # Missing Out | Budget Impact per year |
|---|---|---|---|---|
| Driver's Licence | $49 | $24.50 | 106,507 | $2,609,422 |
| Vehicle Registration - Adelaide | $685 | $342.50 | 68,164 | $23,346,334 |
| CTP Stamp Duty - Adelaide | $300 | $33.00 | 68,164 | $2,249,428 |
| Vehicle Registration - Country | $560 | $280.00 | 17,041 | $4,771,514 |
| CTP Stamp Duty - Country | $200 | $22.00 | 17,041 | $374,905 |
| **TOTAL** | | | | $33,351,602 |

Vehicle registration fee is for a 4-cylinder sedan/station wagon.
The numbers missing out in Adelaide/regional area are based on 80/20 population split generally between Adelaide and the rest of the state, and 80% of each population registering a vehicle (ABS, 2022b).
Stamp duty calculations are based on 11% of the average fee quoted on the government's CTP calculator website (Govt of SA, 2022d).

**Summary of Private Motoring Concession Proposals**

| Proposal | Estimated Cost (per year) |
|---|---|
| Extend existing pensioner concessions to all people on very low incomes | $33m |
| • *Driver's Licence* | *$2.6m* |
| • *Vehicle Registration* | *$28.1m* |
| • *Stamp Duty Exemption* | *$2.6m* |

## Ambulance Concessions

SACOSS is calling for:

- ambulance concessions (concessions on ambulance call out fees and ambulance cover) to be extended to all people on relevant Centrelink incomes, and to those on very low incomes outside of the Centrelink system.

### Ambulance call-out fees

The South Australian Ambulance Service (SAAS) has a statutory requirement to charge a fee for ambulance service provision. These user-pays fees constitute some 33% of SAAS' operating income (SAAS, 2021), but are prohibitively expensive for people on low incomes. incorporating a poverty premium as seen with other flat rate concessions.

The current SAAS call-out fees for ambulance services (Table 5) are set at levels that, if paid, would amount to a very substantial proportion of a low-income household's income. For instance, the cost of an emergency call out is around 60% **more than the entire fortnightly income** for a single person on JobSeeker. Such costs may deter financially disadvantaged people from accessing potentially lifesaving health care, and may lead to complications requiring more acute services later at great cost to the individual and the health system.

**Table 5: SAAS Call Out Fees**

| Service | Call Out Fee | Cost per km |
|---|---:|---:|
| Provision of Retrieval Team | $3,726 | N/A |
| Emergency | $1,085 | $6.20 |
| Non-Emergency | $ 242 | $6.20 |
| Treatment, no transport | $ 242 | N/A |

Source: (SAAS, 2022a)

While there is a 50% discount on these call-out fees for pensioners, this is not advertised on the SAAS website (2022) and requires application for the discount on receipt of the bill.

### Ambulance Cover

To protect themselves from the full costs of ambulance call outs South Australians can take out Ambulance Cover - essentially insurance against ambulance costs, making ambulance transport free for people with ambulance cover. The scheme offers a significant concession for pensioners.

**Table 6: Current Annual Ambulance Cover Costs**

| Ambulance Cover | Standard Cover |
|---|---:|
| Family | $183.00 |
| Single | $92.00 |
| Pensioner Family | $110.00 |
| Pensioner Single | $55.50 |

Source: (SAAS, 2022b)

Like the private motoring concessions available to "Pensioners", eligibility for this concession is difficult to ascertain and likely leads to people failing to identify their eligibility (see box below for more information). Further, the available pensioner concession still excludes some 106,000 South Australians on incomes which may be lower than eligible pensioner incomes. There is thus a poverty premium where ambulances services and ambulance cover are more expensive, for instance, for a single person on JobSeeker (with no children) than for an age pensioner who receives around $180 per week more in Centrelink payments than a single JobSeeker.

The concession available for ambulance call out fees and ambulance cover should be the same for all households on very low incomes as that available to pensioners.

