

The Senate

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Select Committee on the Cost of  
Living

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Interim report

May 2023

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# Abbreviations

ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ACCI	Australian Chamber of Commerce and Industry
ACOSS	Australian Council of Social Services
ADGSM	Australian Domestic Gas Security Mechanism
AEC	Australian Energy Council
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
AHURI	Australian Housing and Urban Research Institute
APPEA	Australian Petroleum Production and Exploration Association
BCA	Business Council of Australia
Board	Reserve Bank Board
CALC	Consumer Action Law Centre
CIS	Capacity Investment Scheme
Code	Grocery Code of Conduct
Committee	Select Committee on the Cost of Living
COTA	Council on the Ageing
CPI	Consumer Price Index
GJ	gigajoule
LNG	Liquid National Gas
MCA	Minerals Council of Australia
NEM	National Energy Market
NT	Northern Territory
NTESMO	Northern Territory Electricity System and Market Operator
PJ	petajoules
RAHU	Renters and Housing Union
RBA	Reserve Bank of Australia
Reserve Bank	Reserve Bank of Australia
WA	Western Australia
WPI	Wage Price Index



# Members

## Chair

Senator the Hon Jane Hume LP, VIC

## Deputy Chair

Senator Penny Allman-Payne AG, QLD

## Members

Senator the Hon Matthew Canavan NATS, QLD

Senator Karen Grogan ALP, SA

Senator Dean Smith LP, WA

Senator Jana Stewart ALP, VIC

*(from 30 March 2023)*

## Former Members

Senator Tony Sheldon ALP, NSW

*(from 27 October 2022 to 30 March 2023)*

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# Chapter 1

## Introduction

- 1.1 On 28 September 2022, the Senate established a select committee, to be known as the Select Committee on the Cost of Living (committee).<sup>1</sup> The committee was appointed to inquire into and report on:
- (a) the cost of living pressures facing Australians;
  - (b) the Government's fiscal policy response to the cost of living;
  - (c) ways to ease cost of living pressures through the tax and transfer system;
  - (d) measures to ease the cost of living through the provision of Government services; and
  - (e) any other related matter.

### Conduct of the inquiry

#### Submissions and public hearings

- 1.2 The committee advertised the inquiry on its website and wrote to organisations and individuals inviting submissions by 15 March 2023. The committee subsequently agreed to extend the submission closing date to 12 May 2023.
- 1.3 On 28 October 2022, the committee issued a media release inviting submissions that addressed its terms of reference.<sup>2</sup>
- 1.4 As of 2 May 2023, the committee had accepted and published 70 submissions, which are listed at Appendix 1.
- 1.5 The committee held the following public hearings:
- Sydney, New South Wales on 1 February 2023;
  - Melbourne, Victoria on 2 February 2023;
  - Brisbane, Queensland on 3 February 2023;
  - Box Hill, Victoria on 1 March 2023; and
  - Warwick Farm, New South Wales on 21 April 2023.
- 1.6 A list of witnesses who appeared at the hearings is at Appendix 2.

#### Acknowledgements

- 1.7 The committee thanks those individuals and organisations who made submissions and gave evidence at the public hearings.

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<sup>1</sup> *Journals of the Senate*, No. 15, 28 September 2022, pp. 381–383.

<sup>2</sup> Select Committee on the Cost of Living, '[Senate Committee will examine the cost of living pressures facing Australians](#)', *Media Release*, 28 October 2022.

## Purpose of this report

- 1.8 This report summarises evidence received by the committee, to-date. It focuses on three themes that were identified as priority areas on which the committee resolved to focus during its first five public hearings; namely, energy prices, housing, and food and groceries.
- 1.9 This interim report does not present the committee's views or recommendations on these matters.
- 1.10 The committee is due to table its final report by 30 November 2023.

## Structure of report

- 1.11 This report comprises 6 chapters:
- Chapter 1 provides background information relating to the select committee and its inquiry;
  - Chapter 2 outlines the key dynamics driving cost of living pressures, and describes the monetary and fiscal responses to rising costs of living;
  - Chapter 3 details the experience of Australians and describes the impact of rising costs on the not-for-profit sector;
  - Chapter 4 provides an overview of Australia's energy system, outlines the dynamics underlying recent energy price fluctuations, describes the Government's market interventions, and presents evidence on proposed solutions to energy-related cost of living pressures;
  - Chapter 5 outlines the impact of interest rate rises and high rental prices on housing affordability, and sets out some of the proposed solutions to addressing housing affordability presented to the committee; and
  - Chapter 6 explores the drivers and the impacts of food and grocery price rises, outlines key dynamics impacting the food and grocery sector, discusses food insecurity and inequality in Australia, and lays out some of the evidence received by the committee on proposed solutions to cost of living pressures related to food and groceries.

## Interim committee findings

**Finding 1:** Real wages are not growing and have deteriorated due to high inflation.

**Finding 2:** The most effective way to reduce inflation is to have monetary policy and fiscal policy working in the same direction.

**Finding 3:** While the cost of living in Australia is being driven by a range of factors, including supply shocks and adverse weather events, domestic policy settings are also major contributors to inflation.

**Finding 4:** The cost of living crisis is causing an increase in the demand for services provided by the charitable and not-for-profit sector.

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**Finding 5:** As demand for charitable services increases, there is a parallel downturn in the ability of charities to meet this demand due to increased overheads for these organisations and lower levels of charitable giving.

**Finding 6:** Energy prices have risen and are a major contributing factor to the cost of living crisis in all sectors of the economy.

**Finding 7:** More supply of energy will reduce the cost of energy.

**Finding 8:** Housing costs, both in terms of rental and mortgage costs, are a major contributing factor to the cost of living crisis.

**Finding 9:** Greater supply and reforms to domestic policy settings are required to adequately address the need for additional housing, including community and social housing.

**Finding 10:** The increasing cost of food and groceries are a major contributing factor to the cost of living crisis.

**Finding 11:** Supply chain disruptions are a primary driver of increasing food and grocery prices. However, increased input costs to the production and provision of these goods, including energy and fuel, will impact the prices paid by consumers.

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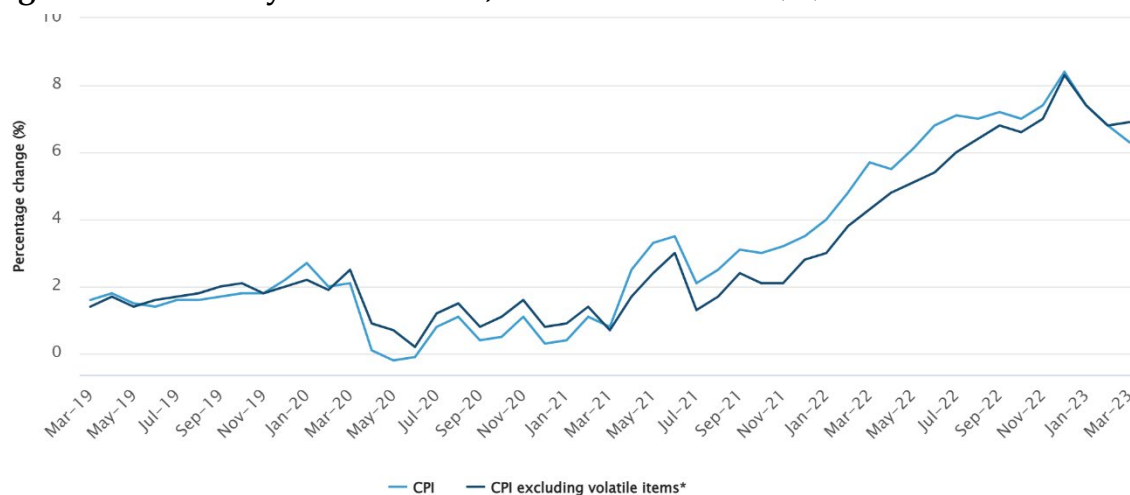
# Chapter 2

## Background

### Australia's cost of living crisis

- 2.1 In the 12 months leading to the March 2023 quarter, the Consumer Price Index (CPI, the average change in prices paid by consumers for goods and services; the predominant measure of inflation in Australia)<sup>1</sup> rose 7.0 per cent (see figure 2.1, below). The Australian Bureau of Statistics (ABS) identified the most significant price rises as related to dwelling purchases by owner-occupiers, gas and other household fuels, and furniture.<sup>2</sup>

**Figure 2.1 Monthly CPI indicator, annual movement (%)**



Source: Australian Bureau of Statistics, ['Monthly Consumer Price Index Indicator'](#), ABS website, 26 April 2023.

- 2.2 The October 2022–23 Budget warned of significant ongoing inflationary risks in the coming years:

There may be further or prolonged disruptions in global energy markets as a result of Russia's ongoing invasion of Ukraine. Recent flooding could drive food prices higher. Tighter labour market conditions than forecast could also add to underlying pressures. In contrast, tighter monetary policy in

<sup>1</sup> For some other measures of inflation, see 'Historical Series and Explanatory Notes' (spreadsheet) under 'Related Information' at Reserve Bank of Australia, ['Measures of Consumer Price Inflation'](#), RBA Website (accessed 18 November 2022).

<sup>2</sup> Australian Bureau of Statistics, ['Consumer Price Index, Australia'](#), ABS Website, 26 March 2023 (accessed 1 May 2023).

Australia and globally than is currently expected could have a faster than expected impact, resulting in a quicker return of inflation to target.<sup>3</sup>

- 2.3 In November 2022, the Reserve Bank of Australia (RBA or Reserve Bank; Australia's central bank) issued a statement outlining its analysis of the inflationary environment in Australia:

Strong demand and ongoing supply issues boosted goods price inflation in the September quarter, as non-labour cost pressures continued to be passed through to consumers. Some of these upstream cost pressures have eased in recent months, but it will take some time before this affects the prices paid by consumers. Higher input costs and strong demand have also contributed to a pick-up in services inflation in recent quarters, while rent inflation has picked up in response to tight rental market conditions.<sup>4</sup>

- 2.4 The RBA identified fuel, new dwelling purchases, consumer durables, and groceries as the primary contributors to recent rises in the CPI.<sup>5</sup>

**Figure 2.2 CPI by group, weighted average of eight capital cities, annual change**



Source: ABS data, chart from Business Council of Australia, Submission 20, p. 4

- 2.5 In February 2023, the RBA stated:

Inflation is likely to have peaked around the end of 2022 and is forecast to return to the target range over coming years. The central forecast is for CPI

<sup>3</sup> Australian Government, [Budget: October 2022–23: Budget Strategy and Outlook: Budget Paper No. 1](#), 25 October 2022, p. 56.

<sup>4</sup> Reserve Bank of Australia, ['Statement of Monetary Policy'](#), *Statement*, November 2022, p. 53.

<sup>5</sup> Reserve Bank of Australia, ['Statement of Monetary Policy'](#), *Statement*, November 2022, pp. 54–56.

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inflation to decline to 4¾ per cent over 2023 and to around 3 per cent by mid-2025.<sup>6</sup>

- 2.6 The challenges Australians faced with the rising cost of living was a significant feature of the then-Labor Opposition's commitments to the Australian people as part of the 2022 election campaign and following the election.
- 2.7 Then Opposition Leader Anthony Albanese MP and his frontbench colleagues made a significant number of statements indicating that cost of living pressures would improve under a Labor Government. These included:
- 'I'll say this very clearly. They [Australians] will be better off under a Labor government';<sup>7</sup>
  - 'We've got policies about getting power bills down. We've got policies...to get real wages moving again';<sup>8</sup> and
  - 'People will be seeing in their bank accounts what the change of Government means. People will be seeing in their bank accounts a wage increase...'.<sup>9</sup>
- 2.8 However, the evidence the committee has received throughout the inquiry to date is that these commitments have not materialised. Rather, cost of living pressures have worsened into a cost of living crisis in the last six months.

### **Real wages**

- 2.9 Alongside and compounding the significant impact of increasing costs of living has been the failure of wages to keep pace with inflation.
- 2.10 Changes in wages over time (the price of labour) are generally measured by the Wage Price Index (WPI).<sup>10</sup> Australia's WPI has shown a steady increase in the cost of labour over the two years from September 2020 to September 2022, in which the WPI rose from 1.4 per cent to 3.1 per cent—the highest level in 9 years—driven by the strong employment market and recent historically low unemployment that followed the Coalition Government's response to the COVID-19 crisis. These increases, however, remain well below recent inflation, meaning real wages (that is, the ability of people to buy things with their pay) have fallen during this period (see Figure 2.3, below). As one commentator

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<sup>6</sup> Reserve Bank of Australia, [Statement on Monetary Policy: February 2023](#), February 2023, p. 1.

<sup>7</sup> Hon Anthony Albanese MP, *Doorstop*, Perth, 30 April 2022.

<sup>8</sup> Hon Jim Chalmers MP, *Doorstop*, Perth, 30 April 2022.

<sup>9</sup> Hon Tony Bourke MP, *Press Conference*, Gladstone Convention Centre, 15 June 2022.

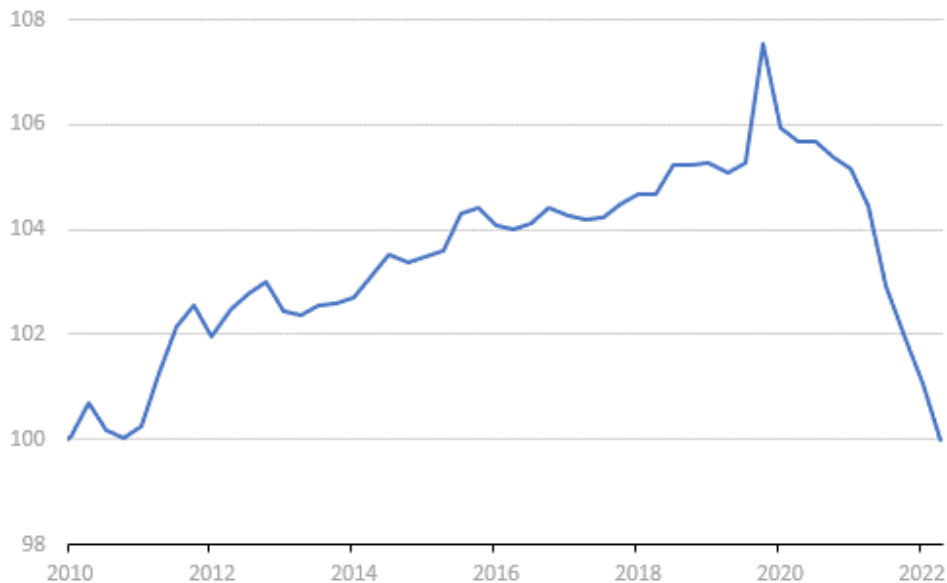
<sup>10</sup> Some limitations with using WPI as a measure of real wages are discussed in Ronald Mizen, ['Why a huge jump in wages worries the RBA'](#), *Australian Financial Review*, 14 July 2022.

noted in late 2022, 'given the 7.3% rise of inflation over the past year, wages in real terms fell 3.9% in the past year—the biggest fall on record'.<sup>11</sup>

2.11 The RBA estimated that real wages in September 2022 had fallen to 2010 levels.<sup>12</sup>

2.12 This decline in real wages is forecast to continue into 2023,<sup>13</sup> despite comments by members of the Government, including the Prime Minister, who said in April 2022 that, 'we have a plan to actually lift wages'.<sup>14</sup>

**Figure 2.3 Index of real wages**



Source: data from Australian Bureau of Statistics, '[Wage Price Index, Australia](#)', ABS website (accessed 1 May 2023).

2.13 The Reserve Bank has advocated for a cap on wage growth of around 3.5 per cent (well below inflation forecasts over the coming years) to avoid entrenching higher inflation.<sup>15</sup>

2.14 The RBA has also warned of the risk of a 'wage-price spiral' emerging, in which inflation may lead to workers demanding higher wages to meet higher living

<sup>11</sup> Greg Jericho, '[Australia's wages are showing signs of life, but if they continue to lag behind inflation living standards will fall](#)', *The Guardian*, 17 November 2022.

<sup>12</sup> Greg Jericho, '[Why is the cost of living going crazy even as the Reserve Bank raises rates?](#)', *The Guardian*, 27 October 2022.

<sup>13</sup> Ronald Mizen, '[Why a huge jump in wages worries the RBA](#)', *Australian Financial Review*, 14 July 2022.

<sup>14</sup> Anthony Albanese MP, *Doorstop*, Perth, 30 April 2022.

<sup>15</sup> Ronald Mizen, '[RBA puts 3.5pc lid on wages](#)', *Australian Financial Review*, 21 June 2022.

costs, which would in turn increase input costs, thereby forcing firms to raise prices and triggering further inflation.<sup>16</sup>

- 2.15 Prior to recent inflationary increases, the Governor of the Reserve Bank, Dr Philip Lowe, had stated that wage increases well above 3 per cent were required to maintain inflation within target.<sup>17</sup> However, this position shifted in response to the current inflationary environment. On the basis of soaring inflation and the risk of the emergence of a wage-price spiral, the RBA has more recently warned that wage increases at or beyond recent CPI figures would put more pressure on inflation to rise<sup>18</sup>—a position echoed by industry.<sup>19</sup>
- 2.16 During the final leaders' debate of the 2022 election, then-Prime Minister, the Hon Scott Morrison MP, similarly expressed his concern regarding a potential wage price spiral, noting that in the current environment, a wage increase of 5 per cent or more would fuel interest rates and a rising cost of living.<sup>20</sup>
- 2.17 The Secretary to the Treasury, Dr Steven Kennedy PSM, has also raised concerns regarding wage increases contributing to inflationary pressures unless coupled with productivity gains in his statements to the Senate Economics Committee in February 2022.<sup>21</sup>
- 2.18 Critics have challenged the current link between wages and inflation, however, questioning the logic of advocating real wage cuts in the face of mounting cost of living pressures. Ms Elizabeth Watson-Brown MP, for example, cited a report by the Australia Institute to argue in the House of Representatives that, 'despite

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<sup>16</sup> Neyavan Suthaharan and Joanna Bleakley, '[Wage-price Dynamics in a High-inflation Environment: The International Evidence](#)', Reserve Bank of Australia, September 2022.

<sup>17</sup> See for example, Michael Janda, '[RBA governor Philip Lowe tells the Press Club the bank will 'take time' before raising interest rates](#)', *ABC News*, 2 February 2022.

<sup>18</sup> John Kehoe, '[Wage spiral like 1970s not likely again: RBA](#)', *Australian Financial Review*, 15 September 2022; Ronald Mizen, '[RBA puts 3.5pc lid on wages](#)', *Australian Financial Review*, 21 June 2022; and Dr Philip Lowe, Governor of the Reserve Bank of Australia, '[Inflation and the Monetary Policy Framework](#)', Reserve Bank of Australia, Speech, 8 September 2022, pp. 8 and 10.

<sup>19</sup> See for example, David Marin-Guzman and Jonathan Shapiro, '[Reserve Bank warns of wage-price spiral as unions push for pay](#)', *Australian Financial Review*, 6 May 2022; and AAP, '[Business warns of economic "death spiral"](#)', *InDaily*, 8 June 2022.

<sup>20</sup> The Hon Scott Morrison MP, former Prime Minister, quoted in, Peter Hannam, '[Morrison's objection to lifting wages in line with inflation puts spotlight on pensions linked to CPI](#)', *The Guardian*, 13 May 2022.

<sup>21</sup> Dr Steven Kennedy, Secretary to the Treasury, *Senate Economics Legislation Committee Hansard*, 16 February 2022, p. 10.

what some commentators say, inflation is in no way being caused by wages'.<sup>22</sup> The Australia Institute report to which she referred concluded:

The fear that wage growth has, or could, play a significant role in Australia's inflation typically ignores the fact that...real wage growth is at historically low levels and has been for some time.<sup>23</sup>

2.19 Mr Greg Jericho, Policy Director at the Centre for Future Work (an initiative of the Australia Institute), told the committee:

[T]here is no evidence that wages are currently driving inflation or the cost of living. In fact, we're currently experiencing an historic decrease in real wages...We have had decades of industrial relations policy essentially designed to limited the growth of wages... [O]ver the past year, real wages have fallen by more than four per cent and the value of real wages in now back where it was in 2009. This is an historic drop.<sup>24</sup>

2.20 Mr Jericho further claimed that profits were having a greater impact on inflation than wages (see below).<sup>25</sup>

2.21 Dr Marion Kohler from the RBA told the committee that inflation had been quite broadly based, meaning that most groups in Australian society had seen their cost of living increase by roughly the same amount.<sup>26</sup> During 2020, she noted that CPI had grown faster than households' disposable incomes, 'meaning that real incomes have declined over time'.<sup>27</sup> However, Dr Kohler told the committee that the strong labour market has been putting upward pressure on wages.<sup>28</sup>

2.22 The risk of a wage price spiral has been repeatedly emphasised by the Reserve Bank. The Governor has noted that the Bank remains alert to the potential for wages to add additional pressure to inflation and the importance

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<sup>22</sup> Ms Elizabeth Watson-Brown MP, *Proof House of Representatives Hansard*, 9 November 2022, p. 73.

<sup>23</sup> David Richardson, Matt Saunders, and Richard Denniss, '[Are wages or profits driving Australia's inflation? An analysis of the National Accounts](#)', The Australia Institute, July 2022, p. 1.

<sup>24</sup> Mr Greg Jericho, Policy Director, Centre for Future Work, The Australia Institute, *Committee Hansard*, 3 February 2023, p. 17.

<sup>25</sup> Mr Greg Jericho, Policy Director, Centre for Future Work, The Australia Institute, *Committee Hansard*, 3 February 2023, p. 17.

<sup>26</sup> Dr Marion, Head of Economic Analysis Department, Reserve Bank of Australia, *Committee Hansard*, 1 February 2023, p. 10.

<sup>27</sup> Dr Marion, Head of Economic Analysis Department, Reserve Bank of Australia, *Committee Hansard*, 1 February 2023, p. 10.

<sup>28</sup> Dr Marion, Head of Economic Analysis Department, Reserve Bank of Australia, *Committee Hansard*, 1 February 2023, p. 10.

of avoiding this in his public statements in April, March, February, November, and December 2022.<sup>29</sup>

## Addressing inflation

### Policy options

2.23 Two broad categories of policy responses are available to influence the economy: monetary and fiscal policies. Monetary policy consists of measures to influence borrowers and lenders by changing funding costs and the supply of credit. In Australia, monetary policy falls under the purview of the RBA, which sets the 'cash rate'; that is, the rate at which banks borrow and lend to each other. The RBA is independent of government and accountable to the Parliament (although it is required to consult with government).<sup>30</sup> The RBA is statutorily required to pursue price stability, full employment, and the 'economic welfare of the Australian people'.<sup>31</sup> The Bank's other functions include maintaining the stability of the financial system; supporting a secure, stable, and efficient payments system; efficient and effective banking services to the Australian Government; and providing secure and reliable Australian banknotes.<sup>32</sup> The inflationary environment and monetary policy responses designed to address inflation are discussed below.

2.24 The second set of policy responses available to government are fiscal. Fiscal policy is the use of government spending and taxation to influence the economy.<sup>33</sup> The fiscal approach taken by the current Labor Government and its impact on the cost of living crisis are discussed below.

### The Reserve Bank's role

2.25 The RBA aims to maintain consumer price inflation between 2 and 3 per cent, on average, over time. The Bank has identified returning inflation to this target range as its 'most important focus area',<sup>34</sup> stating:

Achieving the inflation target preserves the value of money and facilitates strong and sustainable growth in the economy over the longer term. This

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<sup>29</sup> Reserve Banks of Australia, Media Releases, 4 April 2023; 7 March 2023; 7 February 2023; 6 December 2022.

<sup>30</sup> Reserve Bank of Australia, '[About us](#)', RBA Website; and Commonwealth of Australia, *Reserve Bank of Australia Act 1959*, s. 11.

<sup>31</sup> Reserve Bank of Australia, *Annual Report 2022*, September 2022, p. 10.

<sup>32</sup> Reserve Bank of Australia, *Annual Report 2022*, September 2022, p. 9.

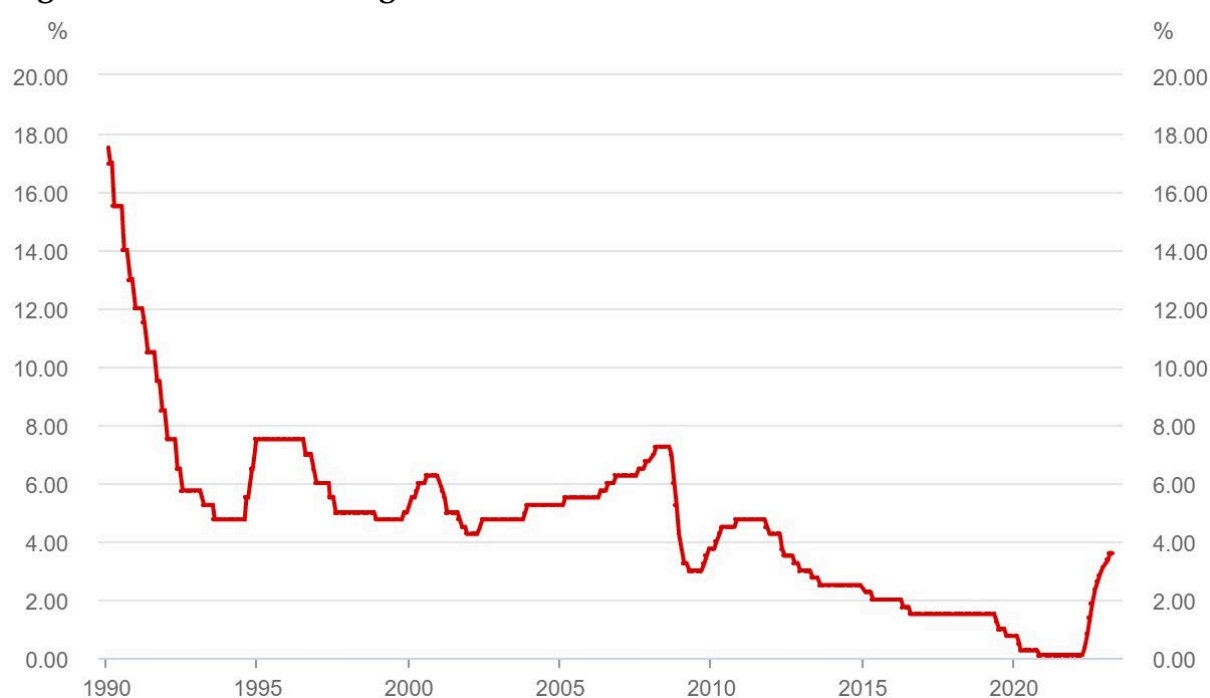
<sup>33</sup> Mark Horton and Asmaa El-Ganainy, '[Fiscal Policy: Taking and Giving Away](#)', International Monetary Fund (accessed 9 November 2022).

<sup>34</sup> Reserve Bank of Australia, *Annual Report 2022*, September 2022, p. 9.

helps businesses and households make sound investment decisions, underpins the creation of jobs and protects the savings of Australians.<sup>35</sup>

2.26 To bring inflation within target, the RBA sets the cash rate through the Reserve Bank Board (the Board), which meets monthly.<sup>36</sup> During the COVID-19 pandemic, the cash rate had fallen to an historic low of 0.1 per cent. In response to rising inflationary pressures from early 2022, the Board increased the cash rate target at each of its ten meetings from May 2022, reaching 3.6 per cent in March 2023 (see Figure 2.4)—the highest rate since 2013.<sup>37</sup> The Board paused its rate rise increases at its 5 April 2023 meeting, maintaining the target rate at 3.6 per cent.<sup>38</sup>

**Figure 2.4 Cash Rate Target**



Source: Reserve Bank of Australia, *Cash Rate Target*, <https://www.rba.gov.au/statistics/cash-rate/> (accessed 17 April 2023)

2.27 Increases in the cash rate directly influence the interest rates offered by banks and lenders, thereby increasing the cost of borrowing for Australian businesses

<sup>35</sup> Reserve Bank of Australia, *Annual Report 2022*, September 2022, p. 10.

<sup>36</sup> Reserve Bank of Australia, *Annual Report 2022*, September 2022, p. 76.

