

**Submission to the NSW Government
on the
Rebuilding NSW Discussion Paper**

19 September 2014

© Combined Pensioners & Superannuants Association of NSW Inc, 2014

Combined Pensioners & Superannuants Association of NSW Inc (CPSA)

Address: Level 9, 28 Foveaux Street, Surry Hills NSW 2010 **ABN:** 11 244 559 772

Phone: (02) 9281 3588 **Country Callers:** 1800 451 488 **Facsimile:** (02) 9281 9716

Email: cpsa@cpsa.org.au **Website:** www.cpsa.org.au **Donations:** 1800 451 488

CPSA is a non-profit, non-party-political membership association founded in 1931 which serves pensioners of all ages, superannuants and low-income retirees. CPSA has 130 branches and affiliated organisations with a combined membership of over 30,000 people living throughout NSW. CPSA's aim is to improve the standard of living and well-being of its members and constituents.

CPSA welcomes the opportunity to provide feedback on the Rebuilding NSW Discussion Paper.

CPSA is strongly against the privatisation of public assets, including the partial leasing of electricity assets in NSW. Electricity supply is an essential service which should remain in public hands and not be privatised for short-term profit gains. Public-private partnerships do not result in better outcomes for individuals, particularly low income individuals, when profits become the driver of essential service provision.

It is important to note that whilst being labelled 'partial leasing' and the discussion paper stating that 'the Government will maintain majority ownership of the businesses'; the NSW Government will not be maintaining more than 49 per cent of all businesses. This is not clearly spelled out in the discussion paper, or in the information being disseminated to the general public. CPSA understands that for some electricity businesses, the level divested will be much higher so that the majority of the business will be in private hands. In such situations CPSA is concerned about where risk to assets lie in the event of natural disasters, such as bushfires. CPSA fears that the NSW Government (and NSW taxpayers) will be left with the burden of risk of such events whilst the private sector is able to reap the profits from the assets. This occurred in Victoria where the state government has had to override the insurance of electricity assets and it is important that the NSW Government does not face similar liabilities whilst no longer receiving the profits from full ownership.

CPSA is concerned that the sweeteners provided for customers make a mockery out of the unaffordability of electricity. Providing a discount of one per cent off network prices (i.e. not final bill prices) until 2019 will have little to no impact on the affordability of bills. Firstly, it is anticipated that this will bring a discount of about \$2 per bill, a pittance in what will be made by the purchasers of the assets. Secondly, if the partial leasing does come into effect CPSA anticipates that this will be finalised some years off, leaving very little time for this one per cent discount on regulated network prices to actually be given. Lastly, and most importantly, CPSA anticipates that electricity companies will put in a bid for price increases that are one per cent higher to the Australian Energy Regulator (AER) and then reduce it by one per cent resulting in no net benefit at all to electricity customers.

What is needed is an overhaul of energy rebates, so that they adequately support people to remain connected and ensure they are not forced into hardship, sacrificing other essentials in order to pay their electricity bills, something which disconnection data does not collect, yet CPSA hears about regularly from our constituents. NSW urgently needs to move towards proportional concessions that provide eligible customers with a percentage rebate based on the final bill. This would better keep up with rising electricity prices and also alleviate, to a certain extent, the current inequities within the rebate

system in NSW, where people living in rural areas, for example, face much higher bills relative to usage and yet still receive only the flat rate Low Income Energy Rebate.

It is also crucial that the NSW Government fund an independent consumer advocacy body to promote the rights of customers and provide information and support on energy issues in a similar way to the Consumer Utilities Advocacy Centre which is funded by the Victorian Government. While recognising that the Public Interest Advocacy Centre is funded to run the Energy and Water Consumers' Advocacy Program and does a great job at doing so, there needs to be an additional organisation solely focused on consumer energy rights. This is particularly important in the event of substantial changes occurring in the energy space, including what is being proposed through Rebuilding NSW. As more players enter the market there is an ever increasing need for an independent consumer advocate to counter balance private interests.

It is important to note that not everyone is able to shop around for a better deal. The discussion paper states that the Government expects the benefit of the one per cent discount to be passed on to customers and "will encourage consumers to seek out the best possible price from retailers". People who lack functional literacy and numeracy, people with a cognitive impairment, people who are not proficient in English and those who are not Internet users are not adequately catered for in the current energy market. Many customers are also despondent about shopping around for a better deal once they come to the realisation that prices can be increased over the course of a fixed contract, a practice recently upheld in a draft ruling by the Australian Energy Markets Commission (AEMC). Whilst a lack of transparency by retailers and a lack of standardisation in the way price information is presented (so that quick comparisons can be made) is incredibly important and we realise is reliant on regulation, not ownership, solving these issues will not result in everyone being able to navigate the market effectively, if at all. Adequate protections must be in place to protect such customers and CPSA does not believe that an increasingly privatised market, one in which private retailers have an increasingly large influence, will provide this. CPSA also has concerns about vertical integration and whether this will be permitted under the partial leasing arrangement put forward.

Should the partial leasing arrangement go ahead, it is of vital importance that affordable housing be listed as a significant priority area for investment. Housing is essential infrastructure and should be included as such under Restart NSW. The 2013 NSW Auditor General's Report noted that there are 151,000 social housing dwellings in NSW and that social housing dwellings as a proportion of overall NSW housing has declined since 2003 and that, in the last four years, the NSW Government has been disposing of twice as many properties as it builds.¹ This decline in availability of social housing is occurring in the face of increasing demand. In June 2012 there were 55,000 applicants

¹ NSW Auditor General's Report (2013) 'Performance Audit: Making the best use of public housing', Housing NSW and NSW Land and Housing Corporation, July, p. 11.

waiting for a placement in social housing, representing 120,000 household members.² As noted in the discussion paper, the population is expected to reach 9.2 million by 2031 and the housing needs of the population are critical, particularly given that population increases are likely to exacerbate the housing crisis further, particularly for pensioners and others living on low fixed incomes. Adequate investment needs to be made to ensure that everyone is able to find housing that is affordable, regardless of their income.

² Ibid., p 13.