***Budget impact calculation***

It is difficult to cost this proposal. The data on the income of those who are billed for ambulance transport is not available, so it is not possible to ascertain what proportion of ambulance fee revenue comes from those who we argue should be eligible for concessions. Similarly, as ambulance cover is voluntary, the cost of extending concessions would depend on take-up rates. However, in relation to the former, it is worth noting that the SAAS currently writes of very large amounts of unrecoverable debts each year. In 2022, it wrote of $20m in bad debts, an amount equivalent to 17% of the $117m it received that year in ambulance transport fees (Auditor-General Report, 2022). This was down from $25m written-off in the previous year, but the amount of bad debt suggests that the cost on paper of making the discount rate more widely available may exaggerate the actual cost as significant portion of the undiscounted fees are never collected anyway.

**Summary of Ambulance Concession Proposals**

| Proposal | Estimated Cost (per year) |
|---|---|
| Extend existing pensioner concessions on ambulance call out fees to all people on very low incomes | Unable to estimate |
| Extend existing ambulance cover pensioner concessions to all people on very low incomes | Unable to estimate |

### Private Transport and Ambulance Concessions: Confusing Language around Eligibility

The SACOSS *State of Concessions* report proposed as a general principle that any concession available to age pensioners should be available to those on other Centrelink recipients receiving lower payments, while also proposing an additional low-income eligibility criteria to capture those on very low incomes who are not in receipt of Centrelink payments. In that report, we highlighted private transport concessions as an example of a concession which fell short of this goal.

However, the situation is complicated by the confusing language on the state government website around eligibility for private transport concessions (Govt of SA, 2022c). The website provides information on eligibility for people in a range of specific circumstantces (incapacitated persons, incapacitated ex-service people, primary producers, and those on in outer areas), but the broadest category is listed a “pensioner concession”. This refers to people holding a “pension card issued by the Australian government”.

This language and presentation is problematic in that those in receipt of non-pension Centrelink payments (such as JobSeeker, Youth Allowance and Parenting Payment) may not identify as “pensioners” and may not apply for the concessions. The language and presentation is also very different to other SA government concessions where eligibility is defined by different payment types and where payments such as JobSeeker and Youth Allowance are named.

As with the private motoring concessions discussed above, there is a problem with the language and presentation used by the South Australian Ambulance Service for both the discount of service fees and ambulance cover concessions. The term “pensioner” is used on both the website and ambulance cover application forms, when many people who are potentially eligible for ambulance fee and ambulance cover discounts may not identify themselves as pensioners. Indeed, in trying to find the concession eligibility, it is not until you get to the fine print on page 2 of the terms and conditions that the “pensioner” eligibility is clearly stated as a holder of a Pensioner Concession Card (SAAS, 2022b).

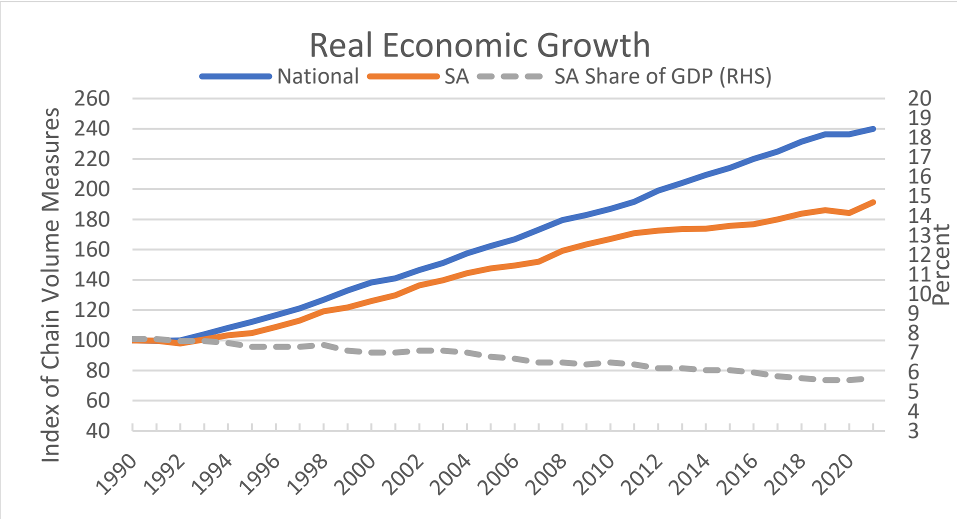
# PART 2: Bold budget reform for the future