<sup>37</sup> Reserve Bank of Australia, '[Statement of Monetary Policy](#)', *Statement*, November 2022, p. 40; Reserve Bank of Australia, '[Statement by Philip Lowe, Governor: Monetary Policy Decision](#)', *Media Release*, 1 November 2022; and Ronald Mizen, '[Expect more interest rate rises in 2023: RBA](#)', *Australian Financial Review*, 6 December 2022.

<sup>38</sup> Reserve Bank of Australia, 'Cash Rate Target', <https://www.rba.gov.au/statistics/cash-rate/>, RBA website (accessed 12 April 2023).

and households. For more on the impact of rate rises on housing affordability, see Chapter 5.

2.28 Dr Marion Kohler from the RBA told the committee:

We understand that some people are finding the rise in interest rates difficult to manage and that others will have to cut back on discretionary spending. However, higher interest rates are necessary to ensure that the current period of high inflation and cost-of-living pressures does not persist too long.<sup>39</sup>

2.29 Dr Kohler emphasised the RBA's overriding focus on tackling inflation, stating:

[The Reserve Bank's] mandate is to manage aggregate inflation...We have one tool, which is the interest rate, and it is a blunt tool. The RBA board is mindful of that and is looking at [affordability and cost of living] issues when setting policy, but it doesn't really have tools beyond the interest rate to address it. So there are trade-offs that we need to make. We just don't have the right tools to hit all those targets.<sup>40</sup>

### Cost of living drivers

2.30 Evidence before the committee pointed to a series of external drivers of inflation: disruptions associated with the COVID-19 pandemic, the invasion of Ukraine by Russia, and repeated adverse weather events—predominantly on Australia's east coast. These areas are outlined below, with critiques and additional factors discussed in the following thematic chapters.

### Supply shocks and external factors

2.31 Dr Kohler told the committee that the rising cost of living in Australia was largely the result of unpredictable supply shocks, pandemic disruptions to global supply chains, the Russian invasion of Ukraine, flooding on the east coast, and strong growth in domestic demand in many countries.<sup>41</sup> She described the context surrounding mounting inflation, as follows:

[T]he story started initially with global supply chain problems...There was then a further escalation of the Russian invasion of Ukraine, where we saw certain food and international energy prices pick up. Some of that flowed back to here, through global markets. Then we also had the east coast floods last year, which brought supply problems into fruit and vegetable markets, coal markets and domestic energy prices around the same time...

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<sup>39</sup> Dr Marion Kohler, Head of Economic Analysis Department, Reserve Bank of Australia, *Committee Hansard*, 1 February 2023, p. 10.

<sup>40</sup> Dr Marion Kohler, Head of Economic Analysis Department, Reserve Bank of Australia, *Committee Hansard*, 1 February 2023, p. 17.

<sup>41</sup> Dr Marion Kohler, Head of Economic Analysis Department, Reserve Bank of Australia, *Committee Hansard*, 1 February 2023, p. 10.

Initially it was very contained to traded goods...We've seen over the past year, increasingly, a broadening-out of inflation pressures into domestically provided goods and services.<sup>42</sup>

- 2.32 Mr Tom Rosewall, also from the RBA, noted that high inflation was not unique to Australia and had been a feature of most advanced economies since the pandemic.<sup>43</sup>

### *COVID-19 disruptions*

- 2.33 Inflation has been driven in part by shifting demand and supply related to the COVID-19 pandemic. Public health measures—including periodic major lockdowns in key manufacturing countries, like China—impacted global production, reduced consumption, and disrupted supply chains.<sup>44</sup>

- 2.34 Mr Luke Yeaman, Deputy Secretary at the Department of the Treasury, pointed to shipping and transport costs as having been disproportionately impacted by the surge in inflation resulting from the pandemic. He described to the Senate Economics Legislation Committee the inflationary impact of the pandemic, as follows:

There was a very significant shift...away from services across many countries as people were locked down and couldn't undertake the normal things that they would undertake...so they shifted consumption very much to goods. That led to a very sharp increase in the amount of goods demanded across the economy, which put a lot of strain on supply chains...That led to a surge in prices. At the same time, many of the distribution centres...that generate most of those goods were suffering lockdowns...which meant that their own input costs were rising and there was constrained supply.

Those factors together led to very sharp increases in prices across a range of goods.<sup>45</sup>

- 2.35 Further, economies around the world experienced what Treasury Secretary, Dr Stephen Kennedy PSM, described as 'extraordinary [government] stimulus in response to the pandemic'.<sup>46</sup> These unprecedented fiscal measures supported the economy through the shutdown that the health response to the pandemic.

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<sup>42</sup> Dr Marion Kohler, Head of Economic Analysis Department, Reserve Bank of Australia, *Committee Hansard*, 1 February 2023, pp. 16–17.

<sup>43</sup> Mr Tom Rosewall, Deputy Head of Economic Analysis Department, Reserve Bank of Australia, *Committee Hansard*, 1 February 2023, p. 10.

<sup>44</sup> See for example, Michelle Bullock, Deputy Governor of the Reserve bank of Australia, cited in, Ronald Mizen, '[China, Russia and wages growth top Reserve Bank's biggest fears](#)', *Australian Financial Review*, 9 November 2022.

<sup>45</sup> Mr Luke Yeaman, Deputy Secretary, Department of the Treasury, *Senate Economics Legislation Proof Committee Hansard*, 8 November 2022, p. 15.

<sup>46</sup> Attributed to Dr Steven Kennedy PSM, Treasury Secretary, *Economics Legislation Proof Committee Hansard*, Budget Estimates, 8 November 2022, p. 4.

Measures like JobKeeper, the Cashflow Boost and Pandemic Disaster Leave payments ensured that individuals and businesses made it through the pandemic.

2.36 The IMF noted that Australia's 'strong health and economic policies allowed for quick economic recovery from initial COVID-19-related lockdowns in 2020'.<sup>47</sup>

2.37 It further stated that:

Underpinned by sound macroeconomic fundamentals, large-scale fiscal and monetary policy support helped lift the economy out of its first recession in three decades in the wake of the initial COVID-19 waves in 2020. Economic activity recovered to well above pre-pandemic levels by the second quarter of 2021, faster than in most other advanced economies.<sup>48</sup>

2.38 Whilst supporting 'a strong economic rebound', combined with loose monetary settings, this contributed to boosted consumption and increased excess demand.<sup>49</sup>

2.39 Loose fiscal settings were common across developed economies. Economists from the University of Western Australia's Economics Department noted that in response to the pandemic:

Governments responded to the pandemic with programs to support incomes during lockdowns. Globally central banks also increased liquidity.<sup>50</sup>

### *Ukraine conflict*

2.40 The Russian invasion of Ukraine on 24 February 2022 drove cost of living pressures in two principal ways. First, as Ukraine was a major supplier of food and agricultural commodities (including over a third of the world's wheat and half global exports of vegetable oil), the conflict triggered global food shortages and food price spikes—particularly in developing countries.<sup>51</sup> Food exports from Russia (responsible for nearly 8 per cent of global cereal exports and 20 per cent of vegetable oil supplies) were also impacted by the war and ensuing sanctions imposed by western countries, contributing to a near-doubling of

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<sup>47</sup> International Monetary Fund, IMF Executive Board Concludes 2021 Article IV Consultation with Australia, 6 December 2022.

<sup>48</sup> International Monetary Fund, IMF Executive Board Concludes 2021 Article IV Consultation with Australia, 6 December 2022.

<sup>49</sup> François de Soyres, Ana Maria Santacreu, and Henry Young, ['Fiscal policy and excess inflation during Covid-19: A cross-country view'](#), Board of Governors of the Federal Reserve System, 15 July 2022.

<sup>50</sup> Department of Economics, University of Western Australia, *Submission 30*, page 1

<sup>51</sup> Lotanna Emedigwu, ['How is the war in Ukraine affecting global food prices?'](#), Economics Observatory, 21 June 2022.

cereal and oilseed prices from mid-2020 to mid-2022.<sup>52</sup> The October 2022–23 Budget noted that global food prices were 50 per cent higher than they were at the start of the pandemic.<sup>53</sup> See Chapter 6 for more on the affordability of food and groceries.

- 2.41 Second, sanctions imposed on Russia and the withholding of gas and oil supplies by Russia in retaliation for western support for Ukraine, triggered increases in global energy prices in 2021 and 2022.<sup>54</sup> Global energy price increases drove up domestic energy prices and contributed to broader price increases due to higher transport and production costs. The October 2022–23 Budget noted that global energy prices had doubled since the start of the pandemic.<sup>55</sup>
- 2.42 See Chapter 4 for a discussion of the significance of the Ukraine conflict for domestic energy prices.

### *Adverse weather events*

- 2.43 Recent successive flooding events and heavy rain on the east coast in 2022 wiped out crops and food supplies, and created logistical challenges to moving agricultural inputs and produce, contributing to food shortages and increasing food prices throughout the year. Flooding in New South Wales in mid-2022 led to shortages of fruit and vegetables, impacting up to \$1 billion-worth of fresh produce from the Sydney Basin.<sup>56</sup>
- 2.44 The Red Cross reported its busiest year on record for its Emergency Services teams in New South Wales.<sup>57</sup>
- 2.45 See Chapter 3 for the impact of cost of living pressures on the not-for-profit sector and Chapter 6 for more on the affordability of food and groceries.

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<sup>52</sup> Heinz Strubenhoff, ['The war in Ukraine triggered a global food shortage'](#), Brookings Institution, 14 June 2022.

<sup>53</sup> Australian Government, [Budget: October 2022–23: Budget Strategy and Outlook: Budget Paper No. 1](#), 25 October 2022, p. 56.

<sup>54</sup> Lotanna Emedigwu, ['How is the war in Ukraine affecting global food prices?'](#), *Economics Observatory*, 21 June 2022.

<sup>55</sup> Australian Government, [Budget: October 2022–23: Budget Strategy and Outlook: Budget Paper No. 1](#), 25 October 2022, p. 56.

<sup>56</sup> Mr James Jackson, President, NSW Farmers, cited in Jack Mahony, ['Treasurer Jim Chalmers working to limit impact on fresh produce supplies as NSW floods destroy crops'](#), *Sky News*, 6 July 2022.

<sup>57</sup> Australian Red Cross, ['Busiest year on record for Red Cross Emergency Services in NSW'](#), *Media Release*, 30 December 2022.

## Corporate profits

2.46 The Australia Institute has argued that corporate profits were contributing to inflationary pressures.<sup>58</sup>

2.47 Globally, corporate profits have been particularly high within the resources and energy sectors.

2.48 Industry analyst, James Thomson, noted that from 2020, resource companies have seen record profits in dollar terms, but not necessarily record margins:

While profit has been rising on the back of high commodity prices, tight labour market conditions and supply chain disruptions have been eating into some of those gains. A lot of production is also sold on long-term contracts so the high spot prices we are seeing in the market do not completely flow through to revenue and profit gains for producers.<sup>59</sup>

2.49 National Australia Bank senior economist, Mr Brody Viney, described the tendency of firms to pass on higher costs to maintain profit margins as a 'critical factor' driving Australian inflation.<sup>60</sup>

2.50 On 8 November 2022, Mr Luke Yeaman, Deputy Secretary at the Department of the Treasury, told the Senate Economics Legislation Committee that 'the main driver of larger corporate profits and a larger profit share is the extraordinary commodity prices we have seen to date'.<sup>61</sup>

2.51 However, Mr Tom Rosewall from the RBA addressed these arguments during his evidence before the committee, noting:

At an aggregate level the profit share across the economy has increased in the latest data. But when you extract from the mining sector and the role of high commodity prices and look at the rest of the economy, the nonmining economy, it's the case... that the profit share [as a proportion of the national accounts] has been broadly stable.<sup>62</sup>

2.52 Mr Luke Yeaman, Deputy Secretary at the Treasury, similarly told the committee the key driver of higher profit shares is the impact of higher commodity prices for the mining sector. Mr Yeaman said that if mining sector

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<sup>58</sup> David Richardson, Matt Saunders, and Richard Denniss, 'Are wages or profits driving Australia's inflation? An analysis of the National Accounts', Australia Institute, July 2022.

<sup>59</sup> Nick Evershed, '[Amid opposition to gas price caps, Australia's resources companies make record profits](#)', *The Guardian*, 23 December 2022.

<sup>60</sup> Daniel Ziffler, '[The profit crisis is the inflation-driving pressure we don't talk about](#)', *ABC News*, 15 November 2022.

<sup>61</sup> Mr Luke Yeaman, Deputy Secretary, Department of the Treasury, *Senate Economics Legislation Proof Committee Hansard*, 8 November 2022, p. 13.

<sup>62</sup> Mr Tom Rosewall, Deputy Head of Economic Analysis Department, Reserve Bank of Australia, *Committee Hansard*, 1 February 2023, p. 17.

profits were excluded, current conditions were 'not out of line with historical averages'.<sup>63</sup>

2.53 Supporting this position, Ms Cassandra McCarthy of Glencore Australia noted that the resources sector was cyclical, meaning years with higher profits offset years in which companies may face losses.<sup>64</sup>

2.54 The Business Council of Australia (BCA) similarly submitted:

...there is no credible evidence of the profitability of businesses contributing to higher inflation...Commentary to the contrary is misleading and unhelpful.<sup>65</sup>

2.55 BCA further stated:

The suggestion that business profiteering is to blame for cost of living pressures is simply not supported by economic data...profits in the non-mining sector as a share of the economy have steadily fallen the past couple of decades.<sup>66</sup>

2.56 With regard to claims that profits in the mining industry were driving inflation, the Minerals Council of Australia noted that '[a] strong mining industry is critical for securing Australia's prosperity', and pointed to the industry's contribution of 2.4 trillion in resources and export revenue over the last decade.<sup>67</sup>

2.57 Ms McCarthy also emphasised the important role played by the resources sector for the Australian economy, telling the committee that over recent years, strong commodity prices had led to 'significantly higher corporate tax and royalty revenue for federal and state governments'.<sup>68</sup>

### **Internal and other factors**

2.58 The committee heard evidence from witnesses that reflected the internal drivers and other factors that were placing increased pressure on inflation and the cost of living for consumers. These pressures included the Government's fiscal policy, corporate profits, and domestic economic factors outlined below and in later chapters.

2.59 The BCA also attributed rising costs of living to:

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<sup>63</sup> Mr Luke Yeaman, Deputy Secretary, Macroeconomic Group, Treasury, *Committee Hansard*, 3 February 2023, p. 58.

<sup>64</sup> Ms Casandra McCarthy, Corporate Affairs, Glencore Australia, *Committee Hansard*, 1 February 2023, pp. 2 and 6.

<sup>65</sup> Business Council of Australia, *Submission 68*, p. 2.

<sup>66</sup> Business Council of Australia, *Submission 68*, p. 9.

<sup>67</sup> Minerals Council of Australia, *Submission 9*, p. 2

<sup>68</sup> Ms Casandra McCarthy, Corporate Affairs, Glencore Australia, *Committee Hansard*, 1 February 2023, p. 1.

- emergency financial support and reduced spending by Australians during lockdowns that increased the cash reserves of many households;
- pent-up demand following the pandemic;
- labour shortages resulting from the halt on migration and the closure of businesses during the pandemic; and
- record low interest rates that led to a spike in borrowing (particularly for houses).<sup>69</sup>

### **Government's fiscal policy response**

2.60 This section outlines some of the Government's fiscal policy responses to cost of living pressures.

### **Fiscal policy and its impact on cost of living pressures**

2.61 The committee received evidence noting the relationship between fiscal policy settings and the cash rate. Put simply:

...the lower is government spending, the less likely are future interest rate increases. The RBA can use monetary policy to bring inflation back to normal by stifling demand, but not without severely hurting mortgage holders and borrowers and ultimately recessionary risks through increased borrowing costs.<sup>70</sup>

2.62 That is, where imprudent fiscal policy drives inflationary pressures and therefore costs of living, the RBA's necessary fiscal response will also increase pressures on households through increasing mortgage rates. Similarly, the inverse is true; '[t]o align inflationary expectations in the right direction, it is important for the government to curtail excess government spending.'<sup>71</sup>

2.63 Dr Lowe of the RBA echoed this in a statement to the Senate Economics Committee, noting, 'it's helpful if monetary policy and fiscal policy are not working in opposite directions'. Economists from the University of Western Australia went further, telling the Committee that 'if the government is running a structural deficit, its fiscal policy is expansionary'. The expert economists went on to clarify that 'overall, the Federal Government's fiscal policy, as set out in the 2022–23 October Budget, is not complementary to the RBA's monetary policy.'<sup>72</sup>

2.64 Based on this evidence, the Government's current fiscal policy therefore is contributing to the cost of living crisis in two ways. First, adding to inflationary

<sup>69</sup> Business Council of Australia, *Submission 68*, pp. 6–8.

<sup>70</sup> Department of Economics, University of Western Australia, *Submission 30*, p. 1.

<sup>71</sup> Department of Economics, University of Western Australia, *Submission 30*, p. 3.

<sup>72</sup> Answers to written questions on notice by Professor Peter Robertson, Professor Jakob Madsen, Dr Girish Bahal, Dr Shawn Chen, Professor David Gilchrist, and Dr Michael Palmer (received 5 April 2023), p. 2.

pressures by increasing net income and inflationary expectations.<sup>73</sup> Second, it means that the RBA is required to further increase the cash rate to bring down inflation, contributing to mortgage stress for many property owners.

- 2.65 Dr Timo Heckel of the research school of economics at the Australian National University, noted that 'fiscal policy could do more' to address the cost of living crisis, while professional economists and commentator Dr Chris Richardson was even more blunt, stating, '[t]here are several reasons for budget repair, but right now it can take the pressure off inflation'.<sup>74</sup>

### **The Government's approach to cost of living pressures**

- 2.66 Finance Minister, Senator the Hon Katy Gallagher, said the October budget would have a 'cost of living lens applied to it' with a view to offsetting the inflationary challenges faced by households and businesses.<sup>75</sup>

- 2.67 The Prime Minister, the Hon Anthony Albanese MP, said his Government would not implement broad payments designed to alleviate cost of living pressures on households, stating:

...the easy option would have been for us to funnel these savings straight into a cash-splash, a one-off giveaway to buy a headline. Cheap politics and hugely expensive economics. Not just because of the dollar cost. Not just because that's exactly the sort of short-term approach that got Australia into this situation. But because the untargeted spending would make the problem worse. Instead of helping households, it would only add to the inflationary pressures that are eating away at family budget and devaluating wages. What's more it would put the independent Reserve Bank in a position where it would likely raise interest rates higher than it otherwise would. Fiscal policy needs to work with monetary policy, not contradict it.<sup>76</sup>

- 2.68 The Government in its October 2022 budget, announced cost of living relief as one of its three budget priorities.<sup>77</sup> The budget outlined a five-point plan to deliver cost of living relief:

- making early childhood education and care more affordable;
- reducing the cost of essential medicines;
- expanding paid parental leave;

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<sup>73</sup> Department of Economics, University of Western Australia, *Submission 30*, p. 3.

<sup>74</sup> The Australian, 'RBA sends SOS to Albanese government over inflation', *The Australian*, 14 February 2023.

<sup>75</sup> Senator the Hon Katy Gallagher, Minister for Finance, '[ABC Insiders](#)', *Transcript*, 29 May 2022.

<sup>76</sup> The Hon Anthony Albanese MP, Prime Minister, '[The Doors of Opportunity](#)', *Speech*, 2 November 2022.

<sup>77</sup> The other priorities were: building a stronger, more resilient, and more modern economy; and paying for what is important. See, Australian Government, [Budget: October 2022–23: Budget Strategy and Outlook: Budget Paper No. 1](#), 25 October 2022, p. 8.

- improving housing supply and affordability; and
  - getting wages moving.<sup>78</sup>
- 2.69 However, the committee notes that in the assessment of the Treasury, the impact of the October 2022 budget on inflation would be 'broadly neutral' over the forward estimates, reflecting that these measures will neither increase nor decrease the inflation inherent in the economy.<sup>79</sup>
- 2.70 The Committee also notes that, of the measures included in the five-point plan, measures relating to childcare, paid parental leave, and housing are not due to commence until 1 July 2023, with aspirational targets being used to drive some outcomes and the impact of these measures unlikely to deliver immediate relief to consumers in the short term.
- 2.71 The committee further notes in relation to measures to increase wages, these have yet to see realised changes to the real wages of workers, and, as has been outlined above, may risk the realisation of a wage price spiral.
- 2.72 See Chapter 5 for more on housing affordability.

### **Other fiscal responses**

- 2.73 On 9 December 2022, the Federal Government announced that it had reached agreement with Queensland and New South Wales to impose a temporary price cap of \$125 per tonne of coal used for electricity generation.<sup>80</sup>
- 2.74 Subsequently, the Commonwealth Government recalled Parliament and on 15 December 2022, the Parliament passed the Treasury Laws Amendment (Energy Price Relief Plan) Bill 2022 that would impose an 'emergency price order' of \$12 per gigajoule of uncontracted gas (See also Chapter 4).<sup>81</sup>
- 2.75 Introducing the Bill, the Treasurer, the Hon Dr Jim Chalmers said:

This bill and this government recognises that Australian households and businesses are confronting unsustainable, unacceptable energy price rises. We respond today with urgent, targeted, meaningful action—to take some of the sting out of these price rises, and to provide direct energy bill relief.<sup>82</sup>

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<sup>78</sup> Australian Government, [Budget: October 2022–23: Budget Strategy and Outlook: Budget Paper No. 1](#), 25 October 2022, pp. 8–11.

<sup>79</sup> Mr Luke Yeaman, Deputy Secretary, Department of the Treasury, *Senate Economics Legislation Proof Committee Hansard*, 8 November 2022, p. 28.

<sup>80</sup> Phillip Coorey, ['States and Commonwealth to co-fund power bill assistance'](#), *Australian Financial Review*, 9 December 2022.

<sup>81</sup> The Hon Dr Jim Chalmers, Treasurer, *House of Representatives Proof Hansard*, 15 December 2022, pp. 10–11.

<sup>82</sup> The Hon Dr Jim Chalmers, Treasurer, *House of Representatives Proof Hansard*, 15 December 2022, pp. 10–11.

- 2.76 At the time of writing, no energy bill relief has been provided to Australian consumers and the Government is yet to fulfil its election commitment of delivering a reduction in energy bills of \$275.
- 2.77 See Chapter 4 for more on energy affordability.
- 2.78 On 5 September 2022, the Government announced the 'largest indexation increase to payments in more than 30 years' that would be received by 4.7 million Australians, including by increasing:
- the Service Pension, Age Pension, Disability Support Pension, and Carer Payment by \$38.90 per fortnight for singles and by \$58.80 per fortnight for couples;
  - the JobSeeker Payment for singles without children by \$25.70 per fortnight and by \$23.40 per fortnight for those with partners;
  - the Parenting Payment for singles by \$35.20 per fortnight and by \$23.40 per fortnight for those with partners;<sup>83</sup> and
  - increases to other payments.<sup>84</sup>
- 2.79 The committee notes that these increases did not require any decision by the Government and are an effect of long-standing legislation. It would have been unusual for the Government not to provide these legislated increases.
- 2.80 See Chapter 3 for more on income support payments.

### **Interim committee findings**

**Finding 1:** Real wages are not growing and have deteriorated due to high inflation.

**Finding 2:** The most effective way to reduce inflation is to have monetary policy and fiscal policy working in the same direction.

**Finding 3:** While the cost of living in Australia is being driven by a range of factors, including supply shocks and adverse weather events, domestic policy settings are also major contributors to inflation.

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<sup>83</sup> The Hon Amanda Rishworth MP, ['4.7 million Australians to receive Government payment increases'](#), *Media Release*, 5 September 2022.

<sup>84</sup> Including ABSTUDY, Austrudy, and Youth Allowance, and other student payments. See Department of Social Services, ['Indexation Rates January 2023'](#), DSS website (accessed 2 May 2023).

# Chapter 3

## The impact

### The experience of Australian households and the not-for-profit sector

- 3.1 For many Australian households, mounting cost of living pressures have come on the back of years of hardship and economic pain resulting from the COVID-19 pandemic. The committee has heard that the cost of living crisis is driving new cohorts of people—many with solid incomes and stable jobs—to seek support just to make ends meet.
- 3.2 Across the board, not-for-profit organisations widely drew a correlation between growing cost of living pressures and increased demand for their services.<sup>1</sup> However, much of the evidence before the committee suggests that different groups are experiencing cost of living pressures differently, although already disadvantaged cohorts remain at risk and in need of support.<sup>2</sup>
- 3.3 This chapter details the experiences of many Australian households that are facing increasing pressures associated with the rising cost of living, and describes the impact that the growing need for support services is having on the not-for-profit sector. Finally, this chapter outlines some of the proposals received by the committee that could assist in alleviating the impacts of the cost of living crisis.

#### Under mounting pressure

- 3.4 Evidence before the committee repeatedly emphasised that the cost of living is making it harder for many to live within social safety nets and that charities and not for profits are increasingly being approached by individuals impacted by the cost of living crisis.
- 3.5 The evidence presented to the committee demonstrated that the impacts of the cost of living crisis were widespread, and not limited to those on income support or other government payments. Ms Brianna Casey, Chief Executive Officer of Foodbank, told the committee that a 'job is no longer a shield against a cost-of-

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<sup>1</sup> See for example, Mr Toby oConnor, Chief Executive Officer, St Vincent de Paul Society, *Committee Hansard*, 1 February 2023, p. 28; Consumer Action Law Centre, *Submission 42*, p. 1; and Lifeline, *Attachment 1*.

<sup>2</sup> See for example, Brotherhood of St Laurence, *Submission 34*, p. 3; and Mission Australia, *Submission 51*, p. 1.

living crisis'.<sup>3</sup> Reverend Stu Cameron, Chief Executive Officer of Wesley Mission, similarly noted the 'changing face of financial stress and poverty in our nation', describing how Wesley Mission is increasingly seeing people in need of support who are employed—sometimes even double-income families.<sup>4</sup>

- 3.6 Research commissioned by Finder found that younger Australians had been particularly affected by cost of living pressures, with 85 per cent of 18 to 28 year olds reporting that they had reduced spending due to the rising cost of living. Over half of this age group (54 per cent) also reporting feeling financially pressured to look for a second job.<sup>5</sup>

**Figure 3.1 Living cost indexes by group, annual change**



Source: ABS data, chart from Business Council of Australia, Submission 20, p. 5

- 3.7 Foodbank provided the committee with some data on the extent of the hardships facing many communities across the country:
- 1.3 million children are reportedly living in severely food-insecure households, skipping meals, going entire days without eating, and compromising their nutrition;
  - 54 per cent of households cited increased or high costs of living as the reason they could not meet their household needs;
  - in 54 per cent of food-insecure households, someone was in paid work; and
  - half a million households would struggle to put a meal on the table tonight.<sup>6</sup>

<sup>3</sup> Ms Brianna Casey, Chief Executive Officer of Foodbank, *Committee Hansard*, 1 February 2023, pp. 28 and 35.

<sup>4</sup> Rev Stu Cameron, Chief Executive Officer of Wesley Mission/Wesley Community Services, *Committee Hansard*, 1 February 2023, p. 29.

<sup>5</sup> Mr Chris Ellis, Chief Executive Officer, Finder Australia, *Committee Hansard*, 1 February 2023, p. 38.

<sup>6</sup> Ms Brianna Casey, Chief Executive Officer, Foodbank, *Committee Hansard*, 1 February 2023, p. 28.

