NTCOSS

Northern Territory Council of Social Service

# COST OF LIVING REPORT

**Tracking changes in the cost of living, particularly for vulnerable and disadvantaged Northern Territorians: CPI & SLCI Update**


**Issue No. 15 March 2017**

## About NTCOSS

The Northern Territory Council of Social Service (NTCOSS) is a peak body for the Social and Community Sector in the NT and an advocate for social justice on behalf of people and communities in the NT, who may be affected by poverty and disadvantage.

NTCOSS is a member of the nationwide Councils of Social Service (COSS) network, made up of each of the state and territory Councils and the national body, the Australian Council of Social Service (ACOSS). The membership of NTCOSS includes community based, not for profit service providers in the social welfare area such as consumer groups, indigenous and mainstream organisations and interested individuals.

## NTCOSS' vision is for

"A fair, inclusive and sustainable Northern Territory where all individuals and communities can participate in and benefit from all aspects of social, cultural and economic life."

## NTCOSS' mission is

"To promote an awareness and understanding of social issues throughout the NT community and to strive towards the development of an equitable and just society."

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## Introduction

This report examines changes in the cost of living over the past quarter and the past year in the Northern Territory, with a particular focus on cost of living pressures for vulnerable and disadvantaged Territorians.

This report focuses on changes in the CPI for Darwin across a range of key expenditure areas over the past year. It is important to note that CPI figures only reflect trends for capital cities and Australia as a whole, and cannot tell us about trends in price movement for states and territories, nor for regional areas.

While it is important to look at the movement in the generic 'All Groups' CPI figures, expenditure on the basic essentials makes up the majority of, or even all of, the expenditure items for low income households. It is the price increases in those areas that will have a greater negative impact on some households, and it is these areas that are the focus for NTCOSS in these Cost of Living Reports.

The report also examines the Selected Living Cost Index (SLCI), which is done for particular household types, and is done for the country as a whole. The report examines the SLCI figures in the context of income support payment to determine if they are keeping pace with rising living costs.

The methodology used for the SLCI is different to that used for the CPI (see also Explanatory Note 1). The Living Cost Indexes (LCIs) have been designed to answer the question: 'By how much would after tax money incomes need to change to allow households to purchase the same quantity of consumer goods and services that they purchased in the base period?' (ABS [1] 2016a). The SLCI's are preferred, as a summary measure, over the more well-known CPI, because the CPI is technically not a cost of living measure, as it tracks changes in the price of a specific basket of goods. However, this basket includes goods and services that are not necessarily part of the expenditure of all households - in particular for many low income households (SACOSS 2014, p.4).

[1] Throughout the report the Australian Bureau of Statistics is referred to by its well known abbreviation (ABS).

## SECTION 1 Price Movement in Goods and Services and the Impact on Low income Households

### Table 1 Changes in the CPI over the past year

### Table 1a: Changes in CPI over the past year (Dec 2015 – Dec 2016) Darwin vs National Figures

CPI (All Groups)

Darwin ↓ -0.1% vs Australia ↑ 0.5% in the last quarter (to Dec 2016)

Darwin ↓ -0.4% vs Australia ↑ 1.5% over the past year (to Dec 2016)

*Source: ABS 2016d Data 5,6 and ABS 2016e Data 5, 6*

### Table 1b: Movement in CPI categories: Darwin vs National over the past year (to Dec 2016)

Increases in Darwin over the past 12 months

**Education**
↑ 3.4% vs Australia ↑ 3.3%

**Insurance**
↑ 2.9% vs Australia ↑ 7.7%

**Health**
↑ 2.5% vs Australia ↑ 3.7%

**Food & non-alcoholic beverages**
↑ 1.5% vs Australia ↑ 1.8%

**Alcohol & Tobacco**
↑ 5.8% vs Australia ↑ 5.9%

Decreases in Darwin over the past 12 months

**Clothing & Footwear**
↓ -3.5% vs Australia ↓ -0.9%

**Housing (including utilities)**
↓ -3.0% vs Australia ↑ 1.9%

**Rents**
↓ -8.2% vs Australia ↑ 0.6%

**Electricity**
↓ -5.5% vs Australia ↑ 4.7%

**Transport**
↓ -0.6% vs Australia ↓ -0.3%

**Automotive Fuel**
↓ -2.5% vs Australia ↓ -1.1%

**Telecommunication & equipment services**
↓ -6.3% vs Australia ↓ -6.4%

*Source: ABS 2016e Data 4, 5, 6*

### Table 1c: Significant changes in CPI categories Darwin vs National over past quarter (to Dec 2016)

Increases in Darwin over the past 3 months

**Automotive Fuel**
↑ 7.5% vs Australia ↑ 6.7%

**Transport**
↑ 1.1% vs Australia ↑ 1.7%

Decreases in Darwin over the past 3 months

**Telecommunication & equipment services**
↓ -1.0% vs Australia ↓ -0.8%

**Rents**
↓ -1.8% vs Australia ↑ 0.1%

*Source: ABS 2016d Data 4, 5, 6*

*See appendix A for list of all CPI Categories, showing price movement in the NT and Australia for the past quarter and past year*

It is important to take into consideration that the CPI-All Groups figure is an average figure; and there are price fluctuations both up and down amongst the 11 major CPI sub-categories which together contribute to the overall CPI-All Groups figure. Where price rises occur for essential items of expenditure such as health and insurance these are likely to have a greater impact on low income and disadvantaged Territorian households, as these items require a greater proportion of weekly income for these households.