## Big Challenges for South Australia

Beyond concessions and the immediate response to the cost of living crisis, SACOSS recognises that there are a range of longer term macro-economic challenges facing the state that require bold budget reform. To put it bluntly: South Australia is in trouble economically, and most of the indicators show that we are under-performing relative to the rest of the country. The key data is set out below, but the under-performance is critical because the more South Australia lags behind other states, the less likely it is that we can attract and retain investment and labour – which will push us further behind in a self-reinforcing cycle.

### GDP

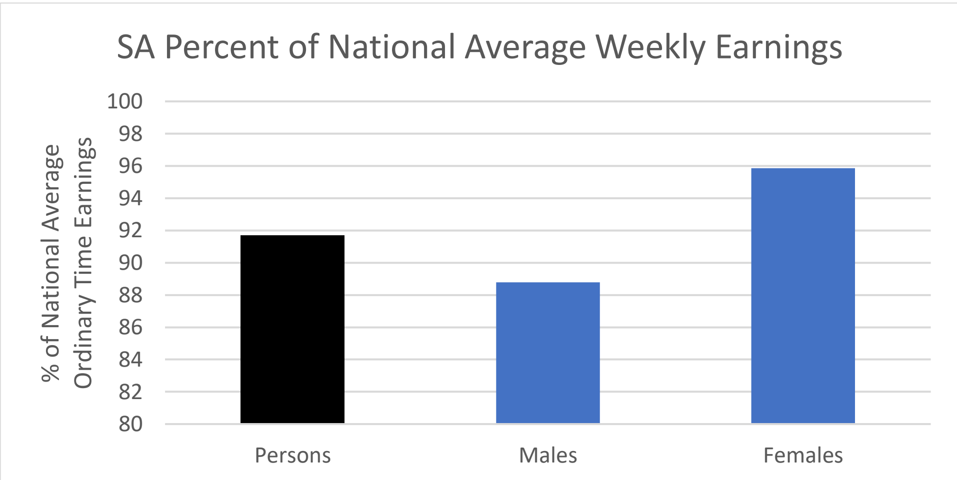
Economic growth in South Australia is below the national average, which means that the South Australian share of the national economy is shrinking.




Source: (ABS, 2022c)

### Wages

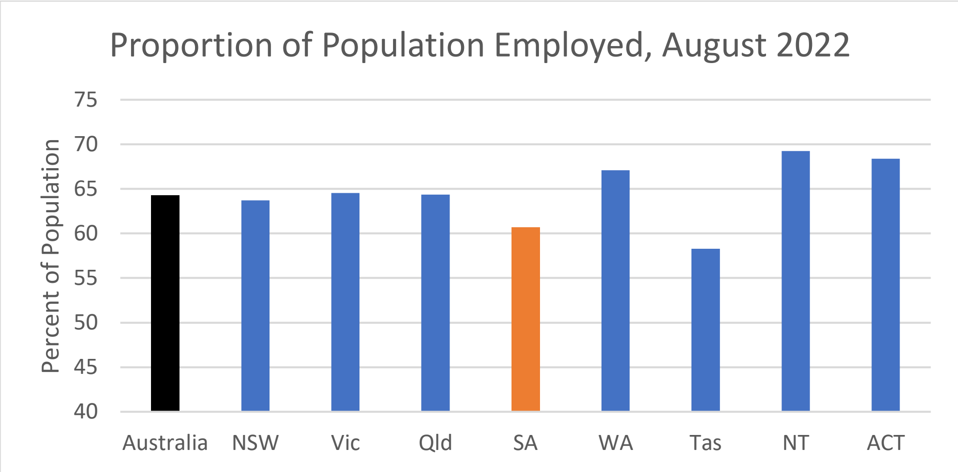
South Australian wages are below the national average. The gender wage gap is smaller in South Australia than nationally (in large part a product of relatively lower male wages at 89% of the national average), but female wages in SA are also below the national average.