3.8 The Australian Council of Social Services (ACOSS) provided the following survey data to the committee:

- 96 per cent of respondents receiving welfare payments said the support was inadequate to cover the costs of basic goods;
- two-thirds reported skipping meals or eating less;
- 70 per cent were reducing their use of heating;
- half of respondents reported that they were in energy debt or were expecting to go into energy debt; and
- 96 per cent were paying more than 30 per cent of their income in rent.<sup>7</sup>

3.9 Anglicare Australia submitted that nine per cent of individuals they surveyed who were receiving Centrelink payments had experienced homelessness or had 'couch-surfed' while living on income support, while nearly three-quarters (72 per cent) reported regularly skipping meals to save money.<sup>8</sup>

3.10 Ms Jennifer Kirkaldy from the Salvation Army Australia also noted that around 77 per cent of community members surveyed by the Salvation Army expressed concerns that they would not be able to afford food for their family.<sup>9</sup>

3.11 Finder's research also found that nearly a third of Australians had asked a family member or friend for financial help during 2022, with half of that group seeking assistance with paying for groceries.<sup>10</sup>

3.12 Uniting Victoria and Tasmania shared some highlights from its own research that found 92 per cent of respondents were cutting back on food and groceries due to rising costs.<sup>11</sup>

3.13 Ms Kirkaldy encouraged the committee to consider the human impact of cost of living pressures:

[W]e need to avoid thinking of the economy as a separate and distinct entity to the community. The economy is how we've chosen to exchange our time, talent and treasure. It serves the community, not the other way round.<sup>12</sup>

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<sup>7</sup> Dr Cassandra Goldie, Chief Executive Officer, Australian Council of Social Services, *Committee Hansard*, 1 February 2023, p. 45.

<sup>8</sup> See for example, Anglicare Australia, *Submission 35*, p. 5.

<sup>9</sup> Ms Jennifer Kirkaldy, General Manager, Policy and Advocacy, The Salvation Army Australia, *Committee Hansard*, 1 February 2023, p. 27.

<sup>10</sup> Mr Chris Ellis, Chief Executive Officer, Finder Australia, *Committee Hansard*, 1 February 2023, p. 38.

<sup>11</sup> Mr Tomas Johnson, Manager Advocacy and Public Policy, Uniting Victoria and Tasmania, *Committee Hansard*, 1 February 2023, p. 29.

<sup>12</sup> Ms Jennifer Kirkaldy, General Manager, Policy and Advocacy, The Salvation Army Australia, *Committee Hansard*, 1 February 2023, p. 27.

3.14 Ms Kirkaldy emphasised that 'the rising cost of living is hurting all of us but is not hurting us equally'.<sup>13</sup>

3.15 Ms Clare Savage, Chair of the Australian Energy Regulator, told the committee that the impact of energy prices was inequitably felt, with those in homes with fewer energy efficiencies experiencing disproportionate cost increases:

Those that are actually in the bottom quartiles by [Australian Bureau of Statistics] standards tend to live in the poorest housing conditions, they have the least energy efficient homes, they are least able to access solar and batteries, which are ways of avoiding network and wholesale costs, and so they tend to pay more with less income.<sup>14</sup>

3.16 Ms Kellie Wishart, Chief Executive Officer of CareNet, claimed that households in her area in the eastern suburbs of Melbourne are feeling cost of living pressures in terms of rent, petrol, utilities, and (more recently) the cost of food. She told the committee:

Previously, giving somebody food was a good way to free up money elsewhere to pay something else. They weren't necessarily saying, 'I can't afford food'...Now they're also saying, 'I can't afford my mortgage and my food.'<sup>15</sup>

3.17 Ms Wishart detailed how the cost of accessing Foodbank had almost doubled since the start of the pandemic, driving up costs or limiting the reach of not-for-profits, even as demand for their services is rising.<sup>16</sup>

3.18 Mr Joel Dignam, Executive Director of Better Renting, told the committee that people are being forced to make trade-offs between key areas of expenditure: '[w]e hear from people cutting back on food, and living in substandard housing, and whose mental and physical health were consequently suffering'.<sup>17</sup>

3.19 Significantly, the evidence provided to the committee indicated that mortgage stress is driving some Australians to seek help from charities. Mission Australia submitted:

People are being forced to make stark choices about what they can afford to pay for, and many are having to go without meals, medical care, resources for their children's education, and other items that the Australian community considers to be the basic essentials of life.<sup>18</sup>

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<sup>13</sup> Ms Jennifer Kirkaldy, General Manager, Policy and Advocacy, The Salvation Army Australia, *Committee Hansard*, 1 February 2023, p. 27.

<sup>14</sup> Ms Clare Savage, Chair, Australian Energy Regulator, *Committee Hansard*, 2 February 2023, p. 35.

<sup>15</sup> Ms Kellie Wishart, Chief Executive Officer, CareNet, *Committee Hansard*, 1 March 2023, p. 6.

<sup>16</sup> Ms Kellie Wishart, Chief Executive Officer, CareNet, *Committee Hansard*, 1 March 2023, p. 7.

<sup>17</sup> Mr Joel Dignam, Executive Director, Better Renting, *Committee Hansard*, 3 February 2023, p. 24.

<sup>18</sup> Mission Australia, *Submission 51*, p. 1.

- 3.20 Ms Wishart told the committee that CareNet was seeing a growing clientele seeking food relief so that they could make their mortgage repayments. She also described how she was now seeing families with solid incomes coming to CareNet for support to meet their needs.<sup>19</sup>
- 3.21 Similarly, Anglicare Australia observed that, '[m]ore and more people, including those working full time, are struggling to afford essentials such as food, utilities, and rent'.<sup>20</sup>
- 3.22 The Council on the Ageing (COTA) stated that older Australians are having to make 'difficult' decisions in relation to their spending, with many having to forego all but 'non-ultra essentials' (that which they could absolutely not do without). COTA told the committee that older people on low fixed incomes, as well as those with chronic illnesses or health issues, were having to make the deepest cuts to their expenditure, with many cutting back on medication, health services, fresh food, and trips to see family and friends.<sup>21</sup>
- 3.23 COTA submitted that cost of living pressures are not only impacting the financial wellbeing of older Australians, but in so doing are also undermining their sense of self-reliance, health, wellbeing, and patterns and frequency of family and community interact.<sup>22</sup>

### **Mental health**

- 3.24 The committee heard evidence that cost of living pressures are increasingly taking a toll on the mental health of many Australians. For example, research by Uniting Victoria and Tasmania found that half of respondents are experiencing mental health impacts as a result of cost of living pressures.<sup>23</sup>
- 3.25 Rev Cameron told the committee that cost of living pressures now constitute the highest risk of suicide.<sup>24</sup> Suicide Prevention Australia also submitted that cost of living was now one of the highest rated risk factors for suicide.<sup>25</sup> Suicides in New South Wales reportedly increased by five per cent from 2021 to 2022, whilst the

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<sup>19</sup> Ms Kellie Wishart, Chief Executive Officer, CareNet, *Committee Hansard*, 1 March 2023, p. 2.

<sup>20</sup> Anglicare Australia, *Submission 36*, p. 4.

<sup>21</sup> Council on the Ageing, *Submission 56*, p. 5.

<sup>22</sup> Council on the Ageing, *Submission 56*, p. 3.

<sup>23</sup> Mr Tomas Johnson, Manager Advocacy and Public Policy, Uniting Victoria and Tasmania, *Committee Hansard*, 1 February 2023, p. 29.

<sup>24</sup> Rev Stu Cameron, Chief Executive Officer of Wesley Mission/Wesley Community Services, *Committee Hansard*, 1 February 2023, p. 29.

<sup>25</sup> Suicide Prevention Australia, *Submission 3*, p. 1.

number of suicides in Victoria in 2022 reportedly hit the highest number of deaths on record.<sup>26</sup>

- 3.26 Lifeline stated that there is a correlation between low income and income uncertainty with a higher risk of suicide.<sup>27</sup> Beyond Blue observed that there is a 'bi-directional' relationship between financial wellbeing and mental health, claiming that concerted efforts were needed to address the mental health consequences of growing cost of living pressures.<sup>28</sup> Suicide Prevention Australia submitted that those facing severe financial strain may be as much as 20-times more likely to take their own life.<sup>29</sup>
- 3.27 Suicide Prevention drew the committee's attention to the disproportionate impact on First Nations Peoples, who experience both higher rates of financial exclusion as well as higher rates of suicide.<sup>30</sup>
- 3.28 Beyond Blue emphasised the impact of cost of living pressures on small business owners, who are still recovering from financial pressures associated with the COVID-19 pandemic, and vulnerable demographics.<sup>31</sup>
- 3.29 Beyond Blue reported that financial stress was the third most common reason for people accessing its phone support service, with over a third (37 per cent) of respondents to a national survey telling the organisation that cost of living pressures had negatively impacted their mental health over the last year.<sup>32</sup> Lifeline similarly described an uptick in clients reporting financial strain as a key stressor, submitting that all 50 of their busiest days on record have occurred since August 2021.<sup>33</sup>
- 3.30 Lifeline argued that the full impact of financial stressors and the cost of living crisis on the mental health of Australians had not yet been felt.<sup>34</sup>

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<sup>26</sup> Lifeline, *Submission 41*, p. 5.

<sup>27</sup> Lifeline, *Submission 41*, p. 3.

<sup>28</sup> Beyond Blue, *Submission 14*, p. 1.

<sup>29</sup> Suicide Prevention Australia, *Submission 3*, p. 1.

<sup>30</sup> Suicide Prevention Australia, *Submission 3*, pp. 2–3.

<sup>31</sup> Beyond Blue, *Submission 14*, pp. 2–3.

<sup>32</sup> Beyond Blue, *Submission 14*, p. 2.

<sup>33</sup> Lifeline, *Submission 41*, pp. 3–4.

<sup>34</sup> Lifeline, *Submission 41*, p. 5.

### The poverty premium

- 3.31 The Consumer Action Law Centre argued that there is a 'poverty premium', in which financially disadvantaged Australians are often forced to pay more for essential goods and services, trapping them in financial difficulty.<sup>35</sup>
- 3.32 ACOSS told the committee that inadequate social support payments are 'corrosive of people's sense of dignity' and was harming people's mental and physical health.<sup>36</sup> The Salvation Army submitted that rising cost of living pressures have become the leading reason people seek support from the charity, stating that it has become 'more and more expensive to be poor in Australia'.<sup>37</sup>

### Impact on charities

- 3.33 The cost of living crisis is severely impacting Australia's charity and not-for-profit sector in two main ways. First, it places increasing demand on the services charities provide to the community. Ms Kirkaldy told the committee that cost of living pressures have become the leading reason for people needing the Salvation Army's emergency relief services, with one-in-three recipients identifying the cost of living as the reason they need help.<sup>38</sup> Separately, the Salvation Army reported that 15 per cent more Queensland families were in need of their support in late 2022 than the year before.<sup>39</sup>
- 3.34 Ms Kirkaldy told the committee they were seeing a shift in the types of people looking for support from the Salvation Army: 'we are seeing more people who are employed and more people asking for food instead of vouchers'.<sup>40</sup>

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<sup>35</sup> Consumer Action Law Centre, *Submission 42*, p. 1–2.

<sup>36</sup> Dr Cassandra Goldie, Chief Executive Officer, Australian Council of Social Services, *Committee Hansard*, 1 February 2023, p. 45.

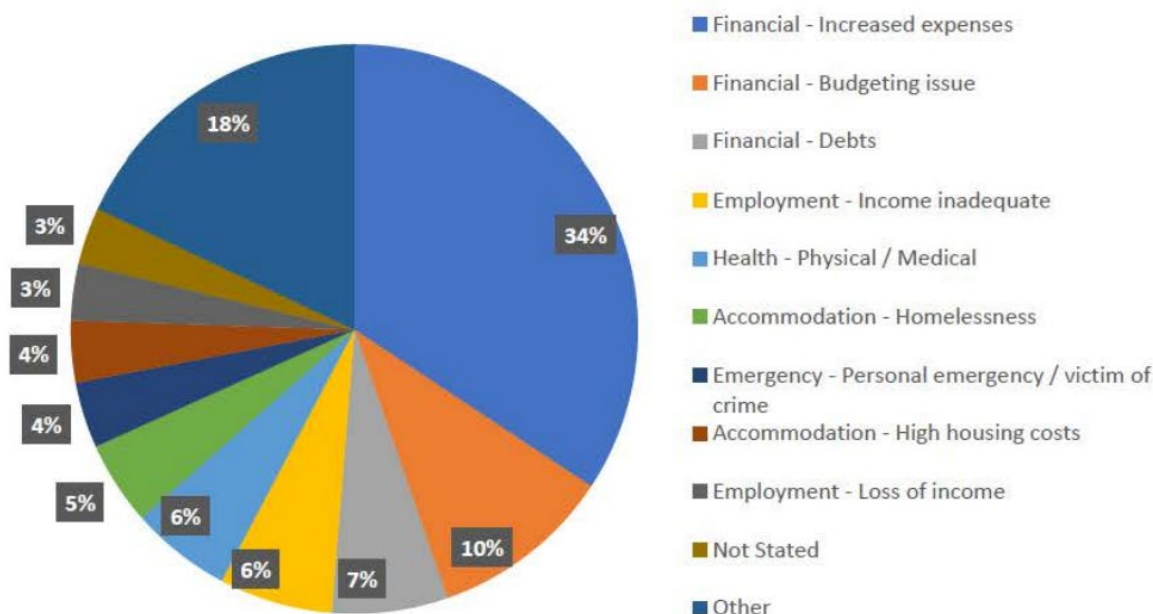
<sup>37</sup> The Salvation Army, *Submission 11*, p. 4.

<sup>38</sup> Ms Jennifer Kirkaldy, General Manager, Policy and Advocacy, The Salvation Army Australia, *Committee Hansard*, 1 February 2023, p. 27.

<sup>39</sup> Sally Eeles and Scout Wallen, '[Christmas retail spending set to exceed \\$21.5 billion despite relentless cost of living increases](#)', *ABC News*, 21 December 2022.

<sup>40</sup> Ms Jennifer Kirkaldy, General Manager, Policy and Advocacy, The Salvation Army Australia, *Committee Hansard*, 1 February 2023, p. 27.

**Figure 3.2 The Salvation Army Doorways Emergency Relief: Main reasons for seeking assistance in 2022 to January 2023**



Source: *The Salvation Army, Submission 11, p. 6.*

3.35 This increasing reliance on the not-for-profit sector, particularly by cohorts that previously did not receive charitable aid, were considered by the committee to be the 'primary' impacts of the cost of living crisis on the sector.

3.36 Second, the evidence to the committee pointed to the emergence of a 'perfect storm' facing the not-for-profit sector, which was facing growing demand for its services, even whilst facing mounting costs and increasing pressures on revenue.

3.37 Ms Casey told the committee:

...we currently exist in a perfect storm of a cost-of-living crisis, an income crisis and natural disasters that are growing in frequency and intensity. All of this is impacting on not only the demand for food relief but also our supply. Just as it is costing customers more to buy food and groceries, turn on the lights, fuel their vehicles or keep a roof over their heads, it is also costing Foodbank more to source, store and transport essential food and grocery relief at a time when demand for that relief has never been higher.<sup>41</sup>

3.38 Ms Casey and Rev Cameron also warned that the sector was facing a fatigued workforce that had responded to disaster after disaster for years.<sup>42</sup>

<sup>41</sup> Ms Brianna Casey, Chief Executive Officer of Foodbank, *Committee Hansard*, 1 February 2023, p. 28.

<sup>42</sup> Ms Brianna Casey, Chief Executive Officer of Foodbank, *Committee Hansard*, 1 February 2023, p. 31; and Rev Stu Cameron, Chief Executive Officer of Wesley Mission/Wesley Community Services, *Committee Hansard*, 1 February 2023, p. 31.

- 3.39 These 'secondary' impacts of the cost of living crisis make it harder for the sector to respond to the primary effects discussed above.
- 3.40 For example, Mr Toby oConnor from the St Vincent de Paul Society described a 20 per cent increase in requests for his organisation's services in New South Wales and a 65 per cent increase in Western Australia from 2017 to 2020.<sup>43</sup> Similarly, Woolworths told the Committee that they had increased their donations of food to their charity partners to keep up with increasing demand.<sup>44</sup>
- 3.41 Rev Cameron told the committee that Wesley Mission's emergency relief teams had supported two-thirds (67 per cent) more people in 2022, but had nevertheless had to turn away around half of all referrals to them:
- [We] are having to make the terrible decision to prioritise people who are experiencing extreme financial difficulty in scaling the amount of support available to spread resources further.<sup>45</sup>
- 3.42 The Brotherhood of St Laurence submitted that its costs are growing faster than its income—particularly for services delivered through government contracts—at a time when demand for its services is growing.<sup>46</sup>

### **Evidence on potential solutions**

- 3.43 The committee received submissions from a number of representatives from the charities and not-for-profit sector that the rate of income support should increase beyond current levels to address the rising costs of living. Mr oConnor warned that, given rising living costs, the levels of assistance that had historically been provided would no longer be sufficient.<sup>47</sup> Mission Australia submitted that '[t]he evidence is clear that current income support levels are not enough to keep Australians out of poverty'.<sup>48</sup> It called for a 'redesign' of the federal income support system to permanently boost payments.<sup>49</sup>
- 3.44 People with Disability called on the Government to index-link the Disability Support Pension, to raise the JobSeeker payment, and to increase

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<sup>43</sup> Mr Toby oConnor, Chief Executive Officer, St Vincent de Paul Society, *Committee Hansard*, 1 February 2023, p. 28.

<sup>44</sup> Mr Paul Harker, Chief Commercial Officer, Woolworths Supermarkets, *Committee Hansard*, 1 February 2023, p. 20.

<sup>45</sup> Rev Stu Cameron, Chief Executive Officer of Wesley Mission/Wesley Community Services, *Committee Hansard*, 1 February 2023, p. 29.

<sup>46</sup> Brotherhood of St Laurence, *Submission 34*, p. 8.

<sup>47</sup> Mr Toby oConnor, Chief Executive Officer, St Vincent de Paul Society, *Committee Hansard*, 1 February 2023, p. 32.

<sup>48</sup> Mission Australia, *Submission 51*, p. 1.

<sup>49</sup> Mission Australia, *Submission 51*, p. 2.

Commonwealth Rent Assistance.<sup>50</sup> Other organisations echoed calls for an increase in the JobSeeker rate, including Anglicare Australia and the Salvation Army.<sup>51</sup>

- 3.45 Ms Casey emphasised the need for better data around food insecurity and cost of living pressures, more broadly—particularly for First Nations communities (who, Mr Stuart Foster from the Salvation Army noted, anecdotally appear to be overrepresented among those accessing emergency relief services).<sup>52</sup>
- 3.46 Beyond Blue called for greater investment and better targeted mental health services, particularly for disadvantaged communities.<sup>53</sup>
- 3.47 The committee notes that on 1 January 2023, the Commonwealth halved the number of Medicare-subsidised psychology visits patients can access each year.
- 3.48 Mr oConnor told the committee that the services offered by not-for-profits had become 'a necessary supplement to JobSeeker'. He further stated that whilst government-funded safety nets are enabling many households to afford essentials, they also hide 'the real inadequacy of the income support program'.<sup>54</sup>
- 3.49 Ms Wishart called for more skilled volunteers for not-for-profits addressing cost of living pressures, and said that additional resources are needed to support the sector as it faces increased demand and increased costs.<sup>55</sup>
- 3.50 Mr Tomas Johnson from Uniting Victoria and Tasmania told the committee that 'more systematic and structural reforms' were needed to address the impacts of cost of living pressures on the country's most vulnerable. Specifically, he called for a substantial increase in income support payments; the easing of barriers to accessing income support payments; reforms to better balance employment opportunities with income support; increased investment in affordable housing; and expanded support for those experiencing, or those at risk of, homelessness.<sup>56</sup>

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<sup>50</sup> People with Disability, *Submission 39*, p. 3.

<sup>51</sup> See for example, Anglicare Australia, *Submission 36*, p. 5; and The Salvation Army, *Submission 11*, p. 12.

<sup>52</sup> Ms Brianna Casey, Chief Executive Officer, Foodbank, *Committee Hansard*, 1 February 2023, p. 36; and Mr Stuart Foster, General Manager Community Services, Salvation Army, *Committee Hansard*, 1 February 2023, p. 36.

<sup>53</sup> Beyond Blue, *Submission 14*.

<sup>54</sup> Mr Toby oConnor, Chief Executive Officer, St Vincent de Paul Society, *Committee Hansard*, 1 February 2023, p. 28.

<sup>55</sup> Ms Kellie Wishart, Chief Executive Officer, CareNet, *Committee Hansard*, 1 March 2023, p. 7.

<sup>56</sup> Mr Tomas Johnson, Manager Advocacy and Public Policy, Uniting Victoria and Tasmania, *Committee Hansard*, 1 February 2023, p. 30.

3.51 While acknowledging this evidence, the committee notes the impacts that expansionary fiscal policy has on inflation (discussed above), which is driving the cost of living crisis.

### **Interim committee findings**

**Finding 4:** The cost of living crisis is causing an increase in the demand for services provided by the charitable and not-for-profit sector.

**Finding 5:** As demand for charitable services increases, there is a parallel downturn in the ability of charities to meet this demand due to increased overheads for these organisations and lower levels of charitable giving.



# Chapter 4

## Energy

- 4.1 Energy price rises constitute a significant and growing cost for Australians, and one which many households are unable to reduce. Australian businesses are also feeling the brunt of rising energy costs, with energy accounting for as much as 30 to 40 per cent of input costs for some energy-intensive manufacturers.<sup>1</sup> Business NSW told the Committee that energy costs were the number one source of concern for businesses.<sup>2</sup>
- 4.2 The Commonwealth Government has been acutely aware of the impact that increasing energy prices are having on Australian consumers. Prior to its statements in the 2022–23 October Budget (see below) the then-opposition consistently made a commitment to reduce energy bills for Australians by \$275.<sup>3</sup>
- 4.3 Among the more than 90-times he referred to the commitment prior to the 2022 election, then-opposition Leader, the Hon Anthony Albanese MP, said, '[i]t will see electricity prices fall from the current level by \$275 for households by 2025.'<sup>4</sup>
- 4.4 However, evidence presented to the committee confirmed that this has not taken place. Not only has there been no reduction by \$275, but energy bills have actually continued to increase. Mr Ben Barnes, then-Acting-CEO of the Australian Energy Council, told the committee:
- Our indications are that we'll see price increases this year, and the way the pricing methodologies that the AER and others use in setting the retail price will see it drag on for a couple of years at least. I think the government's commitment related to more renewable energy coming into the system, and the effect of that is yet to be seen, but certainly in the short term, for the next couple of years, we will not see price reductions in this market.<sup>5</sup>
- 4.5 Similarly, Mr Luke Yeaman, Deputy Secretary in the Department of the Treasury, told the committee that the Treasury had forecasted that energy prices in the 2023–24 financial year would rise by 23 per cent even taking into account

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<sup>1</sup> Mr Mark Weaver, General Manager, Industrial Competitiveness and Strategy Branch, Department of Industry, Science and Resources, *Committee Hansard*, 3 February 2023, p. 60.

<sup>2</sup> Oral evidence received by the committee from Business NSW at a public hearing on 21 April 2023. Official transcript pending.

<sup>3</sup> Australian Labor Party, 'Powering Australia', <https://www.alp.org.au/policies/powering-australia> (accessed 26 April 2023).

<sup>4</sup> Archival tape recording of the Hon Anthony Albanese, cited in The Saturday Paper, '[Scott Morrison prepares for the fight of his life](#)', *Transcript*, 10 December 2021.

<sup>5</sup> Mr Ben Barnes, Acting Chief Executive Officer, Australian Energy Council, *Committee Hansard*, 2 February 2023, p. 4.

the new measures implemented by the Government following the 2022–23 October Budget.<sup>6</sup>

- 4.6 This chapter explores the complex energy system and market, and their regulation. It also details how and why energy prices have increased recently, and outlines the Government's recent market interventions. Finally, this chapter outlines some of the solutions to energy-related cost of living pressures proposed by witnesses and submitters.

### **Australia's energy system**

- 4.7 Australia's energy generation comprises coal (which represents 53 per cent of power generated annually, including both black and brown coal), renewables (27 per cent), natural gas (19 per cent), and oil (2 per cent).<sup>7</sup>
- 4.8 In 2019–20, the largest consumers of energy in Australia were electricity suppliers (26 per cent), transport (27 per cent), manufacturing (17 per cent), and mining (14 per cent).<sup>8</sup>

### **Energy markets**

- 4.9 Due to geography and the distance between population centres, Australia does not have a single electricity grid. Energy policy is shared between states and territories and the Federal Government, which is responsible for regulators like the Australian Energy Regulator (AER) and the Australian Competition and Consumer Commission (ACCC).
- 4.10 The National Energy Market (NEM) is the backbone through which energy is generated, traded, and transported across Australia's eastern and south-eastern states to end-users:<sup>9</sup> industry, homes, and businesses.<sup>10</sup> Prices on the NEM are determined by offers from generators to supply electricity at specific volumes and times, and by demand for electricity by end-users and retailers. Prices on the NEM therefore change in response to supply and demand fluctuations.<sup>11</sup>

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<sup>6</sup> Mr Luke Yeaman, Deputy Secretary, Macroeconomic Group, Treasury, *Committee Hansard*, 3 February 2023, p. 59.

<sup>7</sup> Note, figures are for 2020–21. See, Department of Climate Change, Energy, the Environment and Water, '[Australian Energy Statistics, Table O](#)', September 2022.

<sup>8</sup> Paul Graham, Jenny Hayward, James Foster, and Lisa Havas, [GenCost 2021-22](#), Commonwealth Scientific and Industrial Research Organisation, 2022, p. vii.

<sup>9</sup> That is, to the Australian Capital Territory, New South Wales, Queensland, South Australia, Tasmania, and Victoria.

<sup>10</sup> Australian Energy Market Operator, [The National Electricity Market](#), December 2021, p. 1.

<sup>11</sup> Australian Energy Market Operator, [The National Electricity Market](#), December 2021, p. 3.

- 4.11 Two-thirds (67 per cent) of electricity traded on the NEM in 2021–22 was derived from thermal generation (coal, natural gas, and liquid fuel), with the remaining third (33 per cent) derived from renewables (wind, solar, hydro, and biomass).<sup>12</sup>
- 4.12 Whilst more retailers have entered the NEM in recent years, the sector remains highly centralised. AGL Energy, EnergyAustralia, and Origin Energy (collectively known as the 'big 3') served nearly two-thirds of all east coast customers at the start of 2022. The AER reported that the retail energy market was likely to have seen further centralisation throughout the year as some retailers exited the market and others consolidated amid increases in wholesale energy costs.<sup>13</sup>
- 4.13 Western Australia (WA) and the Northern Territory (NT) are not connected to the NEM.<sup>14</sup> The electricity markets in the NT and WA are managed, respectively, by the NT Electricity System and Market Operator (NTESMO) and the Wholesale Electricity Market (WEM). More than two-thirds (68 per cent) of electricity traded on the WEM in 2021–22 was derived from thermal generation, with the remaining third (32 per cent) derived from renewables.<sup>15</sup>

### **Drivers of energy price rises**

- 4.14 Electricity prices spiked in 2022 (see figure 4.1, below). In the first quarter of 2022, the wholesale electricity price (spot price) in the NEM was 141 per cent above that of the previous year.<sup>16</sup> By mid-2022, prices were approaching five-times higher than they had been at the beginning of the year.<sup>17</sup>
- 4.15 In June 2022, the Australian Energy Market Operator (AEMO) imposed price caps on the NEM for some states amid surging prices and projected energy shortfalls. On 15 June 2022, the AEMO suspended trading on the NEM for ten days.<sup>18</sup>

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<sup>12</sup> Australian Energy Market Operator, *Annual Report 2021–22*, 2022, p. 9.

<sup>13</sup> Australian Energy Regulator, [State of the energy market 2022](#), 2022, pp. 201–203.

<sup>14</sup> Australian Energy Market Operator, [The National Electricity Market](#), December 2021, p. 1.

<sup>15</sup> Australian Energy Market Operator, *Annual Report 2021–22*, 2022, p.9.