While there has been a decrease in price in some key expenditure areas – e.g. rent - this only tells part of the story. NTCOSS has highlighted over many years that the NT has some of the highest rent prices in the country, compared with other jurisdictions – so while they have dipped recently, rental prices are still high, and continue to place great strain on many lower income households.

On top of this, while fuel prices have dropped in Darwin over the past 12 months (as well as in major regional centres), the price of fuel in Darwin actually increased 7.5% over the past quarter, which was just slightly higher than the rise in fuel prices nationally (6.7%) for the same period (ABS 2016d, Data 5, 6).

In addition, NTCOSS has highlighted for some time the huge disparity between fuel prices in major centres and remote areas of the Territory. In some communities customers are paying up to twice the price paid for fuel in Darwin and Katherine (NTCOSS 2016, P.21).

Price increases in critical expenditure areas continue to place great strain on lower income households, and cannot be ignored. While a low or steady rate of CPI over recent years may seem like good news, not all Territorian households are enjoying the benefits, as the overall CPI 'All groups' figure doesn't reflect what prices are doing for particular categories of goods and services, or what prices are doing in other parts of the Territory.

## The Selected Living Cost Index (SLCI) for Income Support Recipients

An examination of price movement for goods and services purchased by low income households is important for determining how well Australia's income support system is doing in terms of helping people to keep up with rising living costs.

The ABS Selected Living Cost Index (SLCI) measures the cost of various baskets of goods which are specific to a number of different household types – including "Age Pension" and "Other Government Transfer Recipient" households, "Employee" households and "Self-funded retirees" (ABS 2016a). Other government transfer recipient households includes "households whose principal source of income is a government pension or benefit other than the Age Pension or veterans affairs pension", e.g. Newstart or Youth Allowance (ABS 2016c).

NTCOSS is specifically focused on the cost of baskets which apply to "Age Pension" and "Other Government Transfer Recipient" households, given that it is these households which are more likely to be representative of low income and disadvantaged households. Comparisons are also made, however, with expenditure for both Employee households and Self-Funded Retiree households, to get a sense of the change in the rate of changes in costs of living for low income households vs. higher income households.

## Movement in the Selected Living Cost Index (SLCI) over the past year (Dec 2015 – Dec 2016) Darwin vs National figures

**Table 2: Changes in the SLCI over the past year**

**Table 2a: Changes in SLCI figures over the past year (to Dec 2016)**

**National CPI all groups** ↑ **1.5%**

**SLCI for Age Pensioners** ↑ **1.6%,** which is above the CPI increase

**SLCI for Other Government Transfer Recipients** ↑ **1.8%,** which is above the CPI increase

**SLCI for Employee Households** ↑ **1.0%,** which is below the CPI increase

**SLCI for Self-funded Retirees** ↑ **1.4%,** which is below the CPI increase

*Source: SLCI Figures taken from ABS 2016a and CPI figures taken from ABS 2016d Data 6*

**Table 2b: Changes in SLCI figures over the past quarter (to Dec 2016)**

**National CPI all groups** ↑ **0.5%**

**SLCI for Age Pensioners** ↑ **0.3%,** which is below the CPI increase

**SLCI for Other Government Transfer Recipients** ↑ **0.7%,** which is above the CPI increase

**SLCI for Employee Households** ↑ **0.3%,** which is below the CPI increase

**SLCI for Self-funded Retirees** ↑ **0.6%,** which is below the CPI increase

*Source: SLCI Figures taken from ABS 2016a and CPI figures taken from ABS 2016e Data 6*

## Contributing Factors to the changes in the SLCI Figures in the last quarter (Sep-Dec 2016)

**Other Government Transfer Recipients Households** (+0.7% Increase)

Contributors to the rise in SLCI

**Alcohol and Tobacco (+5.0%)** contributed most to the rise "as a result of the flow on effects from the federal [tobacco] excise tax increase effective 1 September 2016".

**Transport (+2.2%)** contributed to the rise, as a result of the increase in the price of automotive fuel, "due to a rise in world oil prices".

Contributors to the offsetting movement

**Health (-2.7%)** contributed the most significant offsetting movement this quarter, "driven by pharmaceutical products. The fall is due to the cyclical effect of a greater proportion of consumers exceeding the Pharmaceutical Benefits Scheme (PBS) safety net". (ABS 2016b).

*Note: Price rises for Tobacco affect people on low incomes as they have higher smoking rates for a number of social reasons, and price rises are driven by increasing taxes - aimed at a public health outcome. NTCOSS supports such a preventive health approach, and it is vulnerable and disadvantaged people who often have the most to gain from decreasing smoking.*

**Age Pensioner Households** (+0.3% increase)

Contributors to the rise in SLCI

**Alcohol and Tobacco (+2.5%)** contributed most to the rise, as per above.

**Transport (+2.1%)** contributed to the rise, as per above.

Contributors to the offsetting movement

**Health (-2.0%)** partially offset the rises, "driven by pharmaceutical products. The fall is due to the cyclical effect of a greater proportion of consumers exceeding the Pharmaceutical Benefits Scheme (PBS) safety net" (ABS 2016b).