Source: (ABS, 2022d)

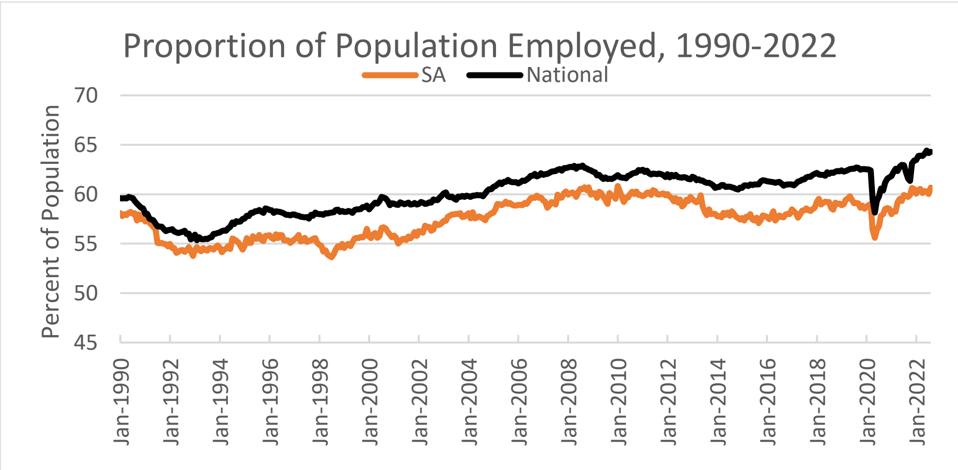
## Employment

South Australia has the second lowest proportion of population in employment.



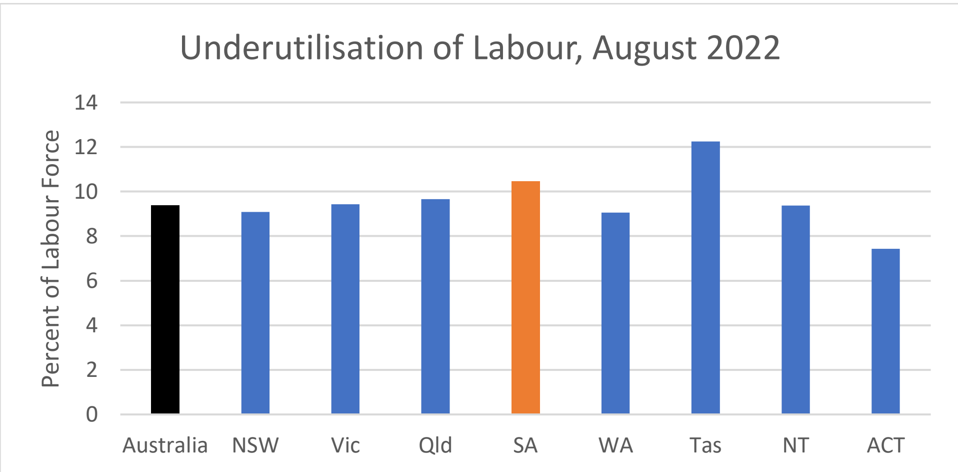

Source: (ABS, 2022e)

And it is not getting better, with SA below the national average every year since 1990.