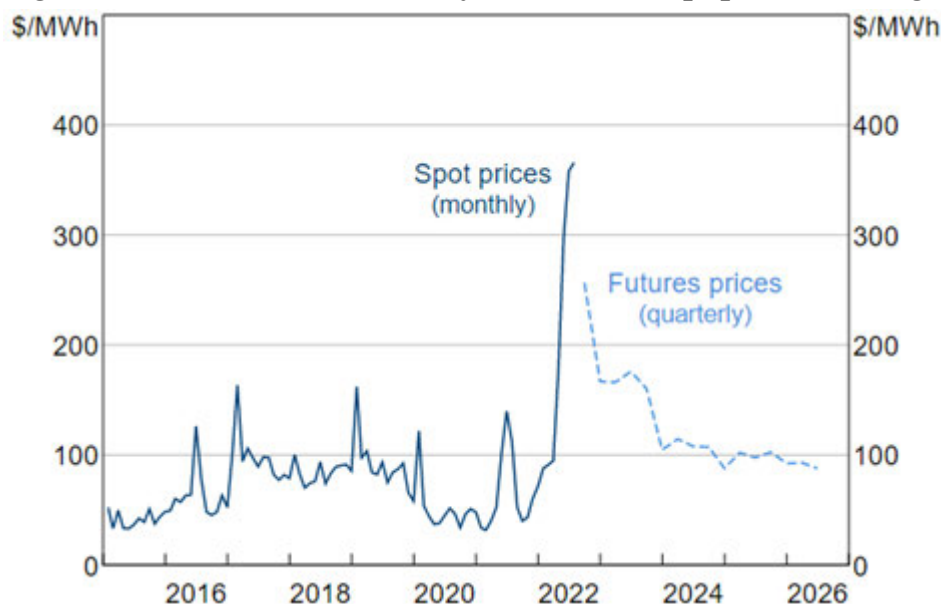
<sup>16</sup> Australia Energy Market Operator, ['Electricity prices driven by outages and higher generation costs in volatile March quarter'](#), *Media Release*, 29 April 2022.

<sup>17</sup> Reserve Bank of Australia, [Statement on Monetary Policy](#), August 2022, p. 53.

<sup>18</sup> Peter Hannam, ['National electricity market suspended as NSW residents told to conserve power to reduce blackout risk'](#), *The Guardian*, 15 June 2022; and Reserve Bank of Australia, [Statement on Monetary Policy](#), August 2022, p. 55.

- 4.16 The AEMO attributed record high energy prices throughout 2022 to high global prices for fossil fuels, outages at coal-fired power plants, supply issues, and the cold winter driving up demand.<sup>19</sup>

**Figure 4.1 Wholesale Electricity Prices: NEM, population-weighted average**



Source: Reserve Bank of Australia, [Statement on Monetary Policy](#), August 2022, p. 53.

- 4.17 The October 2022 budget described conditions in the energy markets, as follows:

Global oil, gas and coal prices have risen sharply following the Russian invasion of Ukraine, driving up energy costs across advanced economies. This resulted in sharply higher petrol prices in Australia earlier this year.

...Domestically, wholesale electricity and gas prices have also risen sharply since early 2022, reflecting higher global prices as well as temporary domestic electricity market disruptions exacerbated by ageing generation assets and inadequate policy certainty to support investment in new energy infrastructure.<sup>20</sup>

- 4.18 The budget forecast that electricity prices would continue to increase by more than 50 per cent through to the end of the 2023–24 financial year.<sup>21</sup>
- 4.19 Mr Barnes told the committee that, aside from the international pressures that had driven up energy prices during 2022, there would be ongoing price

<sup>19</sup> Australian Energy Market Operator, *Annual Report 2021–22*, 2022, p.16.

<sup>20</sup> Australian Government, [Budget: October 2022–23: Budget Strategy and Outlook: Budget Paper No. 1](#), 25 October 2022, p. 56.

<sup>21</sup> Australian Government, [Budget: October 2022–23: Budget Strategy and Outlook: Budget Paper No. 1](#), 25 October 2022, p. 57.

pressures on the energy market as it transitions to renewable sources that require new investments.<sup>22</sup>

- 4.20 Mr Mark Samter, Senior Research Analyst at MST Marquee, told the committee that he thought it unrealistic to reduce the cost of gas, other than through subsidies for consumers.<sup>23</sup>
- 4.21 The committee received evidence on the industry's response to financial hardship faced by its customers. The AEC told the committee that its members were 'acutely aware of the challenges caused by rising prices' and that 'stringent requirements' were in place to ensure effective and meaningful support was on offer to customers in difficulty. Mr Barnes said in February 2023 that there were around 75 000 to 85 000 households on hardship programs—a 10 000 increase on the previous year.<sup>24</sup> He also noted that prices paid by customers were regulated and set by an independent regulator to keep them at an efficient level.<sup>25</sup>
- 4.22 Ms Clare Savage, Chair of the AER, told the committee that there had been a 12 per cent increase in the number of energy customers on hardship programs, but noted this could be the result of retailers doing a better job of identifying customer early rather than indicative of a greater number of customers in hardship. Around 2.5 per cent of all energy customers were in arrears by at least 90 days, with the average debt being around \$1000. A quarter of customers in hardship programs had debts of \$2500, claimed Ms Savage.<sup>26</sup>
- 4.23 Anglicare Australia submitted that, even with hardship programs in place, many low-income households still struggle to reduce their energy debt.<sup>27</sup>
- 4.24 The Consumer Action Law Centre (CALC) submitted that households generally prioritise paying electricity costs, describing increases in the numbers of people facing difficulties paying their electricity bills as the 'canary in the coal mine' that indicates broader financial struggles. CALC said, '[c]allers with energy

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<sup>22</sup> Mr Ben Barnes, Acting Chief Executive, Australia Energy Council, *Committee Hansard*, 2 February 2023, pp. 1–2.

<sup>23</sup> Mr Mark Samter, Senior Research Analyst, MST Marquee, *Committee Hansard*, 2 February 2023, p. 15.

<sup>24</sup> Mr Ben Barnes, Acting Chief Executive, Australia Energy Council, *Committee Hansard*, 2 February 2023, p. 8. Ms Stephanie Jolly from the AEMO told the committee that, as at the end of November 2022, 73 611 customers were in electricity hardship. See, Ms Stephanie Jolly, General Manager, Government and Stakeholder, Australian Energy Market Operator, *Committee Hansard*, 2 February 2023, p. 32.

<sup>25</sup> Mr Ben Barnes, Acting Chief Executive, Australia Energy Council, *Committee Hansard*, 2 February 2023, p. 1.

<sup>26</sup> Ms Clare Savage, Chair, Australian Energy Regulator, *Committee Hansard*, 2 February 2023, p. 4.

<sup>27</sup> Anglicare Australia, *Submission 36*, p. 6.

issues were often also struggling with housing arrears and their day-to-day living expenses, with many using credit and products such as [buy now pay later] to keep up'.<sup>28</sup>

### **Energy market regulation**

- 4.25 Both the NEM and WEM are managed by AEMO, which is mandated to ensure access to affordable, secure, and reliable energy.
- 4.26 Outside Western Australia, wholesale electricity and gas markets and networks are regulated by the AER, which is responsible to the ACCC. The AER also regulates retail energy markets in the Australian Capital Territory, South Australia, New South Wales, and Queensland.
- 4.27 The Australian Energy Market Commission (AEMC) sets the rules and provides advice to government in relation to the national electricity and gas markets.
- 4.28 The Energy Security Board provides oversight for the energy system to ensure security and reliability, and is comprised of the heads of the AEMO, the AER, and the AEMC.
- 4.29 The Energy National Cabinet Reform Committee is a forum for the Commonwealth, states, territories, and New Zealand to work together on priorities and reforms in the energy sector. It is a subcommittee of National Cabinet, replacing the Council of Australian Governments Energy Council.

### **Price fluctuations for key domestic fuel sources**

#### **Coal**

- 4.30 Australia is the world's largest exporter of coal, exporting more than \$40 billion of the commodity annually.<sup>29</sup> Coal is also used for domestic electricity production, forming the bulk of electricity generation and supply in Australia. AEMO's January 2023 Quarterly Energy Dynamics Report noted that black and brown coal combined made up around 45 per cent of the NEM supply mix, compared with a total of 40 per cent for hydro, wind, grid solar, and distributed photovoltaics (i.e. all other non-grid solar).<sup>30</sup>
- 4.31 Currently, AEMO's 30-year electricity market roadmap forecasts 60 per cent of current coal generation exiting by 2030.<sup>31</sup> Power plants responsible for two-thirds (67 per cent) of the current coal-generation capacity are scheduled

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<sup>28</sup> Consumer Action Law Centre, *Submission 41*, p. 3.

<sup>29</sup> Geoscience Australia, '[Overview](#)', website (accessed 24 November 2022).

<sup>30</sup> Australian Energy Market Operator, *Quarterly Energy Dynamics Q4 2022*, January 2023.

<sup>31</sup> Australian Energy Market Operator, 'AEMO releases 30-year electricity market roadmap', *Media Release*, 30 June 2022.

to be withdrawn from the market by 2035. However, there remains a significant gap between the expected demand for energy over this time and beyond, and the new sources of power entering the market. The CEO of AEMO, Mr Daniel Westerman, said in February 2023:

...reliability gaps begin to emerge against the Interim Reliability Measure from 2025 onwards. These gaps widen until all mainland states in the NEM are forecast to breach the reliability standard from 2027 onwards.<sup>32</sup>

- 4.32 Global thermal coal prices quadrupled in 18 months from March 2021.<sup>33</sup> Domestic coal prices also spiked in 2022–23 amid a global surge in demand for coal, increasing transportation and generation costs associated with coal, supply disruptions resulting from outages at coal-fired plants, and extreme weather events.<sup>34</sup>
- 4.33 The Reserve Bank noted that domestic generators had become heavily reliant on spot markets to supply coal for domestic electricity generation, driving up electricity prices further. The Bank expects coal price spikes to drive inflation further in 2023.<sup>35</sup>

## Gas

- 4.34 The main domestic uses of natural gas within Australia are electricity generation (36 per cent), mining (25 per cent), manufacturing (23 per cent), and households (11 per cent).<sup>36</sup>
- 4.35 Natural gas is also cooled to liquid form (LNG) to reduce its volume for export. In 2023, Australia is expected to produce 1981 petajoules (PJ) of natural gas; two-thirds (65.6 per cent) of which is expected to be exported overseas under existing long-term contracts, making Australia the world's biggest exporter of LNG.<sup>37</sup>

<sup>32</sup> Australian Energy Market Operator, '[AEMO issues NEM reliability update](#)', *Media Release*, 21 February 2023.

<sup>33</sup> Attributed to Dr Steven Kennedy PSM, Treasury Secretary, *Economics Legislation Proof Committee Hansard*, Budget Estimates, 8 November 2022, p. 4.

<sup>34</sup> Kate Bettles, '[Energy crisis: Why are electricity prices set to rise?](#)', University of New South Wales, *Media Release*, 7 June 2022.

<sup>35</sup> Reserve Bank of Australia, '[Statement on Monetary Policy](#)', August 2022, p. 54.

<sup>36</sup> Department of Industry, Science and Resources, cited in, Elouise Fowler, 'Three ways the government could lower energy prices', *Australian Financial Review*, 7 December 2022.

<sup>37</sup> Statista, '[Countries with largest liquefied natural gas \(LNG\) export capacity in operation worldwide as of July 2022](#)', July 2022. Note, Ms Samantha McCulloch, the Chief Executive Officer of the Australian Petroleum Production and Exploration Association, told the committee she thought that Australia was the second or third-largest LNG exporter in the world. See *Committee Hansard*, 3 February 2023, p. 5.

- 4.36 Domestic gas prices prior to 2015 ranged from around \$3 to \$5 per gigajoule (GJ).<sup>38</sup> In mid-2020, during the pandemic, prices dropped as low as \$2.29 per GJ. In early 2021, gas prices rose to \$41.24. Following the invasion of Ukraine by Russia in February 2022, prices rose to \$66.99 per GJ.<sup>39</sup> Analysts expect gas prices to remain elevated throughout much of 2023 unless there is an end to the war in Ukraine.
- 4.37 The Reserve Bank of Australia noted in 2021 that gas generation costs had become highly correlated with changes in electricity prices; meaning increased gas prices have a broader impact on domestic electricity costs.<sup>40</sup>
- 4.38 A report by the ACCC in mid-2022 cautioned that, amid the declining allocation of gas to the domestic market, in which LNG exporters are net withdrawers of gas from the domestic market:
- [The] closure of operations [for some manufacturers reliant on gas] was becoming a very real possibility in the short term and more significant demand destruction was likely over the longer term.<sup>41</sup>
- 4.39 CEO of the Australian Petroleum Production and Exploration Association (APPEA), Ms Samantha McCulloch, noted that while much of Australia's gas was exported, the gas supplying the east coast gas market would not have been produced without long-term international supply agreements.<sup>42</sup> She stated:
- ...increasing volatility of Australia's demand profile alongside barriers to new investment in new supply are major contributors to make higher domestic prices. New gas supply is the key to putting sustained downward pressure on prices.<sup>43</sup>
- 4.40 The Minerals Council of Australia similarly noted:
- There is growing demand for gas to provide the firming capacity needed to stabilise electricity networks as they transition away from coal-fired generation to increased renewable energy and storage. Policy settings that impede investment in the supply of gas when there is growing demand for

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<sup>38</sup> Timoth de Atholia and Aaron Walker, 'Understanding the East Coast Gas Market', *Bulletin*, Reserve Bank of Australia, March 2021, p. 84.

<sup>39</sup> Jacob Greber, '[Stand-off over Labor's gas price cap threat](#)', *Australian Financial Review*, 28 September 2022.

<sup>40</sup> Timoth de Atholia and Aaron Walker, 'Understanding the East Coast Gas Market', *Bulletin*, Reserve Bank of Australia, March 2021, p. 87.

<sup>41</sup> Australian Competition and Consumer Commission, [Gas inquiry 2017-2025: Interim report](#), July 2022, p. 6.

<sup>42</sup> Ms Samantha McCulloch, Chief Executive Officer, Australian Petroleum Production and Exploration Association, *Committee Hansard*, 3 February 2023, p. 4.

<sup>43</sup> Ms Samantha McCulloch, Chief Executive Officer, Australian Petroleum Production and Exploration Association, *Committee Hansard*, 3 February 2023, p. 4.

it from major users seeking to reduce emissions will maintain upward pressure on the price of gas.<sup>44</sup>

4.41 The recent spike in the price of Australian gas has been widely attributed to Western sanctions imposed on Russia following its invasion of Ukraine.<sup>45</sup> Overseas demand for LNG intensified throughout 2022, driving up both global and domestic gas prices, as large European users of natural gas sought to reduce their dependence on Russian supplies.<sup>46</sup> Ms McCulloch described the Russian invasion of Ukraine as compounding the 'underlying trend of price increases', attributing steady long-term price increases to underinvestment in new gas supplies and demand volatility.<sup>47</sup>

4.42 While Mr David Lawrence from the Department of Industry, Science and Resources, told the committee that government consultations with industry suggested companies were 'still keen to invest',<sup>48</sup> this does not accord with other evidence received by the committee. Ms McCulloch noted that policy interventions by the Federal Government (see below) were already resulting in investment decisions being delayed: 'we've already seen a number of projects—to use an example, the Senex Atlas project, which is a \$1 billion project that plans to supply the domestic market—be put on hold because of the uncertainty associated with these interventions'.<sup>49</sup>

4.43 Mr Samter told the committee:

...as a market observer I would expect every single producer with potential new growth projects to freeze investment. I think it's, fundamentally, close to impossible for either buyer or sellers to sanction a new project, because you don't know the grounds you're acting within.<sup>50</sup>

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<sup>44</sup> Answers to written questions on notice by the Minerals Council of Australia, received on 11 April 2023, p. 1.

<sup>45</sup> See for example, Sonali Paul, '[Australia's resources revenue to hit record amid Ukraine conflict](#)', *Reuters*, 4 October 2022; Mike Foley and Nick Toscano, '[Australian coal and gas prices soar as Europe scrambles for fuel](#)', *Sydney Morning Herald*, 3 March 2022; and Australian Energy Market Operator, *Annual Report 2021–22*, 2022, p.16.

<sup>46</sup> Jenny Hill, '[Ukraine war: How Germany ended reliance on Russian gas](#)', *BBC News*, 23 November 2022.

<sup>47</sup> Ms Samantha McCulloch, Chief Executive Officer, Australian Petroleum Production and Exploration Association, *Committee Hansard*, 3 February 2023, p. 1.

<sup>48</sup> Mr David Lawrence, Acting Head, Oil and Gas Division, Department of Industry, Science and Resources, *Committee Hansard*, 3 February 2023, p. 62.

<sup>49</sup> Ms Samantha McCulloch, Chief Executive Officer, Australian Petroleum Production and Exploration Association, *Committee Hansard*, 3 February 2023, p. 4.

<sup>50</sup> Mr Mark Samter, Senior Research Analyst, MST Marquee, *Committee Hansard*, 2 February 2023, p. 15.

- 4.44 Mr Arron Wood, Executive General Manager at the Clean Energy Council, attributed high energy prices throughout the second half of 2022 to the high costs of operating coal and gas generators.<sup>51</sup> However, concerns relating to operating costs were not raised by representatives from the gas industry, who instead submitted that international gas prices were rising *before* the Russian invasion of Ukraine due to a lack of investment in new supply.<sup>52</sup>
- 4.45 Mr Rick Wilkinson, Head of Consulting at EnergyQuest, told the committee that, whilst the effects of the war in Ukraine on LNG prices had been a factor, they were not the primary reasons for the dramatic rise in east coast gas and energy prices. Mr Wilkinson said price rises in early 2022 were in-line with longer-term trends and that in mid-2022, when domestic gas prices were towards their peak, LNG exports were at their lowest levels since at least January 2020.<sup>53</sup> Mr Wilkinson attributed energy price rises in 2022 to generator outages and the failure of renewables to provide firming capacity, when needed.<sup>54</sup>
- 4.46 Mr Mark Samter gave evidence to the committee that the war in Ukraine was not determinant of Australian domestic energy prices: 'I think it would be generous to give it one per cent' of the blame for high domestic energy prices during 2022. He claimed 99 per cent had been caused by other factors.<sup>55</sup> Mr Wilkinson cautioned that the effects of the war in Ukraine would 'filter through' to domestic energy prices through the investor perspectives.<sup>56</sup>
- 4.47 In contrast, Mr Simon Duggan from the Department of Climate Change, Energy, the Environment and Water insisted that the war in Ukraine 'has had a very significant impact, both internationally and domestically, on energy prices'.<sup>57</sup>
- 4.48 An inquiry into domestic gas supply by the ACCC in July 2022 (part of the regulator's 6-monthly reporting on the industry<sup>58</sup>) found that '[t]here is a

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<sup>51</sup> Mr Arron Wood, Executive General Manager, Clean Energy Council, *Committee Hansard*, 2 February 2023, p. 19.

<sup>52</sup> See for example, Australian Petroleum Production & Exploration Association, *Submission 70*, p. 1

<sup>53</sup> Mr Rick Wilkinson, Head of Consulting, EnergyQuest, *Committee Hansard*, 2 February 2023, p. 13.

<sup>54</sup> Mr Rick Wilkinson, Head of Consulting, EnergyQuest, *Committee Hansard*, 2 February 2023, p. 16.

<sup>55</sup> Mr Mark Samter, Senior Research Analyst, MST Marquee, *Committee Hansard*, 2 February 2023, p. 16.

<sup>56</sup> Mr Rick Wilkinson, Head of Consulting, EnergyQuest, *Committee Hansard*, 2 February 2023, p. 17.

<sup>57</sup> Mr Simon Duggan, Deputy Secretary, Energy Group, Department of Climate Change, Energy, the Environment and Water, *Committee Hansard*, 3 February 2023, p. 64.

<sup>58</sup> Ms Sarah Proudfoot, Executive General Manager, Infrastructure Division, Australian Competition and Consumer Commission, *Committee Hansard*, 1 March 2023, p. 28

significant risk to the east coast's energy security in 2023 with a projected shortfall in supply of 56 PJ'—about 10 per cent of annual domestic demand.<sup>59</sup>

4.49 The ACCC attributed some of the pricing and supply issues around gas to a lack of competition in the sector. The ACCC's July 2022 report found that three companies have influence over close to 90 per cent of Australia's eastern gas reserves: Santos Ltd (Santos); Australia Pacific LNG (APLNG), a joint venture between Origin Energy, United States-based ConocoPhillips, and China Petroleum & Chemical Corporation, Sinopec; and QGC (formerly Queensland Gas Company), owned by British multinational, Royal Dutch Shell plc. The ACCC warned that this market concentration 'may increase the risk of coordinated conduct and increase the market power of the LNG exporters'.<sup>60</sup>

4.50 The ACCC report concluded:

Recent events across the east coast's gas and electricity markets have shown the consequences of having insufficient gas supply to meet demand and ineffective upstream competition. Concerningly, supply conditions in the east coast gas market are expected to deteriorate further in 2023, with a significant supply shortfall now expected. This is expected to occur against the backdrop of a highly concentrated upstream market, with competition posing little constraint on the behaviour of producers.<sup>61</sup>

4.51 While it is clear that additional diversified investment would assist in alleviating the concentration of suppliers in the market, it is unclear whether this would be forthcoming in the current febrile regulatory environment based on the evidence the committee has received.

## Renewables

4.52 A 2021–22 report by the Commonwealth Scientific and Industrial Research Organisation and the AEMO found that renewables were the cheapest new sources of electricity-generation in Australia, even when including additional costs associated with storage and transmission. The report predicted that the cost of electricity generation from renewables relative to the cost of fossil-fuel sources would continue to fall through the projected period to 2050.<sup>62</sup>

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<sup>59</sup> Australian Competition and Consumer Commission, [Gas inquiry 2017-2025: Interim report](#), July 2022, p. 9.

<sup>60</sup> Australian Competition and Consumer Commission, [Gas inquiry 2017-2025: Interim report](#), July 2022, p. 6.

<sup>61</sup> Australian Competition and Consumer Commission, [Gas inquiry 2017-2025: Interim report](#), July 2022, p. 14.

<sup>62</sup> Paul Graham, Jenny Hayward, James Foster, and Lisa Havas, [GenCost 2021-22](#), Commonwealth Scientific and Industrial Research Organisation, 2022, p. vii.

- 4.53 Mr Wood gave evidence that wind and solar were the cheapest source of electricity generation and storage in Australia, even considering additional integration costs.<sup>63</sup>
- 4.54 Mr Duggan said renewable sources of electricity were the cheapest form of energy in Australia. He noted that wholesale electricity prices would face downward pressure as the proportion of low-cost renewable energy in the system increases. Mr Duggan also stated that current and prospective investments in renewable energy were currently seeing a 'very significant increase'.<sup>64</sup>
- 4.55 However, the Governor of the Reserve Bank of Australia, Dr Philip Lowe, warned that the transition to renewables was likely to contribute to higher and more volatile energy prices in the years ahead.<sup>65</sup>

### Energy market intervention

- 4.56 In August 2022, the Government announced that it would extend the Australian Domestic Gas Security Mechanism to 2030, renegotiate the Heads of Agreement, and would consider introducing price controls into the gas trigger (see Box 4.1, below).<sup>66</sup>

#### Box 4.1 The gas trigger

The Australian Domestic Gas Security Mechanism is an export control mechanism (or 'gas trigger'), established in 2017, through which the Resources Minister may require companies to limit exports or find new supplies. It does not impose price controls.

The Heads of Agreement is an agreement with LNG exporters under the ADGSM to make excess gas (that is, gas that has not already been contracted for export) available first to the domestic market at demonstrably competitive prices.

- 4.57 On 8 November 2022, Treasury Secretary, Dr Steven Kennedy PSM, told the Senate Economics Legislation Committee that recent war-driven price shocks 'bring into scope government intervention' in the gas and coal energy market. Dr Kennedy also noted that rises in gas and coal prices 'are leading to unusually

<sup>63</sup> Mr Arron Wood, Executive General Manager, Clean Energy Council, *Committee Hansard*, 2 February 2023, p. 19.

<sup>64</sup> Mr Simon Duggan, Deputy Secretary, Energy Group, Department of Climate Change, Energy, the Environment and Water, *Committee Hansard*, 3 February 2023, p. 59.

<sup>65</sup> Dr Philip Lowe, Governor, Reserve Bank of Australia, ['Price Stability, the Supply Side and Prosperity'](#), *Speech*, 22 November 2022, p. 7.

<sup>66</sup> Angela Macdonald-Smith and Jacob Greber, ['Gas producers accuse ACCC of demonising them to justify export control'](#), *Australian Financial Review*, 1 August 2022.

high prices and profits' that are 'well beyond the usual bounds of investment and profit cycles'.<sup>67</sup> He further stated:

The same price increases are leading to a reduction in the real incomes of many people, with the most severely affected being lower income working households. The energy price increases are also significantly reducing the profits of many businesses and raising questions about their viability.<sup>68</sup>

- 4.58 On 8 December 2022, federal and state energy ministers agreed, in principle, to a national Capacity Investment Scheme (CIS). The stated aims of the CIS is to, 'help reduce investment uncertainty and suppress market volatility throughout the transition [to zero-emissions dispatchable electricity generation and storage] and result in lower prices in the medium to long term'. The scheme would be available in all jurisdictions, would be limited to zero-emissions technologies, and would underwrite the costs of companies to ensure a reliable supply of firming power. The CIS is due to become operational in the second half of 2023.<sup>69</sup>
- 4.59 On 9 December 2022, the Federal Government announced that it had reached agreement with Queensland and New South Wales to impose a temporary price cap of \$125 per tonne of coal used for electricity generation.<sup>70</sup> The New South Wales Parliament passed legislation empowering the state government to impose a price cap on coal and provide compensation for affected suppliers and producers.<sup>71</sup> The Federal Government also announced that it would implement a mandatory code of conduct to 'ensure reasonable pricing' of domestic gas contracts.<sup>72</sup>
- 4.60 On 15 December 2022, the Parliament was recalled out of its usual session to pass the Treasury Laws Amendment (Energy Price Relief Plan) Bill 2022 that:

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<sup>67</sup> Attributed to Dr Steven Kennedy PSM, Treasury Secretary, *Senate Economics Legislation Proof Committee Hansard*, Budget Estimates, 8 November 2022, p. 6.

<sup>68</sup> Attributed to Dr Steven Kennedy PSM, Treasury Secretary, *Senate Economics Legislation Proof Committee Hansard*, Budget Estimates, 8 November 2022, p. 6.

<sup>69</sup> Energy Ministers, '[Meeting Communique](#)', 8 December 2022.

<sup>70</sup> Phillip Coorey, '[States and Commonwealth to co-fund power bill assistance](#)', *Australian Financial Review*, 9 December 2022.

<sup>71</sup> Samantha Hutchinson, Mark Ludlow, and Angela Macdonald-Smith, '[Gas project hits pause as NSW introduces huge fines for coal companies](#)', *Australian Financial Review*, 21 December 2022.

<sup>72</sup> The Hon Chris Bowen MP, Minister for Climate Change and Energy, The Hon Madeleine King MP, Minister for Resources, and The Hon Ed Husic MP, '[Responsible and meaningful action on gas prices](#)', *Media Release*, 9 December 2022.

- enables the minister to impose a 12-month 'emergency price order' on uncontracted gas sales in the east coast market (around 10 to 15 per cent of gas produced for the domestic market<sup>73</sup>);<sup>74</sup>
  - introduced a mandatory code of conduct for the wholesale gas market that imposed a 'reasonable pricing framework' (reflecting the price of production and a reasonable return) as the basis for negotiating wholesale gas contracts, among other provisions;<sup>75</sup> and
  - provided \$1.5 billion in subsidies for energy bills for eligible households and small businesses.<sup>76</sup>
- 4.61 An initial cap of \$12 per gigajoule was imposed on uncontracted gas, based on the costs of production and a 'reasonable return' on investment, as recommended by the ACCC. The price cap is due to be reviewed in mid-2023.<sup>77</sup>
- 4.62 The Government estimated that these measures would prevent a \$230 increase in electricity prices for the average Australian household.<sup>78</sup>
- 4.63 Ms Savage told the committee that she expected the Government's intervention in the electricity market 'to reduce, to some extent, the magnitude of the price rises facing consumers', although she did not echo the Government's figure of \$230.<sup>79</sup>
- 4.64 On 17 January 2022, the ACCC issued interim compliance and enforcement guidelines on the Gas Market Emergency Price Order.<sup>80</sup>
- 4.65 APPEA told the committee that the interventions had brought 'enormous uncertainty' to the market, reducing investment in supply and exacerbating, not easing, energy price increases.<sup>81</sup> APPEA claimed that the interventions were 'far-

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<sup>73</sup> Ian Verrender, 'Gas giants are threatening to decamp after a move to cap prices: but to where?', *ABC News*, 19 December 2022.