**Employee Households** (+0.3% Increase)

Contributors to the rise in SLCI

**Alcohol and Tobacco (+2.7%)** contributed most to the rise, as per above.

**Transport (+1.7%)** contributed to the rise, as per above

Contributors to the offsetting movement

**Insurance and financial services (-1.5%)** contributed the most significant offsetting movement this quarter," driven by a fall in mortgage interest charges following the cut in the RBA cash rate in August". (ABS 2016b).

*Note: The rate of rise in SLCI for Employee households below the CPI (+0.5%) is mainly due to the fall in mortgage interest charges, which are not included in the CPI (ABS 2016b).*

**Self-Funded Retiree Households** (+0.6% Increase)

Contributors to the rise in SLCI

**Recreation and culture (+0.9%)** was the main contributor to the rise, "driven by domestic holiday travel and accommodation… due to the October school holidays and the lead up to the peak summer holiday period".

**Alcohol and tobacco (+2.6%)** also contributed to the rise, as per above.

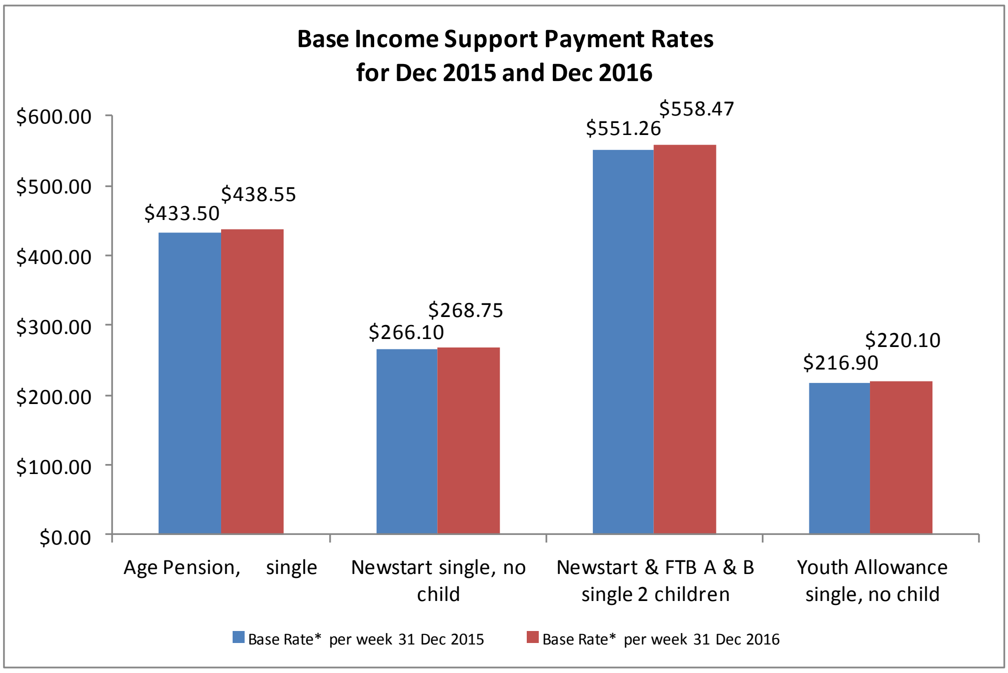
**Contributors to the offsetting movement**

**Furnishings, household equipment and services (-0.9%)** contributed the most significant offsetting movement (ABS 2016b).

## How well are income support payments keeping up with Cost of Living changes?

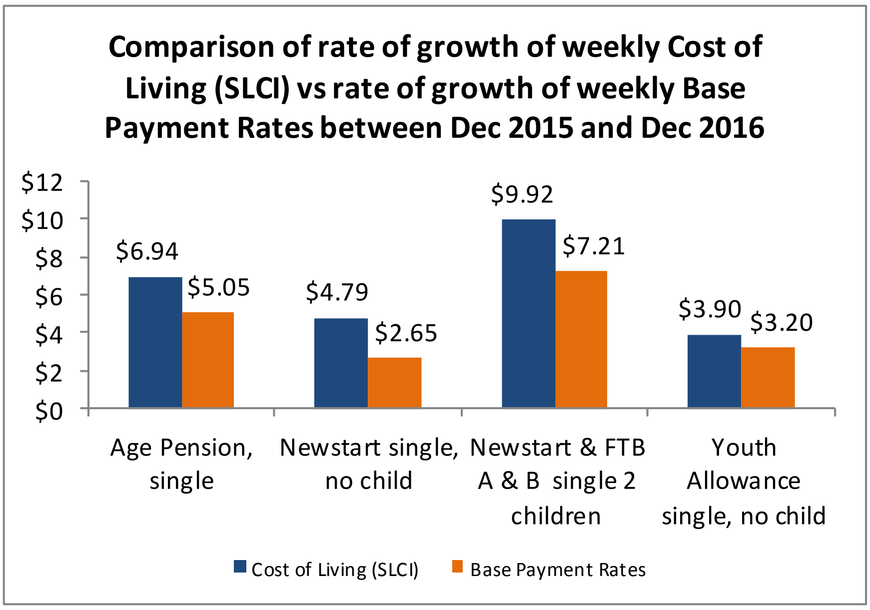
Where an income support payment is someone's sole source of income, being able to regularly save a substantial amount of the weekly payment is not an easy task. In Figure 1 below, the dollar value of changes in cost of living over the past year has been calculated for someone who is on the base level of payments, and assuming that they spend all their income.