Source: (ABS, 2022e)

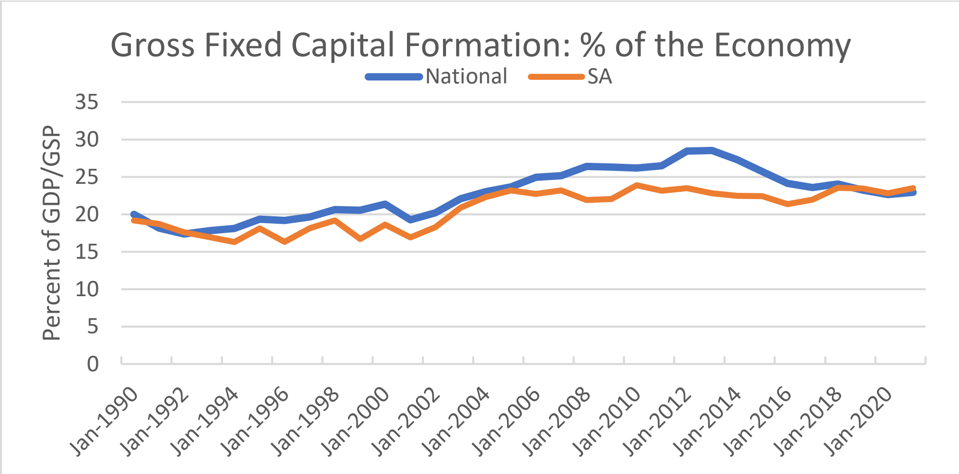
Further, SA currently has the second highest rate of underutilisation of labour (that is, combination of unemployment and under-employment).




Source: (ABS, 2022e)

## Investment/Capital Formation

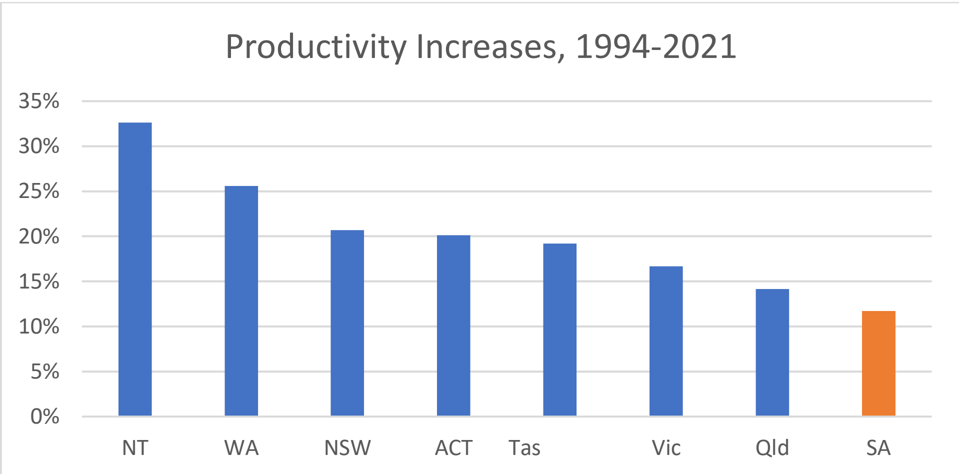
Investment levels in South Australia have been below the national average for most of the last 30 years.