<sup>74</sup> Treasury Laws Amendment (Energy Price Relief Plan) Bill 2022, Schedule 1.

<sup>75</sup> Treasury Laws Amendment (Energy Price Relief Plan) Bill 2022, Schedule 1.

<sup>76</sup> Treasury Laws Amendment (Energy Price Relief Plan) Bill 2022, Schedule 2.

<sup>77</sup> The Hon Dr Jim Chalmers, Treasurer, *House of Representatives Proof Hansard*, 15 December 2022, pp. 10–11.

<sup>78</sup> Prime Minister, the Hon Anthony Albanese, '[Energy Price Relief Plan](#)', *Media Release*, 9 December 2022.

<sup>79</sup> Ms Clare Savage, Chair, Australian Energy Regulator, *Committee Hansard*, 2 February 2023, p. 29.

<sup>80</sup> Australian Competition and Consumer Commission, '[Interim Compliance and Enforcement Guidelines on Part IVBB and Competition and Consumer \(Gas Market Emergency Price\) Order 2022](#)', 13 January 2023.

<sup>81</sup> Ms Samantha McCulloch, Chief Executive Officer, Australian Petroleum Production and Exploration Association, *Committee Hansard*, 3 February 2023, pp. 1 and 11.

reaching', had been implemented with limited consultation, and stated that they had 'effectively dismantled' typical operation of the gas market in Australia.<sup>82</sup>

4.66 APPEA went on to tell the committee that the gas market interventions had brought significant uncertainty to the market and 'are chilling investment in domestic supply' at a time when greater investment in the sector is needed.<sup>83</sup> Separately, APPEA stated that amendments made to the Safeguard Mechanism 'ignore the central role of natural gas in meeting Australia's climate goals, undermines Australia's energy security and will result in higher gas prices for Australians'.<sup>84</sup>

4.67 The Australian Chamber of Commerce and Industry (ACCI) noted the interventions—particularly the requirement that new projects be effectively 'net zero'—had 'effectively halted new gas exploration and development into the future'. ACCI warned of the impact of the interventions on investor confidence, predicting that gas supplies would become increasingly limited, and gas production costs were likely to increase as a result of the Government interventions, leading to higher residential and commercial energy bills. It stated that the intervention 'has effectively halted new gas exploration and development into the future'.<sup>85</sup>

4.68 Mr Wilkinson warned of the risks of energy market interventions:

...every time you change the rules, you increase the risk requirement or the risk premium that investors need in order to do business in Australia, so investors hate sudden and unexpected changes... Money goes anywhere around the world, so we are competing with the US and we are competing against Asian oil and gas resources and those in the Middle East.<sup>86</sup>

### **Evidence on potential solutions**

4.69 The committee heard evidence on four broad sets of possible solutions to energy-related cost of living pressures:

- increasing the domestic supply of gas;
- facilitating the transition to renewable energy sources;
- improving energy efficiency; and
- increasing social transfers to off-set or reduce energy costs.

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<sup>82</sup> Ms Samantha McCulloch, Chief Executive Officer, Australian Petroleum Production and Exploration Association, *Committee Hansard*, 3 February 2023, p. 2.

<sup>83</sup> Australian Petroleum Production and Exploration Association, *Submission 70* p. 2.

<sup>84</sup> Australian Petroleum Production and Exploration Association, answer to questions on notice, 28 March 2023 (received 14 April 2023), p. 1.

<sup>85</sup> Australian Chamber of Commerce and Industry, Answer to Question on Notice, 28 March 2023 (received 6 April 2023).

<sup>86</sup> Mr Rick Wilkinson, Head of Consulting, EnergyQuest, *Committee Hansard*, 2 February 2023, p. 14.

4.70 Each is discussed in the following section.

### **Increasing gas supplies**

4.71 Witnesses emphasised the need to increase the supply of gas to bring down energy prices through direct investment or policies that would encourage private investments.

4.72 Ms McCulloch told the committee that new gas supplies are central to reducing prices.<sup>87</sup> APPEA argued that '[t]he only effective and enduring mechanism for reducing the price of gas while continuing to meet demand is to increase the supply of gas in the market'.<sup>88</sup> APPEA also recommended that the Government reduce regulatory and investment barriers to facilitate efficient market operations and encourage investment in the sector.<sup>89</sup>

4.73 Mr Wilkinson called for support for LNG import terminals and increased investment in domestic gas supply infrastructure to increase domestic gas supplies in advance of the transition to renewable energy sources.<sup>90</sup>

### **Fast-tracking the transition to renewables**

4.74 The committee also heard evidence that fast-tracking the transition to renewable energy would bring down energy prices.

4.75 Mr Wood, called for the shift to renewables to be accelerated, telling the committee:

...renewable energy and energy storage is really key to putting downward pressure on wholesale electricity costs, contributing to cost-of-living relief and ensuring that we shift away from what has been, in recent times, unreliable coal and very expensive gas.<sup>91</sup>

4.76 Mr Buckley described a 'once-in-a-century opportunity for Australia to invest in industries of the future'. He told the committee, '[i]t's very much time we protect Australia and build Australian industries to do refining onshore, and seize that huge investment, employment and export opportunity'.<sup>92</sup>

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<sup>87</sup> Ms Samantha McCulloch, Chief Executive Officer, Australian Petroleum Production and Exploration Association, *Committee Hansard*, 3 February 2023, p. 1.

<sup>88</sup> Australian Petroleum Production & Exploration Association, *Submission 70*, p. 1.

<sup>89</sup> Australian Petroleum Production & Exploration Association, *Submission 70*, p. 4.

<sup>90</sup> Mr Rick Wilkinson, Head of Consulting, EnergyQuest, *Committee Hansard*, 2 February 2023, p. 13.

<sup>91</sup> Mr Arron Wood, Executive General Manager, Clean Energy Council, *Committee Hansard*, 2 February 2023, p. 19.

<sup>92</sup> Mr Tim Buckley, Director, Climate Energy Finance, *Committee Hansard*, 3 February 2023, p. 15.

- 4.77 Mr Matt Grudnoff from The Australia Institute emphasised the need for sovereign resilience in energy, noting that, 'if we do invest more in renewable energy then the next crisis that comes along...won't affect us as much'.<sup>93</sup>
- 4.78 Mr David Stuart from BP Australia told the committee that he expected much of the volatility in the energy market to ease as the grid transitions to renewable sources.<sup>94</sup>
- 4.79 In contrast, Mr Wilkinson partly attributed energy price fluctuations during 2022 to the energy transition, calling for efforts to 'smooth the transition to net zero carbon'.<sup>95</sup>

### **Improving household energy efficiency**

- 4.80 The third area proposed to the committee to reduce energy-related cost of living pressures consisted of efforts to improve energy efficiency and reduce energy use.
- 4.81 Mr Barnes noted that energy prices could be reduced without reducing prices by supporting customers to reduce their energy consumption or encouraging customers to use energy at a time of the day when prices are lower.<sup>96</sup>
- 4.82 Mr Luke Menzel, Chief Executive Officer of the Energy Efficiency Council, told the committee that improving energy efficiency was 'one of the least costly opportunities we have to lower energy bills and also lower carbon emissions'. Mr Menzel noted that Australia's housing stock was 'of a very poor quality', making households particularly reliant on energy.<sup>97</sup>
- 4.83 Mr Menzel called for energy efficiency to be addressed alongside the transition to renewables: 'by leveraging energy efficiency, alongside renewables, we have the opportunity to lower energy bills, lower healthcare costs and dramatically improve Australian lives'.<sup>98</sup>

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<sup>93</sup> Mr Matt Grudnoff, Senior Economist, The Australia Institute, *Committee Hansard*, 3 February 2023, p. 19.

<sup>94</sup> Mr David Stuart, Head of National Policy and Government Affairs, bp Australia, *Committee Hansard*, 1 February 2023, p. 7.

<sup>95</sup> Mr Rick Wilkinson, Head of Consulting, EnergyQuest, *Committee Hansard*, 2 February 2023, p. 13.

<sup>96</sup> Mr Ben Barnes, Acting Chief Executive, Australia Energy Council, *Committee Hansard*, 2 February 2023, p. 4.

<sup>97</sup> Mr Luke Menzel, Chief Executive Officer, Energy Efficiency Council, *Committee Hansard*, 2 February 2023, pp. 19–20.

<sup>98</sup> Mr Luke Menzel, Chief Executive Officer, Energy Efficiency Council, *Committee Hansard*, 2 February 2023, p. 20.

4.84 Mr Menzel also proposed a role for banks in providing preferential finance to support energy efficiency schemes.<sup>99</sup>

4.85 See also Chapter 5 for more on addressing energy costs in rental properties.

### **Increasing energy-related social transfers and improving hardship supports**

4.86 The final set of proposed solutions to energy-related cost of living pressures were to increase income support payments. Anglicare Australia recommended that the Government offer emergency payments to help pay down energy debts.<sup>100</sup>

4.87 Ms Savage noted that some vulnerable customers may be unaware of the support already available to them. She therefore recommended that more be done to raise awareness of existing programs.<sup>101</sup>

4.88 The Business Council of Australia cautioned that fiscal interventions risked adding to, rather than reducing, inflationary pressures, but noted:

Relief in the form of narrowly targeted measures are less likely to add fuel to the inflationary fire—including existing measures to alleviate energy costs and childcare costs, and preserve the real value of government social payments.<sup>102</sup>

4.89 See Chapter 3 for evidence on the adequacy of income support payments.

### **Government policy response: Energy accord**

4.90 On 9 December 2022, the Federal Government announced that it had reached agreement with Queensland and New South Wales to impose a temporary price cap of \$125 per tonne of coal used for electricity generation.<sup>103</sup> On 15 December 2022, the Parliament passed the Treasury Laws Amendment (Energy Price Relief Plan) Bill 2022 that would impose an 'emergency price order' of \$12 per gj of uncontracted gas.<sup>104</sup>

4.91 The Government also announced on 9 December 2022 that the Commonwealth would partner with states and territories to deliver relief on power bills to eligible Australians, including households receiving income support, pensioners and Commonwealth Seniors Health Card holders, Family Tax

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<sup>99</sup> Mr Luke Menzel, Chief Executive Officer, Energy Efficiency Council, *Committee Hansard*, 2 February 2023, p. 25.

<sup>100</sup> Anglicare Australia, *Submission 36*, p. 6.

<sup>101</sup> Ms Clare Savage, Chair, Australian Energy Regulator, *Committee Hansard*, 2 February 2023, p. 35.

<sup>102</sup> Business Council of Australia, *Submission 68*, p. 2.

<sup>103</sup> Phillip Coorey, 'States and Commonwealth to co-fund power bill assistance', *Australian Financial Review*, 9 December 2022.

<sup>104</sup> The Hon Dr Jim Chalmers, Treasurer, *House of Representatives Proof Hansard*, 15 December 2022, pp. 10–11.

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Benefit A and B recipients, and small businesses customers of energy retails.<sup>105</sup> However, at the time of this Interim Report this relief has not been delivered.

### **Interim committee findings**

**Finding 6:** Energy prices have risen and are a major contributing factor to the cost of living crisis in all sectors of the economy.

**Finding 7:** More supply of energy will reduce the cost of energy.

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<sup>105</sup> Prime Minister, Treasurer, Minister for Climate Change and Energy, ['Energy Price Relief Plan'](#), *Media Release*, 9 December 2022.



# Chapter 5

## Housing

### The impact of interest rate and rental price rises

5.1 This chapter provides an overview of the housing and rental markets in Australia, discusses the key dynamics affecting housing affordability, and sets out some of the evidence received by the committee on potential solutions to housing affordability.

#### Housing affordability

5.2 The committee heard evidence that housing affordability (that is, the price of living in housing—the rent or mortgage—as well as running costs) is becoming an increasing challenge for many Australians.

5.3 Over the two years to February 2022, home values rose by 25 per cent and rents rose by 12 per cent to record highs.<sup>1</sup>

5.4 Australia's housing market is roughly divided into thirds: one-third of households rent; one-third own their home outright; and one-third are mortgage payers. Around 4 per cent of households live in social housing.<sup>2</sup>

5.5 Dr Michael Fotheringham from the Australian Housing and Urban Research Institute (AHURI) told the committee that the proportion of outright owners is shrinking, whilst the proportion of households who rent is growing. This is a new phenomenon, he said, which is 'choking' the system with an insufficient supply and driving up rental costs.<sup>3</sup>

5.6 Dr Fotheringham told the committee that Australia faces a challenge maintaining a 'sufficient supply' of housing stock. He stated that the COVID-19 pandemic was an additional contributing factor, as construction of new houses almost ground to a halt due primarily to supply chain issues, workforce shortages, and rising material costs.<sup>4</sup>

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<sup>1</sup> Eliza Owen, [Two years on: Six ways COVID-19 has shaped the housing market](#), CoreLogic, 22 March 2022.

<sup>2</sup> Dr Michael Fotheringham, Managing Director, Australian Housing and Urban Research Institute, *Committee Hansard*, 2 February 2023, p. 41.

<sup>3</sup> Dr Michael Fotheringham, Managing Director, Australian Housing and Urban Research Institute, *Committee Hansard*, 2 February 2023, pp. 41–42.

<sup>4</sup> Dr Michael Fotheringham, Managing Director, Australian Housing and Urban Research Institute, *Committee Hansard*, 2 February 2023, p. 42.

5.7 The Renters and Housing Union (RAHU) submitted that 50 out of every 10 000 people in Australia are homeless—an increase of 20 per cent over the last 10 years.<sup>5</sup> The Salvation Army stated that it had seen a rising number of Australians becoming 'excluded' from affordable housing, increasing the risks of homelessness.<sup>6</sup> Similarly, Mission Australia observed that it had seen demand for housing and homelessness services increase by more than a quarter (26 per cent) over the past two years, stating:

The stark shortage of social and affordable housing, skyrocketing cost of renting and rental stress, rising cost of living, and inadequate levels of income support are combining to escalate Australia's housing and homelessness crisis.<sup>7</sup>

5.8 Reverend Stu Cameron, told the committee that the number one issue reported by Wesley Mission's frontline staff was housing affordability and availability. He emphasised the role that interest rates were playing in the issue of housing affordability:

I think there is a future where fixed interest rates come off and mortgage stress will deepen further. We anticipate that the crisis we're seeing now will just deepen through 2023.<sup>8</sup>

5.9 Dr Cassandra Goldie, Chief Executive Officer of the Australian Council of Social Services (ACOSS), also told the committee that housing affordability had become a 'chronic problem' in Australia.<sup>9</sup>

5.10 People with Disability Australia (PWDA) noted that one in six Australians have a disability, over half of whom (56 per cent) rely on income support payments as their main source of income. PWDA submitted that rising costs of living disproportionately affect people with disability, and noted that people with disability also face sizeable additional costs associated with their disability.<sup>10</sup>

5.11 Dr Fotheringham told the committee that housing is the largest cost for most households.<sup>11</sup> He reported that Australia has a 'real under supply of social

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<sup>5</sup> Renters and Housing Union, *Submission 4*, p. 6.

<sup>6</sup> The Salvation Army, *Submission 11*, p. 15.

<sup>7</sup> Mission Australia, *Submission 51*, p. 2.

<sup>8</sup> Rev Stu Cameron, Chief Executive Officer of Wesley Mission/Wesley Community Services, *Committee Hansard*, 1 February 2023, p. 32.

<sup>9</sup> Dr Cassandra Goldie, Chief Executive Officer, Australian Council of Social Services, *Committee Hansard*, 1 February 2023, p. 47.

<sup>10</sup> People with Disability Australia, *Submission 39*, pp. 1–2.

<sup>11</sup> Dr Michael Fotheringham, Managing Director, the Australian Housing and Urban Research Institute, *Committee Hansard*, 2 February 2023, p. 41.

housing' and had far lower levels of public and community housing than most comparable jurisdictions.<sup>12</sup>

- 5.12 Mr Joel Dignam, Executive Director of Better Renting, drew a strong connection between housing affordability and energy affordability:

When housing costs more, people end up in poorer quality homes. They often have higher power costs. This doesn't just mean that they're paying more for energy; it often means that they're cutting back on energy altogether, which can mean that they're in quite unhealthy indoor temperatures. This is a big concern with heat waves and also in winter.<sup>13</sup>

### **Mortgages and interest rates: homeownership**

- 5.13 The value of mortgage debt in Australia has been growing steadily over the last decade, rising from over \$1.2 billion in 2011 to over \$2 billion in 2021. Two-thirds (67 per cent) of the value of mortgage debt is held by owner-occupiers, with the rest (33 per cent) attached to investors.<sup>14</sup> Evidence from RAHU suggested that outright owners own increasing numbers of properties—increasingly four or five properties.<sup>15</sup>
- 5.14 Australian mortgages are predominantly variable rate mortgages—that is, a rate that fluctuates over the life of the loan, usually correlated with the cash rate (that is, the rate at which the Reserve Bank lends to commercial banks; see also Chapter 2). Historically, less than a fifth (20 per cent) of home loans have been fixed-rate loans in Australia, in contrast to New Zealand and the United States where fixed rates account for more than 90 per cent of all loans, or the United Kingdom, where more than 80 per cent of mortgages are fixed.<sup>16</sup>
- 5.15 The dominance of variable mortgages in Australia means that increases in the cash rate may be quickly passed on by banks to customers in full.<sup>17</sup> This increases the speed and impact of monetary policy changes, but may leave some

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<sup>12</sup> Dr Michael Fotheringham, Managing Director, Australian Housing and Urban Research Institute, *Committee Hansard*, 2 February 2023, p. 45. See also, Dr Tom Alves, Head of Development, Australian Housing and Urban Research Institute, *Committee Hansard*, 2 February 2023, p. 45.

<sup>13</sup> Mr Joel Dignam, Executive Director, Better Renting, *Committee Hansard*, 3 February 2023, p. 30.

<sup>14</sup> Statista, 'Value of owner-occupier and investor mortgage debt outstanding in Australia from 2011 to 2021', October 2022.

<sup>15</sup> Ms Eirene Tsolidis Noyce, Organiser and Founding Secretary 2020–2022, Renters and Housing Union, *Committee Hansard*, 1 March 2023, p. 18.

<sup>16</sup> Christopher Joyce, '[Interest rate shock just around the corner](#)', *Australian Financial Review*, 25 November 2022. Note, the RBA estimated in August 2023 that around a third (35 per cent) of outstanding housing credit was on fixed-rate terms, two-thirds of which was due to expire by the end of 2023. See Reserve Bank of Australia, [Financial Stability Review](#), October 2022, p. 29.

<sup>17</sup> Reserve Bank of Australia, [Financial Stability Review](#), October 2022, pp. 36–40.

consumers particularly vulnerable—particularly recent borrowers and first home buyers.<sup>18</sup> One analyst summarised the Australian context as follows:

In contrast to most other nations where most loans are long-term fixed-rate products, the pass-through of monetary policy in Australia directly hits almost every single borrower in the short term.<sup>19</sup>

- 5.16 In March 2022, a study into housing affordability by CoreLogic and the Australia New Zealand Banking Group found the ratio of housing values to household incomes to be a record high, with housing values being 8.5-times household incomes (indicating reduced housing affordability). Changes were particularly pronounced in regional areas over the two years of the pandemic, where property prices were found to have risen 'substantially more than incomes'.<sup>20</sup> Nationally, the value-to-income ratio was found to be around 4.5 in 2001.<sup>21</sup>
- 5.17 In response to rising inflationary pressures from early 2022, the Reserve Bank Board increased the cash rate target at each of its ten meetings from 0.1 per cent on 6 April 2022, reaching 3.6 per cent on 8 March 2023—a record run of rate increases.<sup>22</sup> The Reserve Bank Board paused its rate rise increases at its 5 April 2023 meeting, maintaining the target rate at 3.6 per cent (see also Chapter 2), although the Governor noted in his public statement that further rate tightening remained likely to ensure inflation returned to target.<sup>23</sup>
- 5.18 In October 2022, the Reserve Bank acknowledged that the combined effect of rising interest rates and high inflation had 'placed some strain on household budgets'.<sup>24</sup> Whilst the RBA determined that households, in aggregate, are 'reasonably well placed to adjust to a period of higher interest rates',<sup>25</sup> it nevertheless cautioned:

About 8 per cent of borrowers would completely drain their mortgage prepayments within months if the official interest rate rises to 3.6 per cent in

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<sup>18</sup> See generally, Reserve Bank of Australia, [Financial Stability Review](#), October 2022.

<sup>19</sup> Christopher Joyce, ['Interest rate shock just around the corner'](#), *Australian Financial Review*, 25 November 2022.

<sup>20</sup> CoreLogic and ANZ, [Housing Affordability Report](#), May 2022, p. 3.

<sup>21</sup> CoreLogic and ANZ, [Housing Affordability Report](#), May 2022, p. 8.

<sup>22</sup> Peter Hannam, ['The RBA has paused its record run of interest rate hikes. Relief may only be temporary'](#), *The Guardian*, 5 April 2023.

<sup>23</sup> Reserve Bank of Australia, ['Cash Rate Target'](#), RBA website (accessed 12 April 2023).

<sup>24</sup> Reserve Bank of Australia, [Financial Stability Review](#), October 2022, p. 24.

<sup>25</sup> Reserve Bank of Australia, [Financial Stability Review](#), October 2022, p. 25.

the next year, even if they slashed their discretionary spending by 80 per cent.<sup>26</sup>

- 5.19 Chairman of the Australian Prudential Regulation Authority, Mr Wayne Byres, told the House of Representatives Economics Committee in October 2022 that the minority of borrowers who are on fixed rate loans (usually on one to three-year terms) are likely to face 'significant repayment shock' in 2023 when their fixed rate loans expire and they are forced to refinance at higher rates.<sup>27</sup>
- 5.20 Dr Marion Kohler from the RBA told the committee that around a third of outstanding housing credit was fixed rate, but that around half of that was due to 'roll off' as variable rate loans during 2023, affecting around \$350 billion of credit and over 800 000 loans.<sup>28</sup> She stated that the Bank 'does not target house prices'.<sup>29</sup>

**Figure 5.1 End of fixed-rate mortgages periods, four majors, 2023-2024**



Source: Australian Banking Association, Submission 40, p. 5.

- 5.21 Anglicare Australia warned that lower income households would be particularly affected by increases in the cash rate, telling the committee:

...many households' budgets are already strained by increasing costs and will be unable to absorb the extra [mortgage] repayments. More people will fall into financial hardship and be forced to make choices about turning on the heater this winter or skipping meals. Others risk defaulting on their mortgages.<sup>30</sup>

<sup>26</sup> Jonathan Shapiro and Ronald Mizen, ['Borrowers face buffer wipeouts from rate rises: RBA'](#), *Australian Financial Review*, 7 October 2022.

<sup>27</sup> James Evers, ['"Significant repayment shock" for fixed rate borrowers: APRA'](#), *Australian Financial Review*, 11 October 2022.

<sup>28</sup> Dr Marion Kohler, Head of Economic Analysis Department, Reserve Bank of Australia, *Committee Hansard*, 1 February 2023, p. 14.

<sup>29</sup> Dr Marion Kohler, Head of Economic Analysis Department, Reserve Bank of Australia, *Committee Hansard*, 1 February 2023, p. 12.

<sup>30</sup> Anglicare Australia, *Submission 36*, p. 8.

- 5.22 The Consumer Action Law Centre submitted that mortgage arrears had become the second most common issue facing their clients.<sup>31</sup>
- 5.23 Dr Fotheringham told the committee that part of the cause of the lack of affordable housing in Australia stemmed from the 'financialisation' of housing:
- From one lens, housing's main purpose is shelter; it's a roof over your head; it's a home. But it is also a financial asset, an investment vehicle. And in many ways policy settings have favoured the investment vehicle over the shelter, so tax settings that are favourable for investors ahead of owner-occupiers or renters have enabled the commodification, the financialisation of housing in a way that's fuelled increased prices.<sup>32</sup>
- 5.24 Mr Dignam similarly described the 'commodification' of housing, telling the committee that whilst housing used to be about providing a decent environment for people to live, it had become an 'asset class' or commodity to 'inflate the wealth of whoever is lucky enough to own it'.<sup>33</sup>
- 5.25 Mr Chris Ellis, Chief Executive Officer of Finder Australia, told the committee in February 2023 that rate rises would increase a typical variable mortgage by around \$10 000 per year. Evidence from the Australian Banking Association subsequently suggested the figure was around \$1000 per month.<sup>34</sup> Research commissioned by Finder found that more than one-third (34 per cent) of respondents said that they struggled to pay their home loan—an increase from 17 per cent less than a year and a half earlier. Additionally, nearly one-in-eight (13 per cent) of respondents reported having missed a mortgage repayment in the last six months, and 6 per cent reporting having missed more than one.<sup>35</sup>
- 5.26 Finder's research found that one in five mortgage holders felt that they had borrowed too much on their home loan, with generational differences also apparent, in which younger respondents were more likely to feel under pressure.<sup>36</sup>
- 5.27 Finder also told the committee that rate rises were having a 'knock-on impact on the rental market', with its research showing the number of people reporting

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<sup>31</sup> Consumer Action Law Centre, *Submission 41*, p. 3.

<sup>32</sup> Dr Michael Fotheringham, Managing Director, Australian Housing and Urban Research Institute, *Committee Hansard*, 2 February 2023, p. 44.

<sup>33</sup> Mr Joel Dignam, Executive Director, Better Renting, *Committee Hansard*, 3 February 2023, p. 24. See also, Ms Eirene Tsolidis Noyce, Organiser and Founding Secretary 2020–2022, Renters and Housing Union, *Committee Hansard*, 1 March 2023, p. 13.

<sup>34</sup> Oral evidence received by the committee from the Australian Banking Association at a public hearing on 21 April 2023. Official transcript pending.

<sup>35</sup> Mr Chris Ellis, Chief Executive Officer, Finder Australia, *Committee Hansard*, 1 February 2023, p. 37.

<sup>36</sup> Mr Chris Ellis, Chief Executive Officer, Finder Australia, *Committee Hansard*, 1 February 2023, p. 38.

that they struggled to pay their rent increasing from under a third (30 per cent) in mid-2021 to 42 per cent in January 2023.<sup>37</sup>

5.28 The Salvation Army also noted the linkages between mortgages and rents:

The rental, investment, owner occupier, and social housing markets are not isolated, with different consumers and quarantined demand. They exist on a continuum along with all forms of accommodation, and interrelate to one another. Changes in the affordability and availability at any point along this continuum, have impacts upon the system as a whole.<sup>38</sup>

### The rental market

5.29 A 2019 report by the Productivity Commission found that low-income private rental households (some 615 000 households) were facing rental affordability challenges. The study found that in 2017–18, two-thirds (66 per cent) of low-income households spent more than 30 per cent of their income on rent; one-quarter (24 per cent) spent more than half their income on rent; and 7 per cent of low-income households spent over three-quarters (75 per cent) of their income on rent.<sup>39</sup>

5.30 Rental affordability declined during the pandemic, particularly in regional areas. By March 2022, households in regional Australia were required to pay a record high of 34 per cent of their incomes to service rent, compared with 28 per cent required for renters in capital cities.<sup>40</sup>

5.31 By October 2022, the national vacancy rate had reached its lowest point on record at 0.8 per cent—down from 1.5 per cent a year earlier, and representing the sixth consecutive month of declines in the number of rental listings. These dynamics were reported to be exacerbating a national rental crisis.<sup>41</sup>

5.32 The October 2022 Budget forecast that rental costs would continue to increase considerably through to the end of 2024 due to population growth and limited

<sup>37</sup> Mr Chris Ellis, Chief Executive Officer, Finder Australia, *Committee Hansard*, 1 February 2023, p. 37.

<sup>38</sup> The Salvation Army, *Submission 11*, p. 15.

<sup>39</sup> Productivity Commission, *Vulnerable Private Renters: Evidence and Options*, September 2019, p. 58.

<sup>40</sup> CoreLogic and ANZ, *Housing Affordability Report*, May 2022, p. 4.