**Figure 1: Comparison of selected Income Support Payments rates as at Dec 2015 and Dec 2016**




*Sources: Centrelink 2015 & Centrelink 2016.*
*See Explanatory Note 4 for information on the calculations for each payment type used in Figures 1 and 2. NB: For simplicity, Rent Assistance as well as some supplements are not included in Figure 1, as they can vary from person to person*

**Figure 2: Growth in Selected Income Support Payment rates vs Cost of Living (SLCI) over the past year (ending Dec 2016)**




*Sources: Centrelink 2015 & Centrelink 2016; ABS 2016a.*
*Note: The rate of growth of the SLCI is calculated by multiplying the December 2015 base payment rate by the percentage increase in the SLCI over the past year for the relevant payment type*

Figure 2 shows that the **income support payments highlighted have not kept up with rising living costs over the past year** – with the lag being greatest for Newstart recipients. For recipients of Newstart, as well as Youth Allowance, the lag is of particular concern, given that they have an existing **inadequate base rate of payment** (if it is the sole payment received). *It is therefore critical that the Commonwealth Government addresses the low rate of base payments for these recipients.*

Living on $220.10 per week on Youth Allowance or $268.75 on Newstart means very few discretionary or luxury expenditure items. Housing, food, transport, health and utilities bills all have to be squeezed into a very small payment which is around $400-$450 under the minimum wage of $672.70 per week (Fair Work Commission, 2016). Where there are unexpected bills like medical bills or a larger than expected electricity bill, some other essential items might have to be forgone (e.g. paying for car repairs, or spending less money on food) in order to meet urgent payments.

## The Pension Indexation System and Inadequacy of Indexation for Allowance Payments

The above figures also reinforce the importance of the current method of indexation for adjusting pension rates every six months, where payment increases are linked to Male Total Average Weekly Earnings and prices (CPI). This generally ensures that pensioners do not drop behind society averages (See Explanatory Note 3), though over the past year the pension did lag behind the rise in SLCI. *NB: the rate for the Disability Support Pension is exactly the same as the Age Pension rate, but for simplicity reference is made to the Age Pension throughout this report.*

Newstart, Youth Allowance and other base level benefit allowances are indexed to the CPI only, which doesn't ensure that increases in allowances will always keep up with the cost of living. Figures for the past year show that the cost of living (as measured by the SLCI) for the Newstart single payment has risen at a rate $2.14 per week below the cost of living. For a sole parent Newstart recipient with 2 children (see Figure 2), the cost of living (SLCI) has risen by $2.71 per week. The cost of living for people on Youth Allowance rose at a rate $0.70 higher than the rise in the Youth Allowance payment.

In a recent report, Smith & Hetherington (2016, p.37) highlighted that "there is some inadequacy in our public pension settings in Australia today…. the Age Pension in Australia is not adequate to live a life of dignity without considerable sacrifice, especially for renters". They also point out that the single rate of pension of $437 per week (at the time of the Smith & Hetherington report - is only barely above the poverty line of $422 per week for a single person not in work (calculated by the Melbourne Institute of Applied Economic and Social Research, cited in Smith & Hetherington (2016, p.37). The pension figure above includes the pension and energy supplements.

Without diminishing the significance of the issue of the inadequacy of the age pension, **if the Age Pension has been found to be inadequate – how much more inadequate is the Newstart Allowance which is almost $170 per week lower than the age pension currently.** A payment of **$38 a day is simply not enough for an individual to live on.** The Australian Council of Social Service (ACOSS) and other prominent organisations in recent years, including: the Business Council of Australia, the Organisation for Economic Development, the Australian Council of Trade Unions, and the former Commonwealth Government's Henry Tax Review, have all called on the Commonwealth Government to increase the base rate of the Newstart Allowance and other base level payments by $50 per week, as a matter of urgency. *NTCOSS continues to support this call.*

## Newstart and Youth Allowance recipients in the NT further disadvantaged

On top of the low base payments, recipients of Newstart and Youth Allowance who live in the NT also face the additional disadvantage of not being eligible for concessions on costs such as electricity and motor vehicle registration - the Northern Territory Pensioner and Carer Concession Scheme (NTPCCS) concession does not cover all Health Care Card holders (only people who qualify for the Low Income Health Care Card). Across the rest of the country, all other states and the ACT, expect for Queensland, provide concessions to all Health Care Card holders (though in Queensland, parents with children who receive Newstart are eligible for their concession scheme).

With the review of the NTPCCS currently underway, the Northern Territory has an opportunity to make some adjustments to the Scheme to bring more benefits to more people who are on low incomes, and to ensure that concessions are directed to those groups who are most in need.