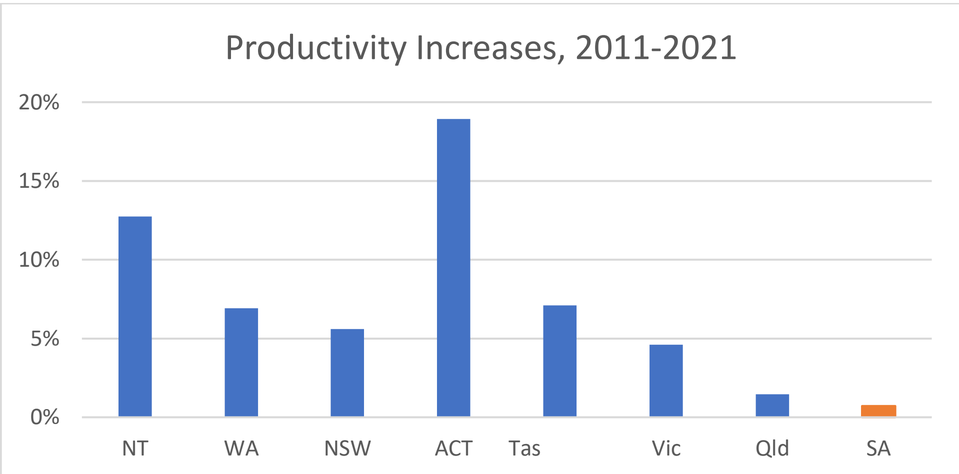



Source: (ABS, 2022c)

## Productivity

South Australia has lowest productivity of any state in recent decades, and almost no productivity growth over last 10 years.

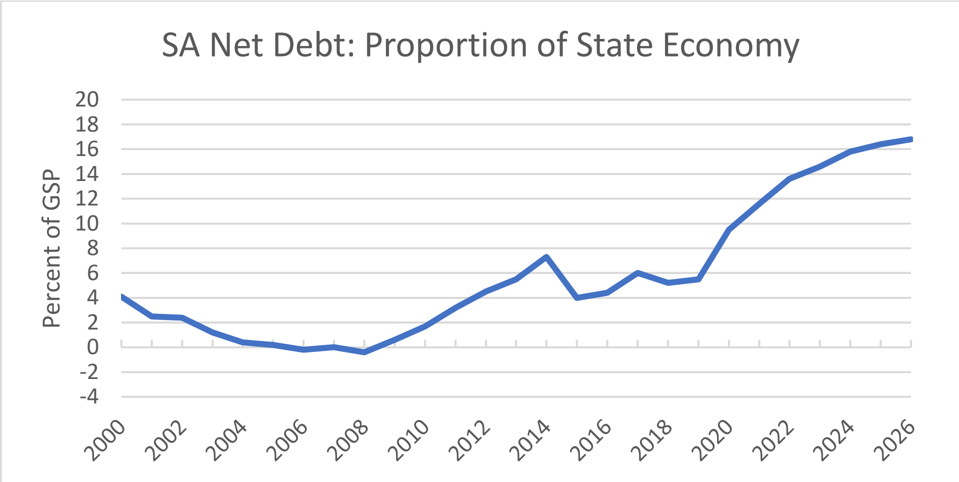



Private Sector, Multifactor Productivity. Source: (ABS, 2021. Table 27)

## State debt/interest payments

South Australia's state debt has been increasing since 2008.




Source: (Govt of SA, 2022a)