<sup>41</sup> Domain Research House, 'Vacancy rates: October 2022', 2 November 2022, <https://www.domain.com.au/research/vacancy-rates-october-2022-1179600/> (accessed 28 November 2022). The committee was told that a 'healthy' vacancy rate is around 3 per cent. See, Dr Michael Fotheringham, Managing Director, the Australian Housing and Urban Research Institute, *Committee Hansard*, 2 February 2023, p. 41.

housing stock.<sup>42</sup> On 6 December 2022, the RBA Board also forecast that renters would face 'further large increases in rents' over the coming years.<sup>43</sup>

5.33 Dr Fotheringham noted that the proportion of people who are renting for ten or more years has continued to grow, as has the number of people who reach retirement age who are still renting. He told the committee that this was a particular problem as 'our retirement income system is largely predicated on an assumption that you have an asset of a house'.<sup>44</sup>

5.34 Dr Fotheringham attributed some of the pressure in the rental market to short-term letting, in which properties may be reserved for higher-value short-term rents, thereby effectively reducing the stock of housing.<sup>45</sup>

5.35 Anglicare Australia noted that the average weekly rent had risen by nearly 20 per cent over the past year, submitting that renting a home in the private market was 'completely unaffordable for people on government incomes'.<sup>46</sup>

5.36 RAHU described the impact of cost of living pressures on renters, as follows:

Compounded growth in costs of living, housing market and interest rate rises are exorbitantly inflated by the real estate industry and pushed down onto the lowest socio-economic populations, who are the least economically stable both in assets and employment.<sup>47</sup>

5.37 RAHU submitted that rents had risen by 8.7 per cent during 2022; more than four-times the rate of wage growth at 2.1 per cent.<sup>48</sup>

5.38 Ms Eirene Tsolidis Noyce from RAHU warned that rents had risen by 20 per cent in regional Victoria and as much as 50 per cent in the outer suburbs of New South Wales; 'rents have risen across the board at the highest rate in history', she claimed.<sup>49</sup>

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<sup>42</sup> Australian Government, [Budget: October 2022–23: Budget Strategy and Outlook: Budget Paper No. 1](#), 25 October 2022, p. 57.

<sup>43</sup> Reserve Bank of Australia, ['Minutes of the Monetary Policy Meeting of the Reserve Bank Board'](#), 6 December 2022.

<sup>44</sup> Dr Michael Fotheringham, Managing Director, Australian Housing and Urban Research Institute, *Committee Hansard*, 2 February 2023, p. 47.

<sup>45</sup> Dr Michael Fotheringham, Managing Director, the Australian Housing and Urban Research Institute, *Committee Hansard*, 2 February 2023, p. 44.

<sup>46</sup> Anglicare Australia, *Submission 36*, p. 9.

<sup>47</sup> Renters and Housing Union, *Submission 4*, p. 4.

<sup>48</sup> Renters and Housing Union, *Submission 4*, p. 9.

<sup>49</sup> Ms Eirene Tsolidis Noyce, Organiser and Founding Secretary 2020–2022, Renters and Housing Union, *Committee Hansard*, 1 March 2023, p. 21.

- 5.39 Ms Tsolidis Noyce acknowledged that landlords were facing escalating mortgage rates, but noted that rent rises had increased by 295 per cent from January to April 2022.<sup>50</sup>
- 5.40 Mr Zachary Doney, also from RAHU, told the committee that rental prices were 'getting out of control', warning that those who are most vulnerable to rental price increases are 'terrified' of being made homeless, and therefore often unlikely to challenge rent increases.<sup>51</sup>
- 5.41 Mr Doney submitted that, tenancy laws tend to favour owners over renters, and many renters 'are bouncing from place to place and having to pay increasing [rents] while other costs increase'.<sup>52</sup> He warned that RAHU was seeing a significant increase in incidences of very short-term leases being offered by default—sometimes as short as three or six-months.<sup>53</sup>
- 5.42 In December 2022, tenant advocacy organisation, Better Renting, reported that there were over 700 000 energy inefficient rental properties in New South Wales, costing tenants an average of \$2700 each year to heat and cool, and consequently compromising the health of renters—particularly the young and the elderly.<sup>54</sup>

### Evidence on potential solutions

- 5.43 The committee heard evidence on three broad areas of potential solutions to housing-related cost of living pressures:
- increasing the supply of housing;
  - policy and legislative interventions; and
  - increasing social transfers.
- 5.44 Each is discussed in more detail in the following section.

### Increase supply

- 5.45 The committee also heard that interventions are needed that increase the supply of housing. Dr Fotheringham, for example, called for a national construction program to address the overall stock of housing.<sup>55</sup>

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<sup>50</sup> Ms Eirene Tsolidis Noyce, Organiser and Founding Secretary 2020–2022, Renters and Housing Union, *Committee Hansard*, 1 March 2023, p. 12.

<sup>51</sup> Mr Zachary Doney, General Membership Branch Delegate, Renters and Housing Union, *Committee Hansard*, 1 March 2023, p. 11.

<sup>52</sup> Mr Zachary Doney, General Membership Branch Delegate, Renters and Housing Union, *Committee Hansard*, 1 March 2023, p. 10.

<sup>53</sup> Mr Zachary Doney, General Membership Branch Delegate, Renters and Housing Union, *Committee Hansard*, 1 March 2023, p. 13.

<sup>54</sup> Joel Dignam, [The Cost of Complacency](#), Canberra: Better Renting, December 2022, p. 9.

<sup>55</sup> Dr Michael Fotheringham, Managing Director, Australian Housing and Urban Research Institute, *Committee Hansard*, 2 February 2023, p. 48.

5.46 The problem of stock was also raised by Master Builders Australia, which noted:

Right now, there are obstacles in place which are preventing many of the homes we need from getting built. The homes that do end up getting built are often delayed by the many barriers encountered on their journey to final completion, including unnecessary planning impediments and the lengthy approvals process.<sup>56</sup>

5.47 The Property Council of Australia told the Committee:

Reform of unproductive state planning systems, greater supply of properly zoned brownfield and green field land, as well as improved housing diversity through emerging asset classes such as Build-to-rent housing, Retirement Living Communities and Purpose-Built Student Accommodation must factor in the national housing solutions mix.<sup>57</sup>

5.48 It also noted that 'to make housing supply meet community needs, we will need to align and incentivise all three levels of government for best practice planning and meeting housing targets'.<sup>58</sup>

5.49 Master Builders Australia proposed a number of measures to address the lack of housing supply, including:

- releasing more Commonwealth and state/territory land for development of housing;
- further leverage foreign investment housing;
- tying Commonwealth payments to the states/territories to their progress in reforming planning regulation and property taxes; and
- expanding the stock of new homes in regional areas so that migrant labour inflows can be accommodated more readily.<sup>59</sup>

### **Policy and legislative change**

5.50 The committee heard evidence that policy interventions and legislative reform are required to reverse the current pressures on housing affordability. For example, Mr Dignam proposed rental law changes that would limit the rate of rent increases that owners could impose during a year.<sup>60</sup> Ms Fiona Caniglia, Executive Director of Q Shelter, similarly called for policy changes that reduce

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<sup>56</sup> Answers to written questions on notice by Master Builders Australia (received 15 March 2023), p. 1.

<sup>57</sup> Answers to written questions on notice by the Property Council of Australia (received 30 March 2023), p. 1.

<sup>58</sup> Answers to written questions on notice by the Property Council of Australia (received 30 March 2023), p. 1.

<sup>59</sup> Answers to written questions on notice by the Property Council of Australia (received 30 March 2023), p. 2–3.

<sup>60</sup> Mr Joel Dignam, Executive Director, Better Renting, *Committee Hansard*, 3 February 2023, pp. 24 and 26.

the frequency of rent increases.<sup>61</sup> Ms Karen Dare, Chief Executive Officer of CommuniQ Queensland, supported proposals for allowing only a percentage increase in rents, telling the committee that rental caps are also needed. She called for strengthened tenancy laws that would provide a higher degree of permanency among other rights for renters.<sup>62</sup>

- 5.51 Anglicare Australia also called for stronger protections for tenants, arguing that both '[n]ationally consistent protections and uniform tenancy legislation' were needed.<sup>63</sup>
- 5.52 Mr Doney called for caps on rents, whilst Ms Tsolidis Noyce described rent control as 'a central part of the solution to the cost of living crisis' and 'one sure-fire way' to create affordable housing.<sup>64</sup> More specifically, Mr Doney argued for policies that would peg the national rent price index to the median wage index and also called for legislation to limit rent increases to a maximum of once in 12 months.<sup>65</sup>
- 5.53 Rent caps have recently been proposed by the state government of Queensland, prompting strident critiques from stakeholders. The Real Estate Institute of Queensland CEO Antonia Mercorella said the imposition of rental caps 'innately discourages further supply'.<sup>66</sup> She cautioned that balance was required in any tenancy legislation to ensure that adequate protections were in place for tenants without discouraging investment in supply.<sup>67</sup>
- 5.54 RAHU recommended a number of other measures that would improve the stability of tenure, including providing funding to incentivise landlords to provide longer-term leases, and implementing stronger protections for renters.<sup>68</sup>
- 5.55 Q Shelter argued for a national poverty reduction strategy which includes measures to address housing affordability. She also recommended that policies

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<sup>61</sup> Ms Fiona Caniglia, Executive Director, Q Shelter, *Committee Hansard*, 3 February 2023, p. 27.

<sup>62</sup> Ms Karen Dare, Chief Executive Officer, CommuniQ Queensland Ltd, *Committee Hansard*, 3 February 2023, pp. 27–28.

<sup>63</sup> Anglicare Australia, *Submission 36*, p. 10.

<sup>64</sup> Mr Zachary Doney, General Membership Branch Delegate, Renters and Housing Union, *Committee Hansard*, 1 March 2023, p. 11; and Ms Eirene Tsolidis Noyce, Organiser and Founding Secretary 2020–2022, Renters and Housing Union, *Committee Hansard*, 1 March 2023, pp. 11 and 13.

<sup>65</sup> Mr Zachary Doney, General Membership Branch Delegate, Renters and Housing Union, *Committee Hansard*, 1 March 2023, p. 13. See also, Brotherhood of St Laurence, *Submission 34*, p. 3.

<sup>66</sup> Real Estate Institute of Queensland, '[Government intent on driving away investors, says REIQ](#)', *Media Release*, 21 March 2023.

<sup>67</sup> Real Estate Institute of Queensland, '[Queensland is still worlds away from a healthy rental market](#)', *Media Release*, 18 April 2023.

<sup>68</sup> Renters and Housing Union, *Submission 4*, p. 5.

be developed that encourage people to let properties on the long-term rental market as opposed to short-term leases.<sup>69</sup>

### Fiscal measures

- 5.56 Some evidence presented to the committee also indicated a need for fiscal interventions to address housing affordability. Dr Fotheringham called for increased Commonwealth rental assistance for low-income households.<sup>70</sup> He told the committee such rent assistance would ultimately save the taxpayer, not cost them, arguing; '[Australia spends] more leaving people homeless than we would housing them'.<sup>71</sup>
- 5.57 RAHU and the Salvation Army both called for increased Commonwealth assistance for renters by broadening welfare eligibility, raising the rate of payments, and tying rent assistance to inflation, among other recommendations.<sup>72</sup>
- 5.58 Mr Dignam advocated that the Commonwealth should finance energy efficiency improvements for social housing to reduce both energy costs and demand for energy. He also told the committee that minimum energy efficiency standards are needed for rental properties.<sup>73</sup> Dr Dina Bowman from the Brotherhood of St Laurence also called for measures to offset growing energy stress faced by the most vulnerable, including 'a large-scale energy efficiency upgrade program that provides tiered support depending on people's level of need and ability to pay'.<sup>74</sup>

### Interim committee findings

**Finding 8:** Housing costs, both in terms of rental and mortgage costs, are a major contributing factor to the cost of living crisis.

<sup>69</sup> Ms Fiona Caniglia, Executive Director, Q Shelter, *Committee Hansard*, 3 February 2023, pp. 23, 30, and 35.

<sup>70</sup> Dr Michael Fotheringham, Managing Director, Australian Housing and Urban Research Institute, *Committee Hansard*, 2 February 2023, p. 50.

<sup>71</sup> Dr Michael Fotheringham, Managing Director, Australian Housing and Urban Research Institute, *Committee Hansard*, 2 February 2023, p. 52.

<sup>72</sup> Renters and Housing Union, *Submission 4*, p. 5; and The Salvation Army, *Submission 11*, p. 16. See also, Brotherhood of St Laurence, *Submission 34*, p. 3; and Mission Australia, *Submission 51*, p. 1.

<sup>73</sup> Mr Joel Dignam, Executive Director, Better Renting, *Committee Hansard*, 3 February 2023, pp. 30 and 35.

<sup>74</sup> Dr Dina Bowman, Principal Research Fellow, Work and Economic Security, Brotherhood of St Laurence, *Committee Hansard*, 1 February 2023, p. 30. See also Brotherhood of St Laurence, *Submission 34*, p. 3.

**Finding 9:** Greater supply and reforms to domestic policy settings are required to adequately address the need for additional housing, including community and social housing.



# Chapter 6

## Food and groceries

- 6.1 Prices for staple food and groceries have trended downwards through to 2022.<sup>1</sup> But in the last 12 months, prices for most food and groceries increased significantly, growing at the fastest rate since 2006, when Cyclone Larry destroyed much of Queensland's banana crop.<sup>2</sup>
- 6.2 By late 2022, fruit and vegetable prices, on average, were 16 per cent more expensive over the year; dairy products 12 per cent higher; bread and cereal products 10 per cent higher; and meat products had risen by 7 per cent.<sup>3</sup>

### Drivers of food and grocery price rises

- 6.3 Food prices were impacted by repeated flooding throughout 2022 in major production regions of the east coast of Australia. Floods and excess rainfall led to crops being destroyed or abandoned, restricted planting, caused livestock losses, and worsened the impact of some pests and diseases on crop yields. Infrastructure damage also caused supply chain delays which drove up prices further.<sup>4</sup> Global inflation also contributed to food price spikes in 2022, with agricultural producers forced to pay more for inputs such as fertilisers, fuel, lubricants, and chemicals.<sup>5</sup>

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<sup>1</sup> Amy Bradney-George, ['The average cost of groceries per month'](#), Finder, 26 September 2022.

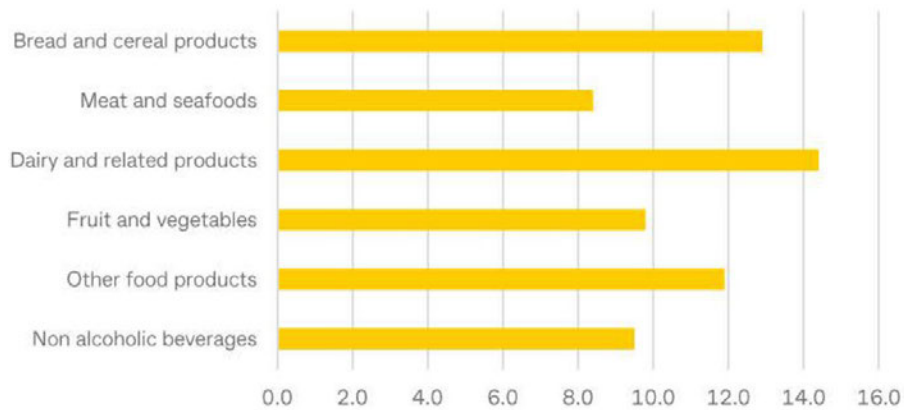
<sup>2</sup> Australian Bureau of Agricultural and Resource Economics and Sciences, ['Agricultural overview: December quarter 2022'](#), Department of Agriculture, Fisheries and Forestry, DAFF Website (accessed 7 December 2022).

<sup>3</sup> Australian Bureau of Statistics, ['Consumer Price Index, Australia'](#), 26 October 2022, ABS website (accessed 1 December 2022).

<sup>4</sup> Australian Bureau of Agricultural and Resource Economics and Sciences, ['Australian Crop Report'](#), Department of Agriculture, Fisheries and Forestry, DAFF website, December 2022, (accessed 7 December 2022).

<sup>5</sup> Australian Bureau of Agricultural and Resource Economics and Sciences, ['Agricultural overview: December quarter 2022'](#), Department of Agriculture, Fisheries and Forestry, DAFF website (accessed 7 December 2022).

**Figure 6.1 Grocery products Australia, annual change in price (percent), 12 months to December 2022**



Source: ABS Consumer Price Index Australia series, 25 January 2023, chart from Commonwealth Bank of Australia, Submission 61, p. 2.

- 6.4 Price increases in dairy products throughout 2022 were attributed to reduced milk production due to a dry period in parts of the country, flooding in other regions, and increased export prices for dairy products.<sup>6</sup>
- 6.5 Global wheat prices spiked following the outbreak of conflict in Ukraine, driving up Australian bread and cereal prices. Input costs related to labour shortages, fuel price rises, transport, and packaging costs also pushed up the domestic price of bread.<sup>7</sup>
- 6.6 Meat and seafood prices rose throughout 2022, reportedly due to supply chain disruptions, high transport costs, labour shortages, and high international demand for meat that placed additional pressure on domestic prices. Efforts to rebuild herds during favourable weather conditions also reportedly contributed to rising meat prices.<sup>8</sup>
- 6.7 Mr Paul Harker, Chief Commercial Officer for Woolworths Supermarkets, attributed food price hikes to three main factors: the war in Ukraine that had sharply increased the price of canned goods, raw ingredients, fertilisers, and had impacted global oil and energy markets; ongoing supply chain shocks and bottlenecks resulting from the pandemic; and significant weather events

<sup>6</sup> Eliza Borello, ['Rising grocery prices are pushing up inflation. Here is why bread, milk and mince are costing more'](#), ABC News, 30 October 2022.

<sup>7</sup> Eliza Borello, ['Rising grocery prices are pushing up inflation. Here is why bread, milk and mince are costing more'](#), ABC News, 30 October 2022.

<sup>8</sup> Eliza Borello, ['Rising grocery prices are pushing up inflation. Here is why bread, milk and mince are costing more'](#), ABC News, 30 October 2022.

throughout 2022, including floods, excessive rain, low light, and unseasonably cold weather.<sup>9</sup>

- 6.8 Metcash similarly submitted that cost rises for suppliers were being driven primarily by logistical issues connected with pandemic disruptions, adverse weather events, and the war in Ukraine.<sup>10</sup>
- 6.9 Ms Jo Sheppard, Chief Executive Officer of the Queensland Farmers Federation, told the committee that increases in the cost of production were impacting the ability of Queensland's farmers to produce food, with some farmers seeing their input costs increase by over 120 per cent in two years. She also attributed the dramatic increases in production costs to escalating energy prices, the war in Ukraine, disruptions related to COVID-19, and significant weather events (floods, excessive rainfall, and extended periods of extreme heat or cold weather).<sup>11</sup> Ms Sheppard described a workforce crisis in which many producers could not hire sufficient or sufficiently-skilled labour due to an 'accommodation crisis' in which regional centres were facing housing shortages, restrictions on the mobility of workers due to the pandemic, and reduced foreign labour.<sup>12</sup>
- 6.10 Mr Michael Coote, CEO of AUSVEG (the peak body for vegetable and potato growers), told the committee that its members had faced significant increases in input costs of over 200 per cent in some cases. He attributed these increases to adverse weather events, foreign worker shortages, and supply chain disruptions resulting from the COVID-19 pandemic and global conflict.<sup>13</sup>
- 6.11 Mr Coote claimed that the price of vegetables within the retail sector had remained relatively stable throughout 2021 and 2022, despite input cost rises, meaning growers had been forced to absorb much of these increases themselves.<sup>14</sup>
- 6.12 Mr Coote nevertheless acknowledged:

The recent disruptions to supply chains and significant increases to input costs have impacted the affordability and availability of food in Australia, especially to lower socioeconomic communities and those living in some

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<sup>9</sup> Mr Paul Harker, Chief Commercial Officer, Woolworths Supermarkets, *Committee Hansard*, 1 February 2023, p. 20.

<sup>10</sup> Metcash, *Submission 64*, p. 2.

<sup>11</sup> Ms Jo Sheppard, Chief Executive Officer, Queensland Farmers Federation, *Committee Hansard*, 3 February 2023, p. 45.

<sup>12</sup> Ms Jo Sheppard, Chief Executive Officer, Queensland Farmers Federation, *Committee Hansard*, 3 February 2023, p. 47.

<sup>13</sup> Mr Michael Coote, Chief Executive Officer, AUSVEG, *Committee Hansard*, 2 February 2023, p. 53.

<sup>14</sup> Mr Michael Coote, Chief Executive Officer, AUSVEG, *Committee Hansard*, 2 February 2023, p. 53.

rural and remote communities. Over two million households in Australia experienced severe food insecurity in the last 12 months.<sup>15</sup>

### **The food and grocery retail and wholesale sector**

- 6.13 The food and grocery sector is dominated by four main retailers and wholesalers that constitute over 80 per cent of the market in Australia. These include Woolworths (37 per cent of the entire market), Coles (28 per cent), Aldi (11 per cent), and Metcash (7 per cent, including its Independent Grocers of Australia and Foodland brands, among others).<sup>16</sup> Metcash submitted that the combined market share of Coles and Woolworths in some areas of Australia was over 90 per cent of the market.<sup>17</sup>
- 6.14 Average prices in the September quarter rose 7.1 per cent at Coles and 7.3 per cent at Woolworths.<sup>18</sup>
- 6.15 Grocery retailers and wholesalers can agree to be bound by a (voluntary) Food and Grocery Code of Conduct (Code), that is enforced and supported by the Australian Competition and Consumer Commission (ACCC). The Code requires signatories to act in good faith towards suppliers and to establish a dispute resolution process to raise and resolve complaints.<sup>19</sup> An independent reviewer oversees implementation of the Code, can make recommendations to resolve complaints, and can refer to the ACCC any matters that may constitute a breach of the Code.<sup>20</sup>
- 6.16 Mr Coote dismissed the utility of the voluntary code, describing it as meaning 'absolutely nothing to the retailer... it's useless'.<sup>21</sup>
- 6.17 The Treasury began a review of the Code in late 2022. The review will consider the effectiveness of the dispute resolution process, barriers to using the dispute resolution process, and alternative approaches to improving the dispute

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<sup>15</sup> Mr Michael Coote, Chief Executive Officer, AUSVEG, *Committee Hansard*, 2 February 2023, p. 53.

<sup>16</sup> Hunt Export Advice, '[Australia Market Overview 2022](#)', (accessed 19 December 2022).

<sup>17</sup> Metcash, *Submission 64*, p. 3.

<sup>18</sup> Sue Mitchell, '[Food retailers need to tread carefully as prices soar](#)', *Australian Financial Review*, 10 November 2022.

<sup>19</sup> See, Commonwealth of Australia, Competition and Consumer (Industry Codes—Food and Grocery) Regulation 2015 (Cth).

<sup>20</sup> The Hon Michael Sukkar MP, Assistant Treasurer, Minister for Housing and Minister for Homelessness, Social and Community Housing, '[Appointment of Independent Food and Grocery Code Reviewer](#)', *Media Release*, 11 March 2021.

<sup>21</sup> Mr Michael Coote, Chief Executive Officer, AUSVEG, *Committee Hansard*, 2 February 2023, p. 54.

resolution provisions of the Code. The review is due to be provided to Government by 30 April 2023.<sup>22</sup>

- 6.18 Mr Coote told the committee that vegetable growers were vulnerable to the power imbalance between retailers and vegetable growers.<sup>23</sup> He stated that '[growers] are locked into processors on a set price or we are price takers from the supermarkets'.<sup>24</sup>
- 6.19 Ms Sheppard similarly described a 'power imbalance' between smaller farmers and large retailers, which she told the committee the Queensland Farmers Federation was constantly working with its members to address.<sup>25</sup>
- 6.20 Both Metcash and Aldi raised concerns with the committee about consolidation and competition within the sector. Mr Scott Marshall, Chief Executive Officer of Metcash's Food Division, warned the committee of major chains acquiring independent stores to increase their market share and power.<sup>26</sup> Metcash also drew the committee's attention to so-called 'anti-competitive' behaviour and recent acquisitions of independent businesses by major retailers.<sup>27</sup> Mr Oliver Bongardt from Aldi Stores Australia similarly claimed that some sectors in Australia were duopolistic or had only three or four main players, to the detriment of the consumer.<sup>28</sup>
- 6.21 Mr Bongardt told the committee that in 2022, Aldi had faced the largest number of cost increases from suppliers since it began operating in Australia. These increases, he said, had come on top of rising operating costs.
- 6.22 Mr Bongardt stated that Aldi had accepted 96 per cent of all cost increases requested by suppliers in 2022.<sup>29</sup> Mr Bongardt further claimed that the cost of its goods had risen by 9.2 per cent, whilst the supermarket had increased its retail prices by eight per cent. He told the committee that Aldi's approach was to buy 'very competitively', whilst ensuring relationships with suppliers remained

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<sup>22</sup> The Treasury, ['Food and Grocery Code of Conduct Review 2022–23'](#), Treasury website (accessed 19 December 2022).

<sup>23</sup> Mr Michael Coote, Chief Executive Officer, AUSVEG, *Committee Hansard*, 2 February 2023, p. 53.

<sup>24</sup> Mr Michael Coote, Chief Executive Officer, AUSVEG, *Committee Hansard*, 2 February 2023, p. 54.

<sup>25</sup> Ms Jo Sheppard, Chief Executive Officer, Queensland Farmers Federation, *Committee Hansard*, 3 February 2023, p. 49.

<sup>26</sup> Mr Scott Marshall, Chief Executive Officer, Metcash Food Division, *Committee Hansard*, 1 March 2023, p. 33.

<sup>27</sup> Metcash, answers to questions on notice on 1 March 2023 (received 23 March 2023), pp. 1–2.

<sup>28</sup> Mr Oliver Bongardt, Managing Director, National Buying, Aldi Stores Australia, *Committee Hansard*, 1 March 2023, p. 43.

<sup>29</sup> Mr Oliver Bongardt, Managing Director, National Buying, Aldi Stores Australia, *Committee Hansard*, 1 March 2023, p. 32.

good and that suppliers remain financially viable: '[t]here's no point trying to buy the product at a lower cost that [suppliers] can't sustain', he said.<sup>30</sup>

6.23 Ms Vittoria Bon from Coles similarly acknowledged that suppliers had experienced input cost increases, but claimed, '[w]e don't necessarily pass those costs through to our customers. Often we absorb those costs'.<sup>31</sup> She told the committee that Coles itself was also facing direct cost increases, particularly in terms of energy, fuel, packaging, and labour.<sup>32</sup>

6.24 Mr Harker told the committee that Woolworths Supermarkets had responded to food input cost rises by freezing prices on some essential items.<sup>33</sup> He also described pricing as a 'balancing act' between customers wanting good value and the sustainability and financial viability of suppliers.<sup>34</sup>

6.25 Mr Richard Shi, Vice President of the Asian Business Association of Whitehorse Inc, said many businesses (including small food retailers) were running at a loss due to high labour costs.<sup>35</sup>

### **Growing food insecurity**

6.26 In October 2022, Foodbank released a report on hunger in Australia, key findings of which included:

- in mid-2022, over 2 million Australian households (21 per cent) had experienced severe food insecurity over the previous 12 months, meaning they had reduced food intake, skipped meals, reduced meal sizes, forgone balanced meals, or in some cases, had gone whole days without eating;
- households with children were 1.5-times more likely to have experienced severe food insecurity, with a third (32 per cent) reporting that they were severely food insecure; and
- nearly one quarter (23 per cent) of Australian households perceived that they were struggling financially to access food more often than last year.<sup>36</sup>

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<sup>30</sup> Mr Oliver Bongardt, Managing Director, National Buying, Aldi Stores Australia, *Committee Hansard*, 1 March 2023, pp. 39–40.

<sup>31</sup> Ms Vittoria Bon, Government and Industry Relations Manager, Coles, *Committee Hansard*, 1 March 2023, p. 39.

<sup>32</sup> Ms Vittoria Bon, Government and Industry Relations Manager, Coles, *Committee Hansard*, 1 March 2023, p. 40.

