



The Coalition's Policy to Deliver Lower Prices by Scrapping the Carbon Tax

September 2013

Key Points

The Coalition will abolish the carbon tax.

We will create a special unit within the Australian Competition and Consumer Commission (ACCC) charged with monitoring and enforcing reasonably expected price reductions following the abolition of the carbon tax.

We will introduce amendments to the *Competition and Consumer Act* to prevent price exploitation attributable in any way to the carbon tax.

Upon repeal of the carbon tax, we will make surcharges attributable to the carbon tax a contravention of the *Competition and Consumer Act*.

We will require the ACCC to inform business and households about the impact of the carbon tax repeal on prices and potential contraventions of the *Competition and Consumer Act*.

The Coalition will, following repeal of the carbon tax, introduce penalties of \$220,000 for individuals and \$1.1 million for corporations that introduce or maintain surcharges attributable to the carbon tax.

Immediately following the election, we will require the ACCC to monitor prices and to report to the Treasurer each quarter on the impact of the carbon tax on consumer and supply chain pricing, market behaviour and efficient competition.

The ACCC will be instructed to focus its price monitoring on those companies generating over 25,000 tonnes of carbon emissions per annum, particularly energy generators, distributors and retailers.

Upon repeal of the carbon tax, we will require the Australian Energy Regulator (AER) to revise any electricity and gas pricing determination that currently provides a partial or full pricing pass-through attributable to the carbon tax so that this partial or full price pass-through is abolished. We will work with the States so that any carbon tax components are repealed by State-based regulators.

The Coalition will provide \$16 million to support a significantly expanded enforcement role for the ACCC associated with the repeal of the carbon tax.



Introduction

The Coalition recognises that Australian families are struggling with cost of living pressures. They are seeing their electricity bills increase significantly, even when they have done the right thing and reduced their usage.

Cost of living for families is unnecessarily higher because of the carbon tax.

The Government's own figures show that the carbon tax makes electricity at least 10 per cent more expensive and gas bills at least 9 per cent more expensive, rising each year as the carbon tax increases.

The carbon tax punishes households for using electricity. It is a tax that increases the cost of everyday items, especially essential items.

The Coalition will act immediately to rescind Labor's carbon tax.

The carbon tax punishes successful and hard-working Australian businesses, particularly trade exposed businesses.

A carbon tax only causes jobs and emissions to be exported overseas.

The carbon tax has meant:

- a \$9 billion a year new tax;
- a 10 per cent hike in electricity bills in the first year alone;
- a 9 per cent per cent hike in gas bills in the first year alone; and
- higher marginal tax rates for low and middle income earners.

Australians are now going to yet another election with the Labor leader promising "there will be no carbon tax under the government I lead."

Yet on Labor's own figures the carbon tax is set to go to \$38 in a few short years and to \$350 over the coming decades. Importantly, it will still be \$24.15 for the next 12 months. Mr Rudd can change the name but whether it is fixed or floating, it is still a carbon tax.

Average families will be \$545 better off this year alone under the Coalition's plan than they are under Labor's carbon tax this year. Over the next six years they will be \$3,000 better off under the Coalition than under Kevin Rudd's carbon tax.

The Coalition will not let the carbon tax destroy Australian industry and Australian jobs. The carbon tax is an act of economic self-harm that unnecessarily adds to the cost of living.



The Plan

1. A Pricing Enforcement Unit in the ACCC

The Coalition will create a special unit within the Australian Competition and Consumer Commission (ACCC) charged with monitoring and enforcing reasonably expected price reductions following the abolition of the carbon tax.

Many businesses have attributed price rises to the carbon tax, including the following:

- in the electricity sector, some States include the carbon tax as a separate, itemised component of electricity bills and some State-based regulatory agencies have estimated the impact of the carbon tax on household electricity bills at over \$170 per annum;¹
- in the airline sector, Qantas has estimated cost increases of between \$1.93 and \$7.25 per one-way ticket, depending on the distance travelled and Virgin Australia has estimated cost surcharges of between \$1.50 and \$6.00;²
- in the water sector, various State-based regulators have quantified the operating cost increases for water service providers and the pass-on effect to households;³
- in the shipping sector, some operators have introduced surcharges to account for the carbon tax, with The Spirit of Tasmania applying surcharges of \$3 per passenger and \$6 per vehicle because of the carbon tax – meaning an extra \$36 for a family of four taking their car on a driving holiday to Tasmania;⁴
- at the local government level, some State-based regulators have quantified surcharges on rates attributable to the carbon tax, with the NSW Independent Pricing and Regulatory Tribunal allowing a 0.4 per cent increase in rates because of the carbon tax;⁵ and
- in the public transport sector, various State and Territory governments have estimated the operating cost increases attributable to the carbon tax – Victoria, for