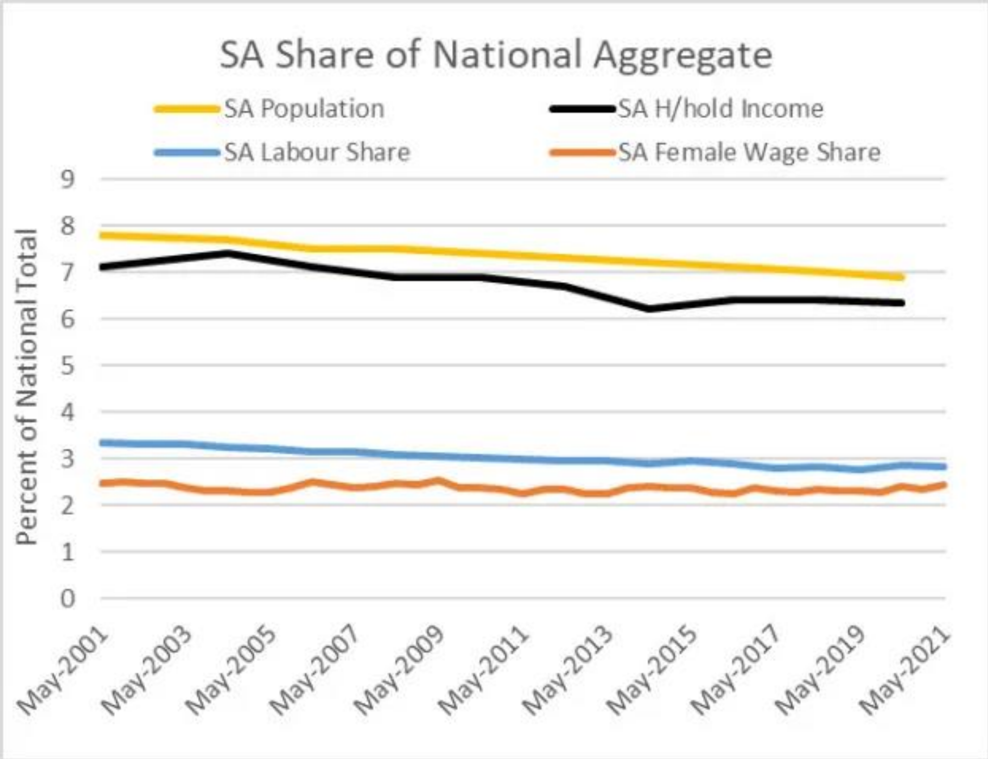
While this is not at levels of macroeconomic concern, in combination with increasing interest rates, there is an increasing budget dead weight which curtails the government's capacity to spend for development or support services. In the last state budget, interest payments were predicted to more-than-double from $528m 2021-22 to $1,219 in 2025-26 (Govt of SA, 2022a, p9).

## Impact on Equality

The relative economic decline in South Australia is of concern to SACOSS because it is likely to increase the numbers who will need support from the state government while decreasing the financial base to pay for such support. But recent research shows that South Australia's relative decline also impacts on equality. ABS household income and wealth, labour force and average earnings data shows that South Australia does better on many metrics of internal equality than the national average:

- Income distribution between households is slightly more even in South Australia with proportionately fewer households on very high incomes;
- Compensation for workers in South Australia is higher as a proportion of the state economy than the equivalent national figure (the labour share);
- The gender wage gap is around half the national average; and
- Households in regional South Australia earned closer to the average Adelaide household than the regional/capital city divide nationally (Ogle, 2022).

However, these good results are undermined by the overall economic decline, as the graph below shows. While inequality *within* South Australia is better than the national average, South Australia's share of national household income, the national wages pool, and the female share of the national wages pool are all declining – all underpinned by a decline in the population share.




Source: (Ogle, 2022)

The decline in population share is important. Extrapolating from the data, the research estimates that if SA had retained its population share (that is, grown at the same rate as the rest of the country) since May 2001, there would be around 220,000 or 13% more people in the state. Based on current averages of household size and income, that population difference equates to around $9.7bn in household income per year extra that would theoretically have been in the South Australian economy (not counting any multipliers arising from extra population) (Ogle, 2022).

In short, compared to the rest of the country, South Australia is becoming relatively poorer as a community. As noted above, this in turn impacts on the ability to provide infrastructure, services and opportunities to attract and retain people. The cycle of decline becomes self-reinforcing.

## A Bold Budget for the Long Term

The data above shows that the context for the 2023-24 South Australian state budget is particularly difficult with both significant long-term decline that needs to be addressed, and an equally significant shorter-term cost of living crisis for many households – particularly those surviving on the lowest incomes. Even in the best possible scenario where inflation returns to lower levels in the short to medium term and real incomes rise, we will still have to deal with the long-term decline of South Australia relative to the rest of country.

In this context, a conservative or “business as usual” budget won’t help. We need an active developmental approach to the budget as a hands-off approach will simply see a continuation of the drivers of the long-term decline. We need a much bolder and interventionist approach where the budget provides a vision, strategy and, most importantly, investment in:

- industry and regional development;
- skills development, including raising levels of digital competency and inclusion; and
- population retention and attraction.