<sup>33</sup> Mr Paul Harker, Chief Commercial Officer, Woolworths Supermarkets, *Committee Hansard*, 1 February 2023, p. 20.

<sup>34</sup> Mr Paul Harker, Chief Commercial Officer, Woolworths Supermarkets, *Committee Hansard*, 1 February 2023, p. 20.

<sup>35</sup> Mr Richard Shi, Vice President, Asian Business Association of Whitehorse Inc, *Committee Hansard*, 1 March 2023, p. 8.

<sup>36</sup> Foodbank, [Foodbank Hunger Report 2022](#), October 2022, p. 1.

- 6.27 Foodbank found that nearly two-thirds (64 per cent) of those experiencing food insecurity in 2022 attributed their insecurity to high living costs, whilst two-fifths (42 per cent) put it down to insufficient income. Other factors cited by respondents included costs associated with traveling to buy food (26 per cent), changes in living arrangements (24 per cent), and the impact of natural disasters (19 per cent).<sup>37</sup>
- 6.28 Across the country, Foodbank research found 55 per cent of households were highly food secure; 12 per cent were marginally food secure; 12 per cent were moderately food insecure; and 21 per cent were severely food insecure.<sup>38</sup>
- 6.29 OzHarvest reported in 2022 that its partners had seen the demand for food relief increase by 61 per cent over six months. Nearly a third of those seeking food relief were reported to be doing so for the first time.<sup>39</sup>
- 6.30 Metcash told the committee that they had not seen a major shift in consumer behaviour,<sup>40</sup> but subsequently provided evidence that consumers had begun to shift from fresh food to frozen, were buying more promotional items, and were now favouring private labels over major brands.<sup>41</sup> Coles said that whilst customers had not stopped buying particular categories of food, they were now buying cheaper items within each category.<sup>42</sup> Mr Bongardt from Aldi similarly stated, 'there's clearly a shift out of branded products into exclusive brands or value brands...we see people trading, within category, into cheaper options'.<sup>43</sup>
- 6.31 As discussed in Chapter 3, rising food costs have also driven up costs for food relief agencies, forcing many to reduce services, even as demand for assistance has grown since the pandemic.

### **Evidence on potential solutions**

- 6.32 Removing issues in the supply chain to reduce retailer costs was a consistent theme in evidence provided to the committee on how to reduce prices. Mr Coote told the committee that to cope with future supply shocks and food price rises,

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<sup>37</sup> Foodbank, [Foodbank Hunger Report 2022](#), October 2022, p. 15.

<sup>38</sup> Foodbank, [Foodbank Hunger Report 2022](#), October 2022, p. 5.

<sup>39</sup> OzHarvest, [Food Waste Facts](#), OzHarvest website (accessed 9 December 2022).

<sup>40</sup> Mr Scott Marshall, Chief Executive Officer, Metcash Food Division, *Committee Hansard*, 1 March 2023, p. 33.

<sup>41</sup> Metcash, answers to questions on notice on 1 March 2023 (received 23 March 2023), p. 1.

<sup>42</sup> Ms Vittoria Bon, Government and Industry Relations Manager, Coles, *Committee Hansard*, 1 March 2023, p. 33.

<sup>43</sup> Mr Oliver Bongardt, Managing Director, National Buying, Aldi Stores Australia, *Committee Hansard*, 1 March 2023, p. 33.

Australia needs a 'national food supply chain resilience plan'.<sup>44</sup> Mr Coote also advocated for greater openness and transparency between growers, processors, and retailers.<sup>45</sup>

- 6.33 Ms Sheppard called for stronger competition policies that strike a better balance between the needs of farmers and retailers, calling also for the ACCC to be better resourced to put in place a framework that enables farmers to negotiate fairer terms.<sup>46</sup>
- 6.34 Mr Marshall called for stronger competition laws to limit market share and the acquisition by large retailers of independent stores.<sup>47</sup> Mr Bongardt advocated for more competition across the entire supply chain to promote the best and fairest price.<sup>48</sup>
- 6.35 Mr Shi told the committee that lower requirements were needed for migrants coming to Australia so as to reduce labour shortages that were driving up costs to businesses in his area.<sup>49</sup>

### Interim committee findings

**Finding 10:** The increasing cost of food and groceries are a major contributing factor to the cost of living crisis.

**Finding 11:** Supply chain disruptions are a primary driver of increasing food and grocery prices. However, increased input costs to the production and provision of these goods, including energy and fuel, will impact the prices paid by consumers.

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<sup>44</sup> Mr Michael Coote, Chief Executive Officer, AUSVEG, *Committee Hansard*, 2 February 2023, p. 53.

<sup>45</sup> Mr Michael Coote, Chief Executive Officer, AUSVEG, *Committee Hansard*, 2 February 2023, pp. 54 and 58.

<sup>46</sup> Ms Jo Sheppard, Chief Executive Officer, Queensland Farmers Federation, *Committee Hansard*, 3 February 2023, p. 50.

<sup>47</sup> Mr Scott Marshall, Chief Executive Officer, Metcash Food Division, *Committee Hansard*, 1 March 2023, p. 33.

<sup>48</sup> Mr Oliver Bongardt, Managing Director, National Buying, Aldi Stores Australia, *Committee Hansard*, 1 March 2023, p. 43.

<sup>49</sup> Mr Richard Shi, Vice President, Asian Business Association of Whitehorse Inc, *Committee Hansard*, 1 March 2023, p. 4.

**Senator the Hon Jane Hume  
Chair  
Liberal Senator for Victoria**



# Dissenting report by Senators Grogan and Stewart

## Introduction

- 1.1 Australia, like most of the world, is experiencing increased inflation and consequential household budget pressure. The global causes of short-term inflationary pressures, supply chain blockages complicated by an illegal and immoral war perpetrated by Russia, are having universal effect.<sup>1</sup> In Australia, they were aggravated by economic,<sup>2</sup> energy,<sup>3</sup> housing,<sup>4</sup> wages,<sup>5</sup> skills,<sup>6</sup> and healthcare<sup>7</sup> policy malaise and stagnation across the life of the former Coalition Government. By May 2022, this dearth of policy certainty and clarity left ordinary Australians exposed to a dire housing shortage,<sup>8</sup> energy fuel uncertainty<sup>9</sup>, and a deficiency in access to crucial healthcare.<sup>10</sup>
- 1.2 In less than a year in office, the Albanese Labor Government has lifted Australia from this policy valley, and is taking urgent steps to address the immediate inflationary crisis.
- 1.3 Policy strides in energy investment and emissions policy certainty have renewed investment and business confidence,<sup>11</sup> with a clear economic pathway to easing the load on household budgets.<sup>12</sup> The Government has reduced the cost of vital medicines<sup>13</sup> and is improving access and affordability to health care through Urgent Care-Clinics—a goal which will be strengthened by the Government’s response to the Strengthening Medicare Taskforce.<sup>14</sup>

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<sup>1</sup> Dr Kohler, *Committee Hansard*, 1 February 2023, p. 10.

<sup>2</sup> Mr Jericho, *Committee Hansard*, 3 February 2023, p. 17.

<sup>3</sup> Mr Buckley, *Committee Hansard*, 3 February 2023, p. 19.

<sup>4</sup> Dr Fotheringham, *Committee Hansard*, 2 February 2023, p. 49.

<sup>5</sup> Mr Jericho, *Committee Hansard*, 3 February 2023, p. 17.

<sup>6</sup> The Tax Institute, *Submission 46*, p. 5.

<sup>7</sup> Combined Pensioners and Superannuants Association, *Submission 53*, pp. 7-9.

<sup>8</sup> Ms Caniglia, *Committee Hansard*, 3 February 2023, p. 23.

<sup>9</sup> Mr Grudnoff, *Committee Hansard*, 3 February 2023, p. 19.

<sup>10</sup> Submission 35, p. 8.

<sup>11</sup> Mr Grudnoff, *Committee Hansard*, 3 February 2023, p. 19.

<sup>12</sup> Mr Weaver, *Committee Hansard*, 3 February 2023, p. 19.

<sup>13</sup> Submission 15, p. 1.

<sup>14</sup> Submission 65, p. 8.

- 1.4 The Government is also taking strong steps to ensure Australians have a safe, secure and affordable home;<sup>15</sup> through the development of the National Housing and Homelessness Plan, widening the National Housing Infrastructure Facility, striking a new National Housing Accord, and the Help to Buy and Regional First Home Buyer Guarantee schemes. A crisis that has developed over the last decade cannot be fixed overnight, but further delays to crucial investment in social and affordable housing through the Liberal, National and Greens refusal to pass the Housing Australia Future Fund legislation risks continuing a significant housing shortage.
- 1.5 The cost of living crisis that began before the 2022 Federal Election was compounded by the policy of the previous Government to intentionally limit wage growth,<sup>16</sup> meaning that Australians could buy less with the money they earn<sup>17</sup>. Through the work of this committee, the Labor Government's steps to deliver wage increases for some of the lowest paid Australians was noted as a real step to address working poverty after a decade of neglect.<sup>18</sup>
- 1.6 The Senate Select Committee on the Cost of Living heard that there is good news in the outlook for Australians managing their household budget, as the inflation crisis that began under the previous Coalition Government appears to have peaked in December 2022.<sup>19</sup>
- 1.7 The committee heard that while there are no easy 'Shark Tank' solutions to an economy-wide global inflation crisis inflamed by nearly a decade of policy failure, the Labor Government's balanced, reforming approach to service delivery, employment and wage security, and investment confidence means things will get easier for Australians without driving inflation further or devastating the national budget.

## **Economic Outlook**

- 1.8 The drivers behind Australia's current cost of living circumstances are largely global and being experienced by other similar economies.<sup>20</sup> Dr Marion Kohler, Head of Economic Analysis Department, Reserve Bank of Australia told the committee:

Most advanced economies have experienced a large increase in inflation over the past year or so. A big driver of higher prices was unpredictable shocks to supply that affected many countries. Most notable are the

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<sup>15</sup> Dr Fotheringham, *Committee Hansard*, 2 February 2023, p. 45.

<sup>16</sup> Mr Jericho, *Committee Hansard*, 3 February 2023, p. 17.

<sup>17</sup> Dr Kohler, *Committee Hansard*, 1 February 2023, p. 10.

<sup>18</sup> Dr Kohler, *Committee Hansard*, 1 February 2023, p. 10.

<sup>19</sup> Dr Kohler, *Committee Hansard*, 1 February 2023, p 11.

<sup>20</sup> Dr Kohler, *Committee Hansard*, 1 February 2023, p 11.

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pandemic disruptions to global supply chains and Russia's invasion of Ukraine. In Australia we also had flooding on the east coast that affected supply here. Strong growth and domestic demand have also played a role in many countries.<sup>21</sup>

- 1.9 Whilst the overall experience of recent inflation is shared, the drivers and structure of that inflation is slightly different. The committee heard that Europe, for example, has had a crisis disproportionately driven by energy price inflation.
- 1.10 Australia's inflation has had broad impact across almost all sectors of the economy. Early warning signs began in mid-2021, driven by COVID related supply chain blockages. This translated to real world cost of living challenges after being exacerbated by the War in Ukraine, floods, fires, and domestic energy supply challenges.<sup>22</sup>
- 1.11 The independent Reserve Bank of Australia (RBA) responded to these inflationary pressures by steadily increasing the target cash rate over the course of 2022 and early 2023.<sup>23</sup>
- 1.12 The broad-based nature of Australia's inflation has had a disproportionate impact on vulnerable and low-income households. Inflation is relative to a household's ability to meet increased costs<sup>24</sup>. The real-world impact of that economic reality was crystalised by evidence from charities and food providers that increasing numbers of working Australians are struggling to put food on the table,<sup>25</sup> a consequence of the former Government's intentional policy of wage stagnation.
- 1.13 The committee heard good news that relief for household budgets may be near, in that the RBA gave evidence that they believed we had seen inflation peak in December 2022 and that it would likely ease over the remainder of 2023.<sup>26</sup>

## Wages and employment

- 1.14 Ms Brianna Casey, Chief Executive Officer, Foodbank told the committee:

Fifty-four— that's the percentage of food-insecure households in Australia with someone in paid work. A job is no longer a shield against a cost-of-living crisis. Five hundred thousand— that's the number of households that will struggle to put a meal on the table tonight. These are households in my community, in your communities and in a growing number of communities.

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<sup>21</sup> Dr Kohler, *Committee Hansard*, 1 February 2023, p. 10.

<sup>22</sup> Dr Kohler, *Committee Hansard*, 1 February 2023, p. 10.

<sup>23</sup> Dr Kohler, *Committee Hansard*, 1 February 2023, p. 11.

<sup>24</sup> Dr Kohler, *Committee Hansard*, 1 February 2023, p. 10.

<sup>25</sup> Ms Casey, *Committee Hansard*, 1 February 2023, p. 27.

<sup>26</sup> Dr Kohler, *Committee Hansard*, 1 February 2023, p. 11.

Why? Put simply, it's because people's incomes are not keeping up with their expenses.

It's that basic.<sup>27</sup>

1.15 Reverend Stu Cameron, Chief Executive Officer, Wesley Mission/Wesley Community Services said:

Across our service providing crisis support we are seeing this right now: more first-time users. These are people who are employed and a double-income families seeking support for financial difficulties. This reflects the changing face of financial stress and poverty in our nation.<sup>28</sup>

1.16 In March 2019, then Finance Minister in the former Coalition Government said that low wage growth was 'a deliberate design feature of our economic architecture'.<sup>29</sup>

1.17 The impact of this decade long policy tragedy was felt when global pressures began to drive the prices of everyday goods up for Australian households. Multiple charities and food providers reported to the committee that they are seeing significantly increased numbers of working Australians seek assistance to put food on the table.<sup>30</sup>

1.18 Witnesses told the committee that causes of wage stagnation were downward pressure on bargaining rights for workers,<sup>31</sup> changes to worker/employer power dynamics over the last decade,<sup>32</sup> and the increased notion of the gig economy.<sup>33</sup> A significant link was also drawn between union representation and healthy wage growth.<sup>34</sup>

1.19 Any suggestion of wage growth driving Australia's recent inflation was thoroughly debunked,<sup>35</sup> with a demonstration that, after nearly a decade of intentional wage suppression, real wages had fallen to the same point there were under the previous Labor Government in 2009.<sup>36</sup>

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<sup>27</sup> Ms Casey, *Committee Hansard*, 1 February 2023, p. 28.

<sup>28</sup> Rev Cameron, *Committee Hansard*, 1 February 2023, p. 29.

<sup>29</sup> Katharine Murphy, '[Linda Reynolds stumbles on wages growth in TV interview](#)', *The Guardian*, 10 March 2019

<sup>30</sup> Ms Casey, *Committee Hansard*, 1 February 2023, p. 27; Ms Dare, *Committee Hansard*, 3 February 2023, p. 25; and Ms Wishart, *Committee Hansard*, 1 March 2023, p. 2.

<sup>31</sup> Submission 58, p. 3.

<sup>32</sup> Dr Goldie, *Committee Hansard*, 1 February 2023, p. 50.

<sup>33</sup> Dr Goldie, *Committee Hansard*, 1 February 2023, p. 50.

<sup>34</sup> Mr Jericho, *Committee Hansard*, 3 February 2023, p. 17.

<sup>35</sup> Mr Jericho, *Committee Hansard*, 3 February 2023, p. 17.

<sup>36</sup> Mr Jericho, *Committee Hansard*, 3 February 2023, p. 17.

1.20 Recent Government action in early childhood education and care subsidy rates will not only have a direct impact on household budgets in terms of reducing costs but enables more parents and caregivers to re-enter the workforce, particularly women. From July 2023, 1.2 million Australian families will see significant cost-of-living relief, with the average family on about \$120 000 a year with a child in care three days a week saving approximately \$1700.<sup>37</sup> Compared with the experience of Australians under the former Coalition Government, which saw early childhood childcare and education costs soar by 49 percent,<sup>38</sup> a variety of witnesses stated that Labor Government's reforms will provide some relief for families with children.<sup>39</sup> Ms Jennifer Kirkaldy, General Manager, Policy and Advocacy, The Salvation Army Australia explained:

Absolutely, affordable childcare is incredibly important in terms of the child's wellbeing but also in terms of the wellbeing of the birth parent—usually the mother. That ability to get back into economic and social participation is critical for the wellbeing of the entire family. In terms of the answer to the question how important affordable childcare is: it's extremely important.<sup>40</sup>

### **Recommendation 1**

**1.21 That the Government continue their policy of encouraging sustainable wage growth, unwinding the intentional wage suppression of the former Coalition Government.**

### **Recommendation 2**

**1.22 That the Government continue their policy of cost-of-living relief for families and enabling workforce participation.**

## **Climate Change**

1.23 Witnesses across the hearings, and in submissions, drew a link between the increased effects of climate change, and the need to plan for them. Witnesses representing low-income and vulnerable households reported being among the hardest hit by climate related disasters.<sup>41</sup> Witnesses on behalf of industry,<sup>42</sup>

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<sup>37</sup> The Hon Jason Clare MP, Minister for Education and the Hon Dr Anne Aly MP, Minister for Early Childhood Education, '[100 days until cheaper child care](#)', *Media Release*, 23 March 2023.

<sup>38</sup> Australian Government, '[Quarterly reports on usage, services, fees and subsidies](#)', Department of Education (accessed 3 May 2023).

<sup>39</sup> Submission 31, p. 4; Submission 46, p. 4; and Answers to Questions on Notice, Salvation Army, p. 1.

<sup>40</sup> Ms Kirkaldy, *Committee Hansard*, 1 February 2023, p. 33.

<sup>41</sup> Ms Caniglia, *Committee Hansard*, 3 February 2023, p. 30; and Submission 1, p. 24.

<sup>42</sup> Mr Loydell, *Committee Hansard*, 1 February 2023, p. 8.

grocery,<sup>43</sup> and agriculture<sup>44</sup> reported that climate disasters impacted supply chains and consequently prices for consumers.

1.24 Energy Consumers Australia reported that in their regular survey of 2000 households and 500 small businesses, respondents do not see cost of living and action on climate change as things that they expect to be traded off against each other.<sup>45</sup>

1.25 Ms Cassandra McCarthy, Corporate Affairs, Glencore Australia, in her commentary on the last decade, stated:

I think it's fair to say that in a number of critical policy areas there has been a level of instability.<sup>46</sup>

1.26 Mr Paul Harker, Chief Commercial Officer, Woolworths Supermarkets also stated:

I think with anything that requires structural change, obviously having a level of certainty for what people actually driving towards is very helpful. The industry knowing collectively what they're trying to do and the time frames they going to do it in, and being able to work with some level of certainty around what that is, is helpful.<sup>47</sup>

1.27 The need to take meaningful action on climate change was recognised by multiple witnesses and submissions.<sup>48</sup> It was clear that the business community was in favour and supportive of the Government's legislated emissions reduction target.<sup>49</sup>

1.28 The loud and clear message was that business and investment confidence in Australia has suffered from a decade of instability in 'a number of critical policy areas,' including climate and emissions policy.<sup>50</sup>

1.29 The election of the Labor Government, and the legislative agenda since the election, have ended that policy instability, through mechanisms such as the legislated climate target and reformed Safeguard Mechanism. Innes Willox,

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<sup>43</sup> Mr Harker, *Committee Hansard*, 1 February 2023, p. 23.

<sup>44</sup> Mr Bulmer, *Committee Hansard*, 2 February 2023, p. 56.

<sup>45</sup> Mr Bulmer, *Committee Hansard*, 2 February 2023, p. 56.

<sup>46</sup> Ms McCarthy, *Committee Hansard*, 1 February 2023, p. 6.

<sup>47</sup> Mr Harker, *Committee Hansard*, 1 February 2023, p. 23.

<sup>48</sup> Ms Caniglia, *Committee Hansard*, 3 February 2023, p. 30; and Dr Goldie, *Committee Hansard*, 1 February 2023, p. 46.

<sup>49</sup> Ms McCarthy, *Committee Hansard*, 1 February 2023, p. 5; and Mr Wood, *Committee Hansard*, 2 February 2023, pp. 25-26.

<sup>50</sup> Ms McCarthy, *Committee Hansard*, 1 February 2023, p. 6.

Chief Executive of national employer association Ai Group, on the passage of the Safeguard Mechanism reforms:

After all the political gyrations of recent years and recent months, the legislation delivers a measure of much-needed certainty that Australia is serious about both its emissions goals and the centrality of competitive industry to achieving them. Maintaining and building our competitiveness is crucial both to our prosperity and our ability to deliver a net zero emissions economy.<sup>51</sup>

1.30 Jennifer Westacott, Chief Executive of the Business Council of Australia, also said on the passage of the Safeguard Mechanism reforms:

Make no mistake, this is critical progress towards securing a transition that delivers new jobs and new opportunities.

We welcome the passage of this legislation and the adoption of key elements of the Business Council's plan to reach net zero emissions.

After more than a decade of uncertainty and equivocation employers now have certainty about our emissions targets and how we're going to get there.<sup>52</sup>

1.31 Witnesses before the committee explained that newfound stability in Australian energy and emissions policy under the Labor Government has enabled long-term, nation building, job creating investment in Australia. Mr Arron Wood, Executive General Manager, Industry Development, Clean Energy Council said:

That policy certainty of a legislated climate target saw a real uptick in the confidence of our membership domestically but also globally. We have a lot of the big global clean energy players as well. Things like the Rewiring the Nation fund, for example, are critical. In the announcement of those legislated climate targets, with that target of 82 per cent renewable energy by 2030, these sorts of things allow companies, which are making investment decisions which might be 10 years out, to have the sort of certainty we need.<sup>53</sup>

### Recommendation 3

**1.32 The Senate support the Government's agenda to ensure emission reduction and clean energy investment, to take meaningful action on climate change whilst providing confidence to the business community.**

### Housing

1.33 Housing was outlined as a fundamental element of cost of living challenges for the Australian economy. Multiple witnesses reported that, at its core, Australia

<sup>51</sup> Ai Group, '[Safeguard reforms: now the real work begins](#)', *Media Release*, 30 March 2023.

<sup>52</sup> Business Council of Australia, '[Getting on with the transition](#)', *Media Release*, 30 March 2023.

<sup>53</sup> Mr Wood, *Committee Hansard*, 2 February 2023, pp. 25–26.

has a housing supply shortage<sup>54</sup> and more specifically an affordable housing supply shortage.<sup>55</sup> The result is that it is harder for Australians to buy their first home, and harder and more expensive for Australians to find a rental. The proportion of Australians in rental accommodation has grown, and the proportion of owner occupiers has fallen.<sup>56</sup>

- 1.34 Witnesses spoke on of a crisis that has been emerging and growing for decades. When pressed however, expert witnesses were only able to name one Commonwealth Government initiative under the former Coalition Government that attempted to address housing affordability<sup>57</sup>. Indeed, certain schemes, such as the former Federal Government's HomeBuilder scheme, had a 'deleterious effect on affordability', because the way it was framed 'created a rush' and created 'supply chain issues of it's own'.<sup>58</sup>
- 1.35 Several witnesses referenced the negative impact of that Government's scaling down of effective affordability schemes such as the National Rental Affordability Scheme (NRAS).
- 1.36 Witnesses acknowledged the pace with which the Labor Government is taking action on housing affordability and supply, with legislation introduced to the Parliament before the end of 2022.<sup>59</sup>
- 1.37 Like in the policy areas of emissions reduction and energy, witnesses and submissions spoke to the need for consultation with community, business and other Australian Governments in the formulation of a comprehensive plan to address housing. Key witnesses in the housing space indicated they had been engaging positively with the Labor Government in the formulation of an ambitious policy response.<sup>60</sup>
- 1.38 Specific mention was made by business,<sup>61</sup> community groups,<sup>62</sup> and governments<sup>63</sup> of the importance of the Housing Australia Future Fund. The Bishops Commission for Social Justice, Mission and Service described it as 'a promising development'. The Australian Housing and Urban Research Institute

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<sup>54</sup> Dr Fotheringham, *Committee Hansard*, 2 February 2023, p. 42.

<sup>55</sup> Dr Alves, *Committee Hansard*, 2 February 2023, p. 46.

<sup>56</sup> Dr Fotheringham, *Committee Hansard*, 2 February 2023, p. 41.

<sup>57</sup> Dr Fotheringham, *Committee Hansard*, 2 February 2023, p. 49.

<sup>58</sup> Dr Fotheringham, *Committee Hansard*, 2 February 2023, p. 49.

<sup>59</sup> Dr Fotheringham, *Committee Hansard*, 2 February 2023, p. 49.

<sup>60</sup> Dr Fotheringham, *Committee Hansard*, 2 February 2023, p. 45.

<sup>61</sup> Answers to Questions on Notice, Master Builders Association, p. 2.

<sup>62</sup> Submission 17, p. 4.

<sup>63</sup> Submission 65, p. 9.

described their submission on the legislation as positive, describing the mechanism of folding the National Housing Finance and Investment Corporation into Housing Australia as 'pretty straightforward'.<sup>64</sup> The Master Builders Association<sup>65</sup> and the Government of South Australia<sup>66</sup> made submissions in support of the legislation as a key part of addressing the housing supply shortage in Australia.

## Recommendation 4

**1.39 That the Senate pass the Government's Housing Australia Future Fund legislation without unnecessary further delay.**

## Energy

1.40 Multiple witnesses and submissions confirmed that energy prices are a significant factor in cost-of-living pressures facing Australian households and businesses.<sup>67</sup>

1.41 As mentioned earlier, there is an acceptance of the need to transition to renewable energy and ensure our energy infrastructure can deliver reliable energy to Australian households and businesses in a low carbon economy.<sup>68</sup>

1.42 Again, witnesses outlined that these issues have built up over an extended period of time, with one witness describing 'a decade of policy chaos' that dampened private investment and investment confidence, and left Australia exposed to a 'disproportionate impact of fossil fuel hyperinflation'.<sup>69</sup>

1.43 Another witness outlined the missed opportunity that 'decade of chaos' the former Coalition Government created; if there had been expanded investment in renewables and energy storage, then when the war in Ukraine and global gas and coal prices increased, Australia would likely have seen less impact on prices for households and businesses.<sup>70</sup>

1.44 In December 2022, the Labor Government announced an Energy Price Relief Plan, which consisted of a price cap on wholesale gas contracts of \$12 GJ, a price cap for thermal coal in Queensland and New South Wales, implemented in

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<sup>64</sup> Dr Fotheringham, *Committee Hansard*, 2 February 2023, p. 45.

<sup>65</sup> Submission 17, p. 4.

<sup>66</sup> Submission 65, p. 9.

<sup>67</sup> Mr Harker, *Committee Hansard*, 1 February 2023, p. 21.

<sup>68</sup> Ms Gallagher, *Committee Hansard*, 1 February 2023, p. 56; Mr Barnes, *Committee Hansard*, 2 February 2023, p. 1; Mr Menzel, *Committee Hansard*, 2 February 2023, p. 21–23; and Mr Wood, *Committee Hansard*, 2 February 2023, p. 24.

<sup>69</sup> Mr Buckley, *Committee Hansard*, 3 February 2023, p. 19.

<sup>70</sup> Mr Grudnoff, *Committee Hansard*, 3 February 2023, p. 19

partnership with those states, of \$125 Tonne, and \$1.5 billion in targeted energy bill relief for households and small businesses.

1.45 While the consumer rebates are still being finalised with states, both the Australian Energy Regulator (AER) and Australian Energy Market Operator (AEMO) have indicated the gas and coal price caps have filtered through electricity wholesale markets.