1. For example, the NSW Independent Pricing and Regulatory Tribunal's final report on electricity prices issued 17 June 2013, at: http://www.ipart.nsw.gov.au/Home/Industries/Electricity/Reviews/Retail_Pricing/Review_of_regulated_electricity_retail_prices_2013_to_2016

2. Qantas pricing on carbon tax surcharges at: <http://www.qantas.com.au/travel/airlines/carbon-pricing/global/en> and Virgin Australia at: <http://asx.com.au/asxpdf/20120228/pdf/424p02n0nrlz62.pdf>

3. For example, the Essential Services Commission of South Australia at: http://www.escosa.sa.gov.au/library/130527-SAWater_Water_SewerageRevenues_2013-16-FinalDetermination-StatementOfReasons.pdf

4. The Spirit of Tasmania carbon tax surcharges at: <http://www.spiritoftasmania.com.au/company-info/media-releases/2012/carbon-price-impacts-on-spirit-of-tasmania.html>

5. The NSW Independent Pricing and Regulatory Tribunal's Effects of the Carbon Tax on Local Councils, December 2011, http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt/Fact_Sheets_Information_Papers/Information_Paper_-_Effects_of_the_carbon_price_on_local_councils_-_December_2011, p 2



example, estimates the carbon tax adds \$53 million to the cost of its public transport network.⁶

The Coalition does not believe that the government or the ACCC should regulate prices across the economy. A competitive, efficient economy will ensure the lowest prices for consumers and businesses.

However, where businesses have attributed price rises and surcharges directly to the carbon tax, then those price increases and surcharges should be reversed when the carbon tax is abolished.

We will provide \$16 million to support a significantly expanded enforcement role for the ACCC associated with the repeal of the carbon tax.

As part of the Coalition's *Policy to Deliver Lower Prices by Scrapping the Carbon Tax*, the ACCC will:

- take enforcement action where appropriate under new provisions to the *Competition and Consumer Act* to be introduced by a Coalition government; and
- be required to monitor and report to the Treasurer on instances where consumers and businesses have not benefited from reductions in prices.

The ACCC will establish a special unit charged with monitoring and enforcing reasonably expected price reductions following the abolition of the carbon tax.

This unit will monitor consumer prices across all sectors of the economy. It will ensure that consumers and businesses receive the direct savings benefit on their electricity, gas and supermarket bills when the carbon tax is repealed.

It will also ensure that businesses pass on the benefits of lower input costs to consumers in the form of lower supermarket prices and lower prices for other goods and services.

2. Preventing Carbon Tax Price Exploitation

The Coalition will introduce amendments to the *Competition and Consumer Act* to prevent price exploitation attributable in any way to the carbon tax.

Our amendments will be based on changes to the *Trade Practices Act* made when the Goods and Services Tax was first introduced.

6.

<http://www.premier.vic.gov.au/media-centre/media-releases/4625-carbon-tax-public-transport-hit-rises-to-53-million-over-three-years.html>



We will:

- upon repeal of the carbon tax, make surcharges attributable to the carbon tax a contravention of the *Competition and Consumer Act*;
- require the ACCC to inform business and households about the impact of the carbon tax repeal on prices and potential contraventions of the *Competition and Consumer Act*;
- immediately following the election, require the ACCC to monitor prices and to report to the Treasurer each quarter on the impact of the carbon tax on consumer and supply chain pricing, market behaviour and efficient competition;
- upon repeal of the carbon tax, require the Australian Energy Regulator (AER) to revise any electricity and gas pricing determination that currently provides a partial or full pricing pass-through attributable to the carbon tax so that this partial or full price pass-through is abolished;
- work with the States so that any carbon tax components are repealed by State-based regulators. and
- following repeal of the carbon tax, introduce penalties of \$220,000 for individuals and \$1.1 million for corporations that introduce or maintain price increases, surcharges attributable to the carbon tax.

The ACCC will undertake this role immediately following the election and for the subsequent two years.

The ACCC will be instructed to focus its price monitoring on those companies generating over 25,000 tonnes of carbon emissions per annum, particularly energy generators, distributors and retailers.

Consumers and businesses should not be ripped-off by an abolished carbon tax.

Only the Coalition is committed to fully abolishing the carbon tax.

The Coalition will provide the ACCC with the powers and resources to ensure the scrapped carbon tax results in lower prices for consumers and businesses.



The Choice

The Government's own figures show that the carbon tax makes electricity at least 10 per cent more expensive and gas bills at least 9 per cent more expensive, rising each year as the carbon tax increases. The carbon tax is unequivocally an electricity tax that punishes households for using electricity.

There is abundant evidence of households and businesses paying more for electricity because of the carbon tax (Box 1 overleaf).

For the past three years the Government has simply been wrong to say households would not be worse off under the carbon tax, because the Government's own figures showed that millions of households were not fully compensated under the carbon tax scheme.