NTCOSS believes that savings could be made in relation concessions for electricity usage (currently uncapped) if a cap on consumption was implemented, which could also allow more people (e.g. all health care card holders) to access concessions through the NTPCCS.

It is telling that someone on an age or disability pension (single rate) can earn up to **$1918.20 per fortnight** (Centrelink 2016, p.34) **on top of a part pension** (which would be around $119 per fortnight, if earning the maximum allowable amount) and be eligible for the NTPCCS, as they qualify for a pension.

In addition, a self-funded retiree can earn up to $2030.61 per fortnight (Australian Government 2016), which enables eligibility for the Commonwealth Seniors Health Card, and therefore the NTPCCS. Both of these groups are both eligible for the NTPCCS utilities concession, **yet a single person on Newstart receiving $537.50 per fortnight ($268.75 per week) does not qualify to receive vital support with their cost of living (nor a single person on Youth Allowance receiving $440.20 per fortnight ($220.10 per week))**.

*This represents an inequitable approach to concessions and needs to be addressed as a matter of priority.*

**NTCOSS again calls for the NTPCSS to be extended to all health care card holders**. In making this recommendation, NTCOSS acknowledges that this would be a significant change to the aims and objectives of the NTPCCS, which has been primarily designed to "encourage older people to remain in the NT and to achieve a stabilisation of the population while bringing the benefits of extended family networks to Northern Territory families" (NT Government 2016, p.4). There are however, precedents for adding other categories of people over time, e.g. carers, and low income health care card holders (NT Government 2016, p.4, 7).

The NTPCCS currently has two main objectives:

1. To provide an incentive for senior citizens of the Territory to remain in the Territory during their retirement;
2. To assist all pensioners generally, certain categories of other low-income earners and carers who are in receipt of a Commonwealth Carer Allowance from Centrelink, with the cost of living in the NT (NT Government 2016, p.4).

*NTCOSS recommends that the second objective be broadened to include all health care card holders. Such a change, if adopted, might mean that there would need to be some consideration in relation to a name change for the scheme – to reflect a broader eligibility base.*

## Economic Outlook for the NT

### – Deloitte Access Economics (DAE) economic forecasts for the Northern Territory Economy

The Deloitte Access Economics (DAE) economic forecasts for the NT for the next five years, while still positive, are not as high as the expected projections from 12 months ago (see Table 3). The employment growth forecasts have decreased from those of a year earlier (see Table 4).

**Table 3: Economic Growth Forecasts: NT vs National - at Dec 2016**

| Economic Growth Forecasts | NT Forecasts | National Forecasts |
|---|---|---|
| 2016-17 (estimate) | ⬆ 2.0% | ⬆ 1.8% |
| 2017-18 (forecast) | ⬆ 3.0% | ⬆ 2.8% |
| 5 year average annual growth rate (2016-17 to 2020-21) | ⬆ 2.9% | ⬆ 2.6% |

*Source: NT Government 2016, p. 1*

The 2016-17 (estimate) annual economic growth rate of 2.0% is below the 3.2% forecast a year ago (December 2015, NT Government 2015a, p.1). The current 5 year average annual economic growth rate of 2.9% forecast is below the 3.3% forecast a year ago (December 2015, NT Government 2015a, p.1).). The NT still has the second highest economic growth forecasts of all jurisdictions (but down from the forecast 3.3% a year earlier), while Queensland still has the highest forecast figure (3.6%). Nationally, the five year forecast is up 0.2% from a year ago (NT Government 2016a p.1; NT Government 2015a, p.1).

**Table 4: Employment Forecasts: NT vs National - at Dec 2016**

| Employment Forecasts | NT Forecasts | National Forecasts |
|---|---|---|
| 2016-17 (estimate) | ⬆ 0.7% | ⬆ 1.1% |
| 2017-18 (forecast) | ⬆ 0.4% | ⬆ 1.4% |
| 5 year average annual growth rate (2015-16 to 2019-20) | ⬆ 1.3% | ⬆ 1.3% |

*Source: NT Government 2016, p.2*

The 2016-17 estimate for employment growth (0.7%) is well down on the 2016-17 forecast in December 2015 (+1.3%); while the 2016-17 national estimate of 1.1% is higher than the 2016-17 forecast of a year ago (NT Government 2015a, p.2).

The current 5 year average annual employment growth rate forecast for the NT of 1.3% represents a decrease on the December 2015 five year forecast of +1.6%. There has also been a decrease in the national 5 year forecast (down from +1.5% a year earlier to 1.3% now). (NT Government 2016a, p.2; NT Government 2015a, p.2).

## The challenge for the Northern Territory

The projections for the economic situation in the NT, while still positive, are not as strong as was anticipated a year ago. Coupled with ongoing cost of living issues this presents some challenges for the new NT Government which has the delicate task of balancing economic and employment growth in a context where there have been historically high costs of living, particularly in relation to key areas such as housing, food, transport and utilities prices. While there has been an easing of costs in some of these expenditure areas in recent years, some prices still remain high overall.

In addition, the NTG must consider the needs of a significant proportion of the population who face barriers to education, training and employment, in addition to high living costs, which are further exacerbated as a result of remoteness. Poverty and disadvantage are very real issues in the Northern Territory and reducing the levels of both of these presents a significant challenge.