SACOSS does not have specific policies or proposals to put forward in these areas as they require large-scale, cooperative planning and development in areas beyond SACOSS' remit. However, we are clear about the scale of the problems that need to be addressed, and the need for an actively interventionist approach.

Such an approach is neither heretical nor impossible. The COVID response of governments across Australia (and the world) showed the power and importance of government intervention in supporting people and the economy. While in hindsight some things could have been differently, overall it was a huge success story, particularly in South Australia.

In less unique circumstances, the previous government was prepared to actively support the development of a space industry, and the current government has committed to significant investment and support for the development of hydrogen energy. Obviously there are debates about the choice of those industries/technologies, and SACOSS would argue for greater emphasis on socio-economic outcomes in the planning, but these interventions point to the sort of approach to government planning and leadership which is needed much more broadly in the economy.

## Inflation and Taxation

Having said that, SACOSS is aware that further budget deficits to finance such an approach run counter to current national monetary policy and *may* add to inflationary pressures, and risks making the state debt worse in the medium term. These are real issues, but they should be addressed in the budget approach rather than govern it.

In relation to inflationary pressures, the key drivers like the war in Ukraine or international supply-chain issues are external to South Australian economy, and in some senses the SA government's spending footprint is small enough to not contribute much to inflation or national money supply. This is not a total answer though, and in response to both inflationary pressures and debt/deficit problems the bold interventionist approach may require taxing money back to the government. In that sense, what is proposed is less a Keynesian-style stimulus and more of an industry development approach.

Such taxation measures will require not just a bold approach to the budget, but a much greater level of maturity from the parliament than has been shown on taxes over recent years. We have seen the defeat of a vehicle congestion tax in 2014 (the so-called car-park tax), a bank tax in 2017, and most recently the repeal of a proposed future e-vehicle tax. In 2021 a tax change to close a loop-hole in land tax aggregation laws was changed from being a revenue gain to a net revenue loss. While there may have been legitimate objections to the particulars of these tax proposals, it is a poor record with oppositions and some cross-benchers opposing taxes for short-term popularity rather than long-term revenue considerations. Further, we note that no state government in South Australia appears willing to follow the lead of the ACT (and to a limited extent, NSW) in moving from stamp duties on real estate transactions to a broad-based land tax – despite it being supported by almost every economist in the country.

The long-term relative decline of the South Australian economy is not caused by too much taxation – indeed the state budget papers show that South Australia rates second-lowest of all Australian jurisdictions in terms of per capita state taxation, and in the middle of Australian states and territories in terms of general taxation effort (SA Govt, 2022a, p 42). This could suggest the "low-tax, low-cost" approach is not delivering for South Australia, but more broadly, the reality is that there is no way to address the long-term decline of the South Australia and to provide the services that we as a community want and need, without re-thinking the tax base. The government needs to be bold around this, and the parliament needs to abandon what appears to be a default opposition to every revenue-raising measure.

Again, SACOSS is not proposing any specific revenue measures in this budget submission – although there may be merit in revisiting some of the proposals above. We are simply acknowledging that the bold interventionist approach to economic development that we are calling for will require equally brave leadership on the creation of an adequate tax base. The alternative is decline and inequality.

# Conclusion

This submission to the 2023-24 South Australian state budget process has not outlined all the initiatives that SACOSS believes are necessary to assist vulnerable and disadvantaged South Australians or to help our sector in supporting those people. Rather the submission has highlighted in the starkest terms the magnitude of the challenges before our state with declining share of national income, labour shares, and population, and with investment and productivity rates consistently below the national average. This is coupled with a cost of living crisis which is impacting disproportionately on households on the lowest incomes.

Given this, SACOSS is calling for a bold budget response which is not afraid of major government interventions to put our economy back on track for the long term, and for immediate investments in concessions to assist the most vulnerable households through the current cost of living crisis.

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SACOSS acknowledges traditional owners of country throughout South Australia, and recognises the continuing connection to lands, waters and communities. We pay our respect to Aboriginal and Torres Strait Islander cultures, and to elders past, present and future.