And now even Labor, in a complete repudiation of everything they said for three years, have conceded that the carbon tax is hurting average families.

Kevin Rudd has announced that – in 11 months' time, *after* the next election, *if* he can get permission from the Greens – he promises to make a change to the carbon tax which would affect the tax rate in just a single year.

In so doing he has declared that cutting the carbon tax rate would “help cost of living pressures for families” and “reduce costs for small business” – exactly what the Coalition has been saying all along.

But under Kevin Rudd's minor tweaking, the carbon tax will still be a **\$58 billion tax** through to 2020 instead of a **\$64 billion tax**.

Under the Coalition, this would be ZERO as only the Coalition is committed to abolishing the carbon tax.

Kevin Rudd's carbon tax will still cost average families more than \$3,000 over the next six years, on top of the \$545 this year.

And on the Government's own figures, the carbon tax will increase six-fold between mid-2014 and mid-2019 – reaching \$38 a tonne by 2019 and increasing to \$350 a tonne over time.

Only the Coalition will scrap the carbon tax lock, stock and barrel.

This means that under the Coalition, average families will be better off by more than \$550 next year, rising to around \$900 a year in 2019-20.



Electricity is not a luxury – it is an essential part of daily life. If the Rudd-Gillard Government was even half sincere about taking the pressure off electricity, gas and other utility prices it would start by scrapping its carbon tax.

Box 1 – Real Life Examples of the Impact of the Carbon Tax on Electricity Prices

The carbon tax has increased costs for the Western Suburbs Leagues Club in Bundaberg. In the first month of the operation of the carbon tax, the Club's electricity bill included a \$611 increase just due to the tax.

The Chairman of The McLaren Vale Hospital in South Australia has said that "we anticipate paying at least \$5,000 a year more because of the carbon tax."

Garlo's Pies in Sydney have seen their electricity costs climb because of their carbon tax, with their bill for March this year including nearly \$500 in carbon charges.

The Gold Coast Council have estimated they will have to spend over \$500,000 a year more for street lights under the carbon tax. The Council's carbon tax bill will be over \$6 million, and include general electricity costs of \$570,000.

A survey of 186 small businesses across the country found that 50 per cent reported increases to their power bills and other supplies directly because of the carbon tax. Nearly two-thirds of the businesses said they had to absorb the price increase, with some saying the impact of the tax meant they had to reconsider ongoing viability.

Electricity is not a luxury – it is an essential part of daily life. If the Rudd-Gillard Government was even half sincere about taking the pressure off electricity prices it would start by scrapping its carbon tax.

Scrapping the carbon tax will bring down electricity prices.

The Chief Executive Officer of the Essential Services Commission of South Australia has said, for example, when asked whether repealing the carbon tax will result in an immediate reduction in electricity prices:

"...yes, and we'd look to make an adjustment at that time."

891 ABC Adelaide, 4 October 2012

The Coalition will deliver an average 10 per cent reduction in electricity prices for households by repealing the carbon tax.



The benefit will be even greater for those businesses that pay the wholesale price for electricity. For these businesses the Government's own estimate of the initial increase in the wholesale electricity price due to the carbon tax is 40 per cent – so abolishing Labor's carbon tax will take away this 40 per cent price hike at a stroke.

The Coalition will unequivocally abolish the carbon tax. It will be gone.

As part of the Coalition's *Policy to Deliver Lower Prices by Scrapping the Carbon Tax*, the ACCC will:

- take enforcement action where appropriate under new provisions to the *Competition and Consumer Act* to be introduced by a Coalition Government; and
- be required to monitor and report to the Treasurer on instances where consumers and businesses have not benefited from reductions in prices.

We will also keep the current income tax thresholds and the current pension and benefit fortnightly rates while scrapping the carbon tax. This means that Australian workers, families and pensioners will keep the tax cuts and fortnightly pension and benefit increases provided in Labor's carbon tax package, but without the carbon tax.

As a result, instead of just being partial compensation for Labor's damaging carbon tax hit, these tax cuts and fortnightly benefit increases will become genuine cost-of-living relief, worth around \$4 billion a year.

Australians will have tax cuts funded by smaller government, not by taking money out of one pocket to put it in the other – and people's weekly and fortnightly budgets will be under less pressure as electricity prices fall and gas prices fall and the carbon tax no longer cascades through our economy.

And this will strengthen our economy, because there'll less tax hitting Australian businesses but not their overseas competitors – as even Labor now concedes.

The Coalition will dramatically ease the financial pressure on Australian families.

Cost

The Coalition will provide \$16 million to support an expanded enforcement role for the ACCC associated with the repeal of the carbon tax.



Hope.
Reward.
Opportunity.



THE NATIONALS *for Regional Australia*

For further details of the Coalition's Plan go to
www.realsolutions.org.au