People living in remote areas face issues in terms of lack of access to service provision, and the NTG is tasked with allocating finite resources towards the provision of essential services – provided by both the government and non-government sectors - such as health services, family support services, education and training and early intervention. If these services are resourced well, they can contribute to the lifting of people out of poverty and disadvantage.

As previous NTCOSS Cost of Living Reports have shown cost of living pressures have increased markedly in a number of key areas over the past decade (since March 2006) - with major overall rises in electricity, water, insurance, rent prices, education and health costs being the CPI areas hardest hit. In all of these instances the prices have risen well above the generic CPI (all groups) for Darwin over the same period (NTCOSS 2016, p. 5).

Over the past decade there has been an overall slowing in the CPI 'all goods' growth and a slowing of growth (or even negative growth) in some CPI categories – such as food, transport, furnishings, household equipment and services and recreation and culture, fuel, clothing and footwear and communications services.

*As NTCOSS has regularly highlighted, where price rises occur for essential items of expenditure such as electricity, insurance and health services, these are likely to have a greater impact on low income and disadvantaged Territorian households, as such items use up a greater proportion of the weekly income for these households.*

Price increases in critical expenditure areas continue to place great strain on lower income households, and cannot be ignored. And while the NT experiencing a low or steady rate of CPI over the past decade may seem like good news, not all Territorian households are enjoying the benefits of this. The overall CPI

‘All groups’ figure simply does not reflect what prices are doing for particular categories of goods and services, nor does it reflect what is happening in the parts of the NT outside Darwin.

The lower fuel prices that have been enjoyed in Darwin, as well as in the other major centres, are not being enjoyed by Territorians in remote communities. In some remote areas fuel costs twice the price as it does in the Top End. The same is true of food, where people in remote communities over the last 5 years have been paying at least 40% more (and as high as 53% more) when compared to prices for the exact same goods in a Darwin supermarket (NTCOSS 2016, p. 12).

## NTCOSS Recommendations

The NTCOSS Cost of Living Report No. 12 made a number of recommendations (NTCOSS 2016, p. 6-36), which provide some concrete proposals for the Northern Territory Government to consider. The recommendations would help ease the burden on Territory households and ensure that all Territorians can enjoy a standard of living that enables them to have their essential needs met and be able to participate fully in society and contribute their skills and experiences. Some of these recommendations are reiterated here.

NTCOSS calls on the NT Government to:

1. Review the eligibility criteria for access to the NT Pensioner and Carer Concession Scheme (NTPCCS) to ensure so that those who are most disadvantaged are able to access the Scheme – e.g. *all* Health Care Card holders. This would include all those who are on the Newstart and Youth Allowances.
2. Build in regular indexation to relevant concessions and subsidies (based on price reviews) to ensure such concessions keep pace with rising living costs, e.g.:
   - NTPCCS concessions such as the Motor Vehicle Registration Fee Concession
   - PATS concessions such as the commercial accommodation subsidy, private accommodation subsidy and fuel subsidy
3. Provide mechanisms to enable low-income households to improve energy and water efficiency, such as:
   - Incentives for private and public housing landlords to improve energy and water efficiency; and,
   - Low-interest loans and/or more rebates for solar power, solar hot water accessible to low income households
4. Support the development of a forum for addressing food pricing in the NT, to establish engagement between community, industry, research bodies and government to address price disparities between major supermarkets and remote and corner stores
5. Establish timeframes and targets to reduce the price of fruit and vegetables down to the Darwin supermarket average
6. Review public bus routes and timetables to facilitate a more effective service – and reduce the significant reliance on taxis and minibuses for many low income Territorians. Consider free off-peak public transport for concession and health care card holders
7. Urge the Commonwealth Government to increase and index Commonwealth Rent Assistance to match rises in rental prices – taking into account regional differences
8. Urge the Commonwealth Government to increase the base rate Allowance payments, such as Newstart and Youth Allowance, by $50 per week.

**APPENDICES**

## Appendix A: CPI Changes, Expenditure Type Darwin vs National - Past Quarter and Past Year

*Appendix A shows the trends in the CPI for the previous quarter and for the past year, for all of the 11 CPI categories measured by the ABS quarterly – as well as some of the sub categories (e.g. rent, fruit, vegetables and dairy products) showing how specific cost of living areas have impacted on the overall 'All Groups' CPI figure for Darwin since December 2015.*