1.46 AEMO's latest Quarterly Energy Dynamics report has confirmed following the intervention:

- Black coal generators in both NSW and Queensland have increased volumes offered at the lower price bands, which decreased the average price set by the black coal generators and contributed to the lower wholesale electricity price levels.
- Electricity futures contract prices for FY2023–24 averaged \$107/MWh for all mainland NEM regions across the quarter, a \$55/MWh decrease from the prior quarter's average FY2023-24 price.
- Wholesale electricity prices across the National Electricity Market (NEM) averaged \$83/megawatt hour (MWh) in Q1 2023, a decrease of \$4/MWh from Q1 2022.
- AEMO observes that these spot prices have returned to levels seen just before the highs observed in Q2 and Q3 2022.
- Regional quarterly average prices ranged from \$56/MWh in Victoria to \$104/MWh in Queensland.
- Output from renewable generation continues its growth trend with an 11 per cent increase in output compared to the same time last year, attributed to newly commissioned grid-scale wind and solar units.<sup>71</sup>

1.47 On 14 March, the AER announced its draft Default Market Offer determination. In this determination, the AER stated:

The forward contract prices for the 2023–24 financial year began to fall in SE QLD and NSW as soon as the intervention was publicly mooted. These contract prices are an important input to our wholesale forecasts for the DMO because they represent market expectations about prices for the coming year and directly influence the costs to retailers in purchasing wholesale energy for their customers. Contract prices have now fallen by approximately 50% since the end of October.<sup>72</sup>

1.48 In discussing the determination, Clare Savage, the Chair of the AER, stated:

Well, last September, October, we started briefing ministers on what we thought could happen to the electricity prices this year, and so we started doing estimates of what we might have been deciding today. And at that

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<sup>71</sup> Australian Energy Market Operator, [AEMO Quarterly Energy Dynamics Q1 2023](#), April 2023.

<sup>72</sup> Australian Energy Regulator, [AER Default market offer prices 2023–2024: Draft determination](#), March 2023.

time, those estimates ranged between 35 and 50 per cent. Most of them were between 40 and 50 percent. So that was obviously very alarming; 40 to 50 per cent price increase is just horrific. So it's really good to see that all governments have intervened in both coal and gas markets and that has brought down the price expectations in the system, and so today's decision is more like 20 to 22 per cent...20-22% is still a significant increase, but it is much much lower than it otherwise would have been.<sup>73</sup>

- 1.49 Witnesses confirmed this intervention will reduce the magnitude of price rises facing customers. Indeed, witnesses representing the community sector expressed concern at the hypothetical that the intervention didn't occur, where pressures for Australian households and businesses would have been substantially worse toward the end of 2023, as Coalition Senators voted for. One witness called it 'the worst energy crisis – virtually in Australian history, and certainly in my life'.<sup>74</sup>
- 1.50 Fortunately, witnesses 'applauded [sic] efforts by the federal and state governments to rectify the total market failure'.<sup>75</sup>
- 1.51 In December, AEMO reported that they are forecasting a record level of investment in wind, solar and batteries in the next 12 to 24 months.<sup>76</sup> Renewables were cited as the cheapest form of energy generation,<sup>77</sup> and increased saturation of the energy generation market with renewables isolates Australia from global market challenges in fossil fuels, thus ensuring energy costs for households and businesses are stable. This is a direct result of the policy certainty created by the reformed Safeguard Mechanism, the Climate Change Act, and renewed support for the Australian Renewable Energy Agency and the Clean Energy Finance Corporation.<sup>78</sup>
- 1.52 Mr Tim Buckley, Director, Clean Energy Finance told the committee:

There is definitely a solution in sight now that we have the clarity of an energy and climate policy that makes sense, that's aligned with the science, aligned with the economics and aligned with the interests of a sustainable economy in Australia. I think that will be great news for Australia. We are seeing very clear policy developments, whether that's the Safeguard Mechanism or the Climate Change Act. There are all sorts of programs. We've seen a reiteration of support for the Australian Renewable

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<sup>73</sup> Clare Savage, Chair of the AER, Radio National, ABC, 15 March 2023

<sup>74</sup> Mr Buckley, *Committee Hansard*, 3 February 2023, p. 19.

<sup>75</sup> Mr Buckley, *Committee Hansard*, 3 February 2023, p. 19.

<sup>76</sup> Mr Buckley, *Committee Hansard*, 3 February 2023, p. 19.

<sup>77</sup> Mr Grudnoff, *Committee Hansard*, 3 February 2023, p. 19.

<sup>78</sup> Mr Buckley, *Committee Hansard*, 3 February 2023, p. 19.

Energy Agency and the CEFC in order to drive and crowd in private investment.<sup>79</sup>

1.53 Another aspect of policy having a direct impact on household energy costs is the impact of energy efficiency in housing. The Australian community responded to the dearth of policy under the former Government by significantly investing in rooftop solar, where they could afford to do so.

1.54 Multiple witnesses spoke of the need to improve access to sustainable energy efficient homes, and the significant impact that an energy efficient house can have. Mr Joel Dignam, Executive Director, Better Renting stated that:

The energy efficiency issue in housing is really central when you talk about cost of living. When housing costs more, people end up in poorer quality homes.

They often have higher power costs. This doesn't just mean that they're paying more for energy; it often means that they're cutting back on energy altogether, which can mean that they're in quite unhealthy indoor temperatures. This is a big concern with heatwaves and also in winter.<sup>80</sup>

1.55 There was broad support for energy efficiency investment, from multiple submissions and witnesses.<sup>81</sup> The Labor Government is significantly investing in ensuring better efficiency of households, including a \$125 million investment with the Clean Energy Finance Corporation and the Commonwealth Bank to encourage green home construction<sup>82</sup>, and agreement to update the National Construction Code to require Nationwide House Energy Rating Scheme equivalent of 7 stars in new houses and apartments.<sup>83</sup>

**Senator Karen Grogan**  
**Senator for South Australia**

**Senator Jana Stewart**  
**Senator for Victoria**

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<sup>79</sup> Mr Buckley, *Committee Hansard*, 3 February 2023, p. 19.

<sup>80</sup> Ms Caniglia, *Committee Hansard*, 3 February 2023, p. 29; Ms Dare, *Committee Hansard*, 3 February 2023, p. 29; and Mr Dignam, *Committee Hansard*, 3 February 2023, p. 30.

<sup>81</sup> Mr Dignam, *Committee Hansard*, 3 February 2023, p. 30; Submission 2, p. 2; Submission 34, p. 3; Submission 65, p. 7.

<sup>82</sup> The Hon Chris Bowen MP, Minister for Climate Change and Energy and Senator the Hon Jenny McAllister, Assistant Minister for Climate Change and Energy, ['Joint Media Release: : \\$125 million investment to help Australians buy energy efficient homes'](#), *Media Release*, 5 March 2023.

<sup>83</sup> The Hon Jenny McAllister, Assistant Minister for Climate Change and Energy, ['Building Ministers support new home energy efficiency standards'](#), *Media Release*, 26 August 2022.

# Dissenting report by the Australian Greens

- 1.1 The hearings have confirmed that the increasing cost of living has accelerated economic inequality and inflicted harm on many Australians. As noted in the Chair's report, people are struggling to cover the basics of life, such as housing, health and food. This has increased demand on the charity sector and social services.
- 1.2 This is the logical conclusion of decades of policy decisions that have eroded the basic tenets of economic equality. Continued attacks on workers' power, the kneecapping of the social security safety net, and the privatisation of services has destroyed the basics of economic equality.
- 1.3 The unaffordability of housing, both from buying into the market and in meeting rental costs has been noted throughout the inquiry. Successive governments have implemented a housing strategy that incentivises buying into housing as an investment tool rather than a basic right.
- 1.4 This has primarily been driven through the dual policy of tax concessions in the capital gains tax discount and negative gearing. Efforts to shift renters into the market have broadly failed as policies such as the first homeowners grant fuelled demand in the private market, increasing prices rather than reducing.

We do not need any more policies which actually operate in a market environment to drive up prices. Things like discounts on stamp duty do not help. Things like first homeowner grants do not help. In our view—I don't know whether you're aware, Senator—we don't support the discount on capital gains, because that also fuels behaviour in investment in the private market, which does not help to stimulate the right kind of supply. <sup>1</sup>

- 1.5 This has been compounded by bank regulation skewed in favour of housing, and a continuing failure to invest in social and affordable housing. As it stands, there is currently a shortfall of 659 000 social and affordable homes.<sup>2</sup>
- 1.6 Successive interest rate increases by the RBA have been an inadequate pathway to deal with the cost of living. Monetary policy as used by the RBA is a blunt instrument that prioritises reducing inflation by smashing debt holders. As noted by Dr Marion Kohler from the RBA.

[The Reserve Bank's] mandate is to manage aggregate inflation...We have one tool, which is the interest rate, and it is a blunt tool. The RBA board is mindful of that and is looking at [affordability and cost of living] issues

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<sup>1</sup> Dr Cassandra Goldie, Chief Executive Officer, Australian Council of Social Service, *Committee Hansard*, 1 February 2023, p. 47.

<sup>2</sup> Ryan van den Nouwelant, Laurence Troy and Balamurugan Soundararaj, 'Quantifying Australia's unmet housing need, a national snapshot', Community Housing Industry Association, November 2022.

when setting policy, but it doesn't really have tools beyond the interest rate to address it. So there are trade-offs that we need to make. We just don't have the right tools to hit all those targets.<sup>3</sup>

- 1.7 This inherently affects those with the least wealth, while benefits those with the most. This distribution was also referred to by Dr Kohler.

While those relying on interest income, such as self-funded retirees, have seen their incomes boosted by higher interest rates over the past year, those with mortgages will be feeling the effects of the rise in interest rates.<sup>4</sup>

- 1.8 Raising interest rates has not adequately dealt with the core challenge of inflation as it does not directly address increases in corporate profiteering and other supply-side issues. Research from the Centre for Future Work indicates excess corporate profits have accounted for 69 per cent of additional inflation beyond the RBA's target since 2019.<sup>5</sup> Currently, corporate profits have reached the highest ever share of GDP at 29 per cent.<sup>6</sup>

- 1.9 Despite benefits flowing to corporate profits, wages have continued to decline, with real wages now currently reflecting what they were in 2009.<sup>7</sup> This is a significant factor of the current cost of living crisis as wages are the primary means of income for the majority of Australians. As noted by Ms Casey from Foodbank, a job is no longer a shield against the cost of living crisis. From Foodbank 54 per cent of food insecure households in Australia have someone in paid work.<sup>8</sup>

- 1.10 This is the natural conclusion of interventions in industrial relations policy have attacked workers power, eroding their capacity to bargain for higher wages. Partnered with the proliferation of insecure work, Australian workers are not reaping the benefits of productivity gains in the economy.

- 1.11 The income support system that serves as our safety net has been neglected to the point of dysfunction. A continuing failure to increase income support payments, particularly the rate of Jobseeker has kept Australians in poverty, exacerbating the cost of living crisis.

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<sup>3</sup> Dr Marion Kohler, Head of Economic Analysis Department, Reserve Bank of Australia, *Committee Hansard*, 1 February 2023, p. 17.

<sup>4</sup> Dr Marion Kohler, Head of Economic Analysis Department, Reserve Bank of Australia, *Committee Hansard*, 1 February 2023, p. 10.

<sup>5</sup> Dr Jim Stanford, 'Profit-Price Spiral: The Truth Behind Australia's Inflation', Centre for Future Work, February 2023.

<sup>6</sup> Greg Jericho and Dr Jim Stanford, 'Profits and Inflation in Mining and Non-Mining Sectors', Centre for Future Work, April 2023.

<sup>7</sup> Greg Jericho, Policy Director, Centre for Future Work, Australia Institute, *Committee Hansard*, 3 February 2023, p. 17.

<sup>8</sup> Brianna Casey, Chief Executive Officer, Foodbank, *Committee Hansard*, 1 February 2023, p. 35.

1.12 Neglected by the Chair's report is the reality that the current crisis has not emerged overnight, or as the consequence of an election cycle. The increasing cost of living pressures are the result of conscious policy decisions made by Governments disinterested in fortifying economic equality and maintaining strong safety net in Australia.

**Senator Penny Allman**  
**Deputy Chair**  
**Senator for Queensland**



# Appendix 1

## Submissions and Additional Information

### Submissions

- 1 Foodbank Australia Ltd
- 2 Uniting Vic.Tas
  - Attachment 1
  - Attachment 2
- 3 Suicide Prevention Australia
- 4 Renters and Housing Union
- 5 British Pensions in Australia
- 6 Australian Deer Association
- 7 Kensington Neighbourhood House
- 8 Carlton Neighbourhood Learning Centre Inc
- 9 Minerals Council of Australia
- 10 Councillor Chris Thomson
- 11 The Salvation Army
- 12 Private Healthcare Australia
- 13 Australian Small Business and Family Enterprise Ombudsman
- 14 Beyond Blue
- 15 The Pharmacy Guild of Australia
- 16 Queensland Consumers Association
- 17 Australian Catholic Bishops Conference
- 18 Torres Cape Indigenous Council Alliance Inc.
  - Attachment 1
- 19 Economic Justice Australia
  - Attachment 1
- 20 Professor David Gilchrist
- 21 Clean Energy Council
  - Attachment 1
  - Attachment 2
  - Attachment 3
  - Attachment 4
- 22 Adams Economics
- 23 Local Government Association of Queensland - Fortitude Valley BC, QLD
- 24 UnitingCare Australia
- 25 Asthma Australia
- 26 The University of Melbourne Graduate Student Association
- 27 Dr John Hawkins
- 28 Oracle

- 29 Energy Consumers Australia
- 30 Department of Economics, University of Western Australia
- 31 Anglicare WA
- 32 Women With Disabilities Australia
- 33 NSW Advocate for Children and Young People
  - Attachment 1
- 34 Brotherhood of St. Laurence
- 35 headspace National Youth Mental Health Foundation Ltd.
- 36 Anglicare Australia
- 37 Inclusion Australia
- 38 National Australia Bank
  - Attachment 1
  - Attachment 2
- 39 People with Disability Australia
- 40 Australian Banking Association
- 41 Lifeline Australia
  - Attachment 1
  - Attachment 2
- 42 Consumer Action Law Centre
- 43 Youth Affairs Council of South Australia
- 44 Consumers Health Forum of Australia
- 45 Insurance Council of Australia
- 46 The Tax Institute
- 47 Council of Australian Postgraduate Associations & National Aboriginal and Torres Strait Islander Postgraduate Association
- 48 University of Tasmania
- 49 UNSW Tax and Business Advisory Clinic
- 50 Coast Shelter
- 51 Mission Australia
- 52 Australian Communications Consumer Action Network
- 53 Combined Pensioners and Superannuants Association
- 54 Australian Automobile Association
  - Attachment 1
- 55 Western Australian Council of Social Service
- 56 Council on the Ageing Australia
- 57 Community Information & Support Victoria
- 58 Professor Alison Preston
- 59 Australian Young Christian Workers
- 60 JFA Purple Orange
- 61 Commonwealth Bank Australia
- 62 Consumers Federation of Australia
- 63 Australian Federation of Disability Organisations

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- 64 Metcash
  - 65 Government of South Australia
  - 66 The Centre for Excellence in Child & Family Welfare
  - 67 Craig's Table
    - 67.1 Supplementary to submission 67
  - 68 The Business Council of Australia
  - 69 Carers NSW
    - Attachment 1
    - Attachment 2
  - 70 Australian Petroleum Production and Exploration Association

### **Answer to Question on Notice**

- 1 Answers to spoken questions on notice by the Department of Climate Change, Energy, the Environment and Water at a public hearing on 3 February 2023 in Brisbane, received on 13 February 2023.
- 2 Answers to spoken questions on notice by the Department of the Treasury at a public hearing on 3 February 2023 in Brisbane, received on 13 February 2023.
- 3 Answers to questions on notice by the Department of Industry, Science and Resources, received on 14 February 2023.
- 4 Answers to spoken questions on notice by the Salvation Army at a public hearing on 1 February 2023 in Sydney, received on 17 February 2023.
- 5 Answers to spoken questions on notice by the Energy Consumers Australia at a public hearing on the 1 February 2023 in Sydney, received on 20 February 2023.
- 6 Answers to spoken questions on notice by the Woolworths Group at a public hearing on 1 February 2023 in Sydney, received 20 February 2023.
- 7 Answers to spoken questions on notice by the Reserve Bank of Australia at a public hearing on 1 February 2023 in Sydney, received 20 February 2023.
- 8 Answers to spoken questions on notice by the Australian Petroleum Production and Association at a public hearing on 3 February 2023 in Brisbane, received 20 February 2023.
- 9 Answers to spoken questions on notice by the Australian Energy Regulator at a public hearing on 2 February 2023 in Melbourne, received 21 February 2023.
- 10 Answers to spoken questions on notice by the Local Government Association of Queensland at a public hearing on 3 February 2023 in Brisbane, received 3 March 2023.
- 11 Answers to written questions on notice by Master Builders Australia, received on 15 March 2023.
- 12 Answers to written questions on notice by Woolworths Group Australia, received on 20 March 2023.
- 13 Answers to spoken questions on notice by Metcash Limited at a public hearing on 1 March 2023 in Box Hill, received on 23 March 2023.

- 14 Answers to spoken questions on notice by the Australian Competition and Consumer Commission at a public hearing on 1 March 2023 in Box Hill, received on 29 March 2023.
- 15 Answers to written questions on notice by the Property Council of Australia, received on 30 March 2023.
- 16 Answers to spoken questions on notice by the Department of the Treasury, at a public hearing on 1 March 2023 in Box Hill, received on 31 March 2023.
- 17 Answers to written questions on notice by the Department of the Treasury, received on 31 March 2023.
- 18 Answers to written questions on notice by the Department of Climate Change, Energy, the Environment and Water, received on 4 April 2023.
- 19 Answers to written questions on notice by Professor Peter Robertson, Professor Jakob Madsen, Dr Girish Bahal, Dr Shawn Chen, Professor David Gilchrist, and Dr Michael Palmer, received on 5 April 2023.
- 20 Answers to written questions on notice by the Australian Chamber of Commerce and Industry, received on 6 April 2023.
- 21 Answers to written questions on notice by the Minerals Council of Australia, received on 11 April 2023.
- 22 Answers to written questions on notice by the Australian Petroleum Production and Exploration Association, received on 14 April 2023.

### **Media Releases**

- 1 'Senate Committee will examine the cost of living pressures facing Australians'
- 2 'Senate Committee invites members of the Western Sydney community to share their views'

### **Tabled Documents**

- 1 Opening statement provided by Ms Cassandra McCarthy, Glencore at a public hearing on 1 February 2023
- 2 Ampol's Decarbonisation Commitments provided by Mr Todd Loydell, Ampol at a public hearing on 1 February 2023
- 3 AEC Chart by Mr Ben Skinner, AEC at a public hearing on 2 February 2023
- 4 Opening statement delivered by Dr Marion Kohler, RBA, at a public hearing on 1 February 2023
- 5 Opening statement delivered by Ms Brianna Casey, Foodbank at a public hearing on 1 February 2023
- 6 Opening statement delivered by Mr Chris Ellis, Finder at a public hearing on 1 February 2023
- 7 Opening statement delivered by Mr Rick Wilkinson, EnergyQuest at a public hearing on 2 February 2023
- 8 Opening statement delivered by Mr Michael Coote, AUSVEG at a public hearing on 2 February 2023

- 9 Opening statement provided by Mr Joel Dignam, Better Renting at a public hearing on 3 February 2023
- 10 Opening statement, Department of Industry, Science and Resources
- 11 Energy Relief Price Package, tabled by Mr Simon Duggan, DECCEEW at a public hearing on 3 February 2023
- 12 A comparison of budget structural position, tabled by Senator Hume at a public hearing on 1 February 2023

**Additional Information**

- 1 Finder, Cost of Living Report Australia, March 2023



# Appendix 2

## Public Hearings

*Wednesday, 1 February 2023*  
Heritage Room 1, Hyatt Regency  
161 Sussex St  
Sydney

### *Glencore*

- Mr Nicholas Talintyre, Australian Regional Finance Lead
- Ms Cassandra McCarthy, Corporate Affairs, Australia

### *Ampol*

- Mr Todd Loydell, Head of Government Affairs
- Mr Prasard Kholkute, General Manager Retail Pricing
- Mr Rohan Dangerfield, General Manager Projects (Fuels and Infrastructure)

### *BP*

- Ms Vesna Di Tommaso, Vice President Midstream, Supply and B2B
- Mr David Stuart, Head of National Policy and Government Affairs

### *Reserve Bank of Australia*

- Dr Marion Kohler, Head of Economics Analysis Department
- Mr Tom Rosewall, Deputy Head, Economic Analysis Department

### *Woolworths*

- Mr Paul Harker, Chief Commercial Officer

### *Salvation Army*

- Mr Stuart Foster, General Manager Community Services
- Ms Jennifer Kirkaldy, GM, Policy and Advocacy

### *Brotherhood of St Laurence*

- Dr Dina Bowman, Principal Research Fellow, Work and Economic Security

### *Foodbank Australia Ltd*

- Ms Brianna Casey, Chief Executive Officer
- Ms Sarah Pennell, GM Research

### *Wesley Mission*

- Reverend Stu Cameron, Chief Executive Officer
- Ms Sarah-Jane McGrath, Operations Manager, Early Learning and Counselling

*St Vincent de Paul Society*

- Mr Toby oConnor, Chief Executive Officer

*Uniting Vic.Tas*

- Mr Tom Johnson, Manager Advocacy and Public Policy

*Finder*

- Mr Chris Ellis, Chief Executive Officer, Australia

*Australian Council of Social Services*

- Dr Cassandra Goldie, Chief Executive Officer
- Ms Jacqueline Phillips, Deputy CEO and Director of Policy and Advocacy

*Australian Unemployed Workers Union*

- Ms Catherine Caine, Spokesperson for Income Support
- Mr Jeremy Poxon, Media Officer

*Ai Group*

- Dr Peter Burn, Chief Policy Advisor

*Energy Consumers Australia*

- Ms Lynne Gallagher, Chief Executive Officer

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*Thursday, 2 February 2023*

Flinders Room, Mantra on Russell  
222 Russell St  
Melbourne

*Australian Energy Council*

- Mr Ben Skinner, General Manager Policy and Research
- Mr Ben Barnes, General Manager Corporate Affairs

*Energy Quest*

- Mr Rick Wilkinson, Head of Consulting

*MST Marquee*

- Mr Mark Samter, Senior Research Analyst

*Clean Energy Council*

- Mr Arron Wood, Executive General Manager Industry Development

*Energy Efficiency Council*

- Mr Luke Menzel, Chief Executive Officer

*Australian Energy Market Operator*

- Ms Nevenka Codevelle, Executive General Manager, Government and Stakeholder
- Mr Temay Rigzin, Principal Adviser, Government and Stakeholder

*Australian Energy Regulator*

- Ms Clare Savage, Chair
- Ms Stephanie Jolly, General Manager, Market Performance

*Australian Competition and Consumer Commission*

- Ms Gina Cass-Gottlieb, Chair
- Ms Sarah Proudfoot, Executive General Manager, Infrastructure Division

*Australian Renewable Energy Agency*

- Mr Darren Miller, Chief Executive Officer

*Australian Housing and Urban Research Institute*

- Dr Michael Fotheringham, Managing Director
- Dr Tom Alves, Head of Development

*AUSVEG*

- Mr Bill Bulmer, Chair
- Mr Michael Coote, Chief Executive Officer

*Friday, 3 February 2023*

Wickham Room, Hotel Grand Chancellor  
23 Leichhardt St  
Brisbane

*Australian Petroleum Production & Exploration Association*

- Ms Samantha McCulloch, Chief Executive Officer

*Australia Institute*

- Mr Greg Jericho, Policy Director
- Mr Matt Grudnoff, Senior Economist

*Climate Energy Finance*

- Mr Tim Buckley, Director

*Q Shelter*

- Ms Fiona Caniglia, Executive Director

*Communify*

- Ms Karen Dare, Chief Executive Officer

*Better Renting*

- Mr Joel Dignam, Executive Director

*Intercast and Forge & Australian Foundry Institute*

- Mr Brett Lawrence, General Manager and National President

*Local Government Association Queensland*

- Ms Alison Smith, Chief Executive Officer

*Queensland Farmers' Federation*

- Ms Jo Sheppard, Chief Executive Officer

*Meat and Livestock Australia*

- Mr Jason Strong, Managing Director

*Treasury*

- Mr Luke Yeaman, Deputy Secretary, Macroeconomic Group
- Ms Ineke Redmond, A/g First Assistant Secretary, Macroeconomic Conditions Division
- Ms Laura Berger-Thomson, First Assistant Secretary, Personal and Indirect Tax, Charities and Housing Division
- Mrs Philippa Brown, First Assistant Secretary, Labour Market, Environment, Infrastructure and Industry Division
- Ms Lisa Elliston, First Assistant Secretary, Social Policy Division
- Mrs Neena Pai, Assistant Secretary, Budget Policy Branch

- Mr Matthew Malony, Assistant Secretary, Climate and Industry Branch

*Department of Climate Change, Energy, the Environment and Water*

- Mr Simon Duggan, Deputy Secretary, Energy Group
- Mr Geoff Whelan, General Manager, Electricity Markets Branch, Electricity Division
- Mr Stuart Richardson, Branch Head, Gas Markets Branch, Gas and Liquid Fuels Division
- Ms Melissa Pang, A/g Branch Head, Market Reform Branch, Electricity Division
- Mr Mark Weaver, General Manager of Industrial Competitiveness & Strategy Branch, Industry Growth Division

*Department of Industry, Science and Resources*

- Ms Anthea Long, Division Head, Minerals and Resources Division
- Mr David Lawrence, A/g Head of Oil and Gas Division
- Mr David Thurtell, Manager, Resource and Energy Insights Branch, Analysis and Insights Division

*Wednesday, 1 March 2023*

Box Hill Town Hall  
1022 Whitehorse Rd  
Box Hill, VIC

*Asian Business Association of Whitehorse Inc*

- Mr Richard Shi, Vice President

*CareNet*

- Mrs Kellie Wishart, Chief executive Officer

*Meals on Wheels Victoria*

- Mr Nelson Mathews, State Manager

*Renters and Housing Union*

- Mr Zachary Doney, General Membership Branch Delegate
- Ms Eirene Tsolidis Noyce, Organiser, Founding Secretary

*Australian Competition and Consumer Commission*

- Mr Scott Gregson, Chief Executive Officer
- Ms Sarah Proudfoot, Executive General Manager Infrastructure Division
- Mr Paul Franklin, Executive General Manager, Consumer Data Right
- Mr Michael Eady, General Manager Insurance Monitoring
- Ms Leah Won, General Manager Competition Enforcement and Financial Services

*Coles*

- Ms Vittoria Bon, Government and Industry Relations Manager

*Metcash*

- Mr Scott Marshall, Chief Executive Officer

*Aldi Stores Australia*

- Mr Oliver Bongardt, Managing Director, Buying

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*Friday, 21 April 2023*

Holiday Inn Warwick Farm  
355 Hume Highway  
Warwick Farm, New South Wales

*Australian Banking Association*

- Ms Anna Bligh AC, Chief Executive Officer
- Mr Chris Taylor, Chief of Policy

*Business NSW*

- Mr David, Harding

*Cabramatta Chamber of Commerce*

- Mr Michael, Foulkes
- Mr Ken, Chapman

*SMSF Association*

- Mr Peter Burgess, Chief Executive Officer
- Ms Tracey Scotchbrook, Policy Manager

*Finance Brokers Association of Australia Ltd*

- Mr Peter White AM, Managing Director

*Private Healthcare Australia*

- Dr Rachel David, Chief Executive Officer
- Mr Ben Harris, Director, Policy and Research

*Combined Pensioners and Superannuants Association*

- Ms Jessica Miller, Policy Officer

*Council on the Ageing Australia*

- Ms Patricia Sparrow, Chief Executive Officer
- Ms Mary Swift, Policy Officer

*Australian Prudential Regulation Authority*

- Ms Therese McCarthy Hockey, APRA Member
- Mr Peter Diamond, General Manager, Banking Division
- Mr Jonathan Wood, Head of Insurance Risk
- Mr Stephen Fay, Senior Manager, Macro and Industry Insights

*Suicide Prevention Australia*

- Mr Christopher Stone, Policy and Government Relations Manager
- Mrs Anne Leslie, Policy Advisor

*NSW Advocate for Children and Young People*

- Ms Zoe Robinson, NSW Advocate for Children and Young People

*People with Disability Australia*

- Mx Giancarlo de Vera, Senior Manager Policy

*Mission Australia*

- Mr Saeli Masina, State Leader, Greater Western Sydney
- Ms Kathryn Di Nicola, Head of Policy & Advocacy

*Community Forum*