| | Darwin CPI | | National CPI | |
|---|---|---|---|---|
| **Cost of Living area** | Last Quarter Sep 2016-Dec 2016 % Change | Past Year Dec 2015 – Dec 2016 % change | Last Quarter Sep 2016-Dec 2016 % Change | Past Year Dec 2015 – Dec 2016 % change |
| **Food & Non-Alcoholic Beverages** | 0.3% | 1.5% | 0.6% | 1.8% |
| Meat and seafood | -0.6% | 1.2% | 0.5% | 1.4% |
| Dairy & related products | 0.1% | -3.1% | -0.7% | -1.2% |
| Fruit | 3.9% | 9.1% | -0.2% | 6.9% |
| Vegetables | 1.9% | 12.3% | 2.5% | 12.5% |
| **Alcohol & Tobacco** | 2.6% | 5.8% | 2.8% | 5.9% |
| Alcohol | -0.1% | 0.6% | -0.6% | 0.6% |
| Tobacco | 6.3% | 13.8% | 7.4% | 13.2% |
| **Clothing & Footwear** | 0.4% | -3.5% | -0.5% | -0.9% |
| **Housing (includes utilities)** | -0.5% | -3.0% | 0.3% | 1.9 % |
| Rents | -1.8% | -8.2% | 0.1% | 0.6% |
| New dwelling purchase | 0.0% | 0.3% | 0.5% | 2.0% |
| Utilities | 0.0% | -4.1% | -0.2% | 2.6% |
| Water & Sewerage | 0.0% | 0.9% | 0.0% | -1.8% |
| Electricity | 0.0% | -5.5% | 0.0% | 4.7% |
| **Furnishings, household equipment/ services** | -0.6% | 0.5% | -0.8% | 0.6% |
| **Health** | -0.7% | 2.5% | -0.6% | 3.7% |
| **Transport** | 1.1% | -0.6% | 1.7% | -0.3% |
| Automotive Fuel | 7.5% | -2.5% | 6.7% | -1.1% |
| Public Transport | 0.0% | 0.0% | 1.8% | 2.3% |
| **Communication** | -0.9% | -5.8% | -0.8% | -5.9% |
| Telecommunication Equipment & Services | -1.0% | -6.3% | -0.8% | -6.4% |
| **Recreation & culture** | -2.2% | -1.7% | 0.6% | -0.5% |
| **Education** | 0.0% | 3.4% | 0.0% | 3.3% |
| **Insurance & financial services** | -0.9% | -1.5% | 0.6% | 2.7% |
| Insurance | 0.4% | 2.9% | 2.0% | 7.7% |
| **CPI All Groups** | -0.1% | -0.4% | 0.5% | 1.5% |

*Source: ABS 2016d and ABS 2016e Data 4, 5, 6*

# EXPLANATORY NOTES

## 1. CPI and Living Cost Indexes

The ABS Selected Living Cost Indexes (SLCI) uses a different methodology to the CPI in that the CPI is based on acquisition (i.e. the price at the time of acquisition of a product) while the living cost index is based on actual expenditure. This is particularly relevant in relation to housing costs where CPI traces changes in house prices, while the SLCI traces changes in the amount expended each week on housing (e.g. mortgage repayments). Further information is available in the Explanatory Notes to the Selected Living Cost Indexes (ABS 2016c).

In that sense, the Selected Living Cost Indexes are not a simple disaggregation of CPI and the two are not strictly comparable. However, both indexes are used to measure changes in the cost of living over time (although that is not what CPI was designed for), and given the general usage of the CPI measure and its powerful political and economic status, it is useful to compare the two and highlight the differences for different household types (Adapted from SACOSS 2014, p.9).

"The Selected Living Cost Indexes (SLCIs), Australia incorporates the Pensioner and Beneficiary Living Cost Index (PBLCI) and the Analytical Living Cost Indexes (ALCIs). The ALCIs have been compiled and published by the ABS since June 2000 and were developed in recognition of the widespread interest in the extent to which the impact of price change varies across different groups of households in the Australian population" (ABS 2016c).

"ALCIs are prepared for four types of Australian households:

- employee households (i.e. those households whose principal source of income is from wages and salaries);
- age pensioner households (i.e. those households whose principal source of income is the age pension or veterans affairs pension);
- other government transfer recipient households (i.e. those households whose principal source of income is a government pension or benefit other than the age pension or veterans affairs pension); and
- self-funded retiree households (i.e. those households whose principal source of income is superannuation or property income and where the Household Expenditure Survey (HES) defined reference person is 'retired' (not in the labour force and over 55 years of age))" (ABS 2016c).

## 2. Limitations of the Selected Living Cost Indexes

The Selected Living Cost Indexes are more nuanced than the generic CPI in that they measure changes for different household types, but there are still a number of problems with using those indexes to show cost of living changes faced by the most vulnerable and disadvantaged in the Northern Territory. While it is safe to assume that welfare recipients are among the most vulnerable and disadvantaged, any household-based data for multi-person households indicates nothing about distribution of power, money and expenditure within a household. This may therefore hide particular (and often gendered) structures of vulnerability and disadvantage. Further, the living cost indexes are not state-based, so particular Northern Territory trends or circumstances may not show up (Adapted from SACOSS 2014, p.9).

At the more technical level, the Selected Living Cost Indexes are for households whose predominant income is from the described source (e.g. Aged Pension or government transfers), though many households in these categories have other sources of income, or more than one welfare recipient in the same household. Like the CPI, the Living Cost Index figures reflect broad averages (even if more nuanced), but do not reflect the experience of the poorest in those categories (Adapted from SACOSS 2014, p.9).

Another example of this “averaging problem” is that expenditures on some items, like housing, are too low to reflect the real expenditures and changes for the most vulnerable in the housing market – again, because the worst case scenarios are “averaged out” by those in the category with other resources. For instance, if one pensioner owned their own home outright they would generally be in a better financial position than a pensioner who has to pay market rents. As an example, if the market rent was $300 per week, the average expenditure on rent between the two would be $150 per week, much less than what the renting pensioner was actually paying (Adapted from SACOSS 2014, p. 9).

The weightings in the Selected Living Cost Indexes are also based on a set point in time (from the 2009-10 ABS *Household Expenditure Survey*) and can’t be changed until the next survey. In the meantime, the price of some necessities may increase rapidly, forcing people to change expenditure patterns to cover the increased cost. Alternatively or additionally, expenditure patterns may change for a variety of other reasons. However, the weighting in the indexes does not change and therefore does not track the expenditure substitutions and the impact that has on cost of living and lifestyle (Adapted from SACOSS 2014, p.9).

The Selected Living Cost Indexes’ household income figures are based on households that are the average size for that household type: which for Aged Pensioners is 1.52 and Other Government Transfer recipients 2.57 (ABS, 2016c). This makes comparison with allowances difficult. This Report primarily focuses on single person households or a single person with two children (to align to the other welfare recipient household average of 2.57 persons). However, this is a proxy rather than statistical correlation (Adapted from SACOSS 2014, p. 9-10). While the Selected Living Cost Indexes do have some limitations in terms of tracking cost of living changes overall however, they provide a “robust statistical base, quarterly tracking of changes and a long time series, which all provide valuable data for analysis” (SACOSS 2014, p.10).

**3. How Pension rates are adjusted**

“Currently, pensions (including the Age Pension, Service Pension, Disability Support Pension and Carer Payment) are indexed twice each year by the greater of the movement in the Consumer Price Index (CPI) or the Pensioner and Beneficiary Living Cost Index (PBLCI). They are then ‘benchmarked’ against a percentage of Male Total Average Weekly Earnings (MTAWE). The combined couple rate is benchmarked to 41.76% of MTAWE; the single rate of pension is set at 66.33% of the combined couple rate (which is equal to around 27.7% of MTAWE). ‘Benchmarked’ means that after it has been indexed, the combined couple rate is checked to see whether it is equal to or higher than 41.76% of MTAWE. If the rate is lower than this percentage, the rates are increased to the appropriate benchmark level” (Parliamentary Library 2014).

“The CPI is a measure of changes in the prices paid by households for a fixed basket of goods and services. Indexing pension rates to CPI maintains the real value of pensions over time. The PBLCI measures the effect of changes in prices of the out-of-pocket living expenses experienced by age pensioner and other households whose main source of income is a government payment. The PBLCI is designed to check whether their disposable incomes have kept pace with price changes. The MTAWE benchmark is not intended to maintain the value of the pension relative to costs; it is seen as ensuring pensioners maintain a certain standard of living, relative to the rest of the population" (Parliamentary Library 2014). *NB: Allowance payments, such as Newstart and Youth Allowance are indexed to the CPI only, and are adjusted 6 monthly - every March and September.*

**4. Pension and Newstart (and Family Tax Benefit) Calculations for Figures 1 and 2**

These figures reflect payment levels for a single Aged Pensioner; a single Newstart recipient with no children as well as with two children, and a single Youth Allowance recipient. There are clearly going to be variations in payment rates for different recipients, which will be affected by family structure, the number and age of children and receipt of supplements like rent assistance (but for simplicity these are not all factored in here). Payment rates for single people are used – as partner's income for partnered recipients adds further complexity (Adapted from SACOSS 2014, p.10).

**Table 7a Weekly Payment Rates at 31 December 2015**

| | Base Rate | Pension Supp | Energy Supp* | FTB A Child u13 | FTB A Child 13-15 | FTB B | Pharmac. Benefit | TOTAL PAYMENT |
|---|---|---|---|---|---|---|---|---|
| **Aged Pension** (single) | $394.20 | $32.25 | $7.05 | | | | | $433.50 |
| **Newstart** (single, no children) | $261.70 | | $4.40 | | | | | $266.10 |
| **Newstart** (single, 2 children) | $283.15 | | $4.75 | $89.88 | $116.97 | $53.41 | $3.10 | $551.26 |
| **Youth Allowance** (single, no children) | $213.40 | | $3.50 | | | | | $216.90 |

**Table 7b: Weekly Payment Rates at 31 December 2016**

| | Base Rate | Pension Supp | Energy Supp* | FTB A Child u13 | FTB A Child 13-15 | FTB B | Pharmac. Benefit | TOTAL PAYMENT |
|---|---|---|---|---|---|---|---|---|
| **Aged Pension** (single) | $398.95 | $32.55 | $7.05 | | | | | $438.55 |
| **Newstart** (single, no children) | $264.35 | | $4.40 | | | | | $268.75 |
| **Newstart** (single, 2 children) | $285.95 | | $4.75 | $91.42 | $118.94 | $54.32 | $3.10 | $558.47 |
| **Youth Allowance** (single, no children) | $216.60 | | $3.50 | | | | | $220.10 |

*Source: Figures derived from Centrelink 2015 and Centrelink 2016. Note - All figures are based on maximum rates of payment where relevant (2 children for Newstart calculation based on 1 child under 13 y.o.; and one child b/w 13-15 y.o.).*

NOTE: the minimum wage figure referred to on page 8 of $672.70 is for a 38 hour week (before tax) and is the minimum wage for the period 1 July 2016 – 30 June 2